Providing customers with value and convenience

B&M European Value Retail S.A.
Annual Report & Accounts 2021

Our purpose

Delivering great value to our customers so that they keep returning to our stores time and time again

Our values

Simplicity
Proud to keep our business simple and fun, and work at B&M speed

Trust
Proud to trust honesty, loyalty and hard work

Fairness
Proud to act fairly and responsibly with customers, colleagues and suppliers

Proud
Proud to treat every £1 as our own and provide customers with great value for money

See page 5 for more information

Strategic Report

Highlights

An exceptional year

Financial highlights

Group revenues
£4,801.4m
+25.9% FY20: £3,813.4m

Cash generated from operations
£944.0m
+75.0% FY20: £539.5m

Profit before tax
£525.4m
+108.5% FY20: £252.0m

Diluted earnings per share
42.7p
+119.0% FY20: 19.5p

Adjusted EBITDA[1]
£626.4m
+83.0% FY20: £342.3m

UK and France store estates

B&M UK stores
+3.8%

- 25 net new B&M stores opened in FY21 despite the disruption caused by Covid-19, growing the estate by 3.8% to 681 stores in the UK.
- The performance of new stores, including those where an existing store is relocated, continues to be strong and typically above the company average. Good pipeline of new stores for FY22.

Heron Foods stores
+4.4%

- 13 net new Heron Foods stores opened in FY21, growing the estate by 4.4% to 306 stores in the UK.
- Good pipeline of new stores for FY22.

French Babou and B&M stores
+3.0%

- 3 net new stores opened in France during FY21, taking the total to 104 with 49 still branded Babou and 55 under the B&M fascia at the end of FY21.
- The immediate priority is the continued re-branding of French Babou stores to B&M and the refinement of the ranging model and mix in those stores.

Contents

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. Adjusted EBITDA is a non-IFRS measure and therefore we provide a reconciliation from the statement of comprehensive income. Adjusting items are the effects of ineffective derivatives, one off refinancing fees, foreign exchange on the translation of inter-company balances and the effects of revaluing or unwinding balances related to the acquisition of subsidiaries. Significant gains or losses arising from unusual circumstances or transactions may also be included if incurred. See the reconciliation of adjusted measures to statutory measures on page 19 for further details. EBITDA represents profit on ordinary activities before net finance costs, taxation, depreciation and amortisation. The figures for FY21 presented in the strategic report are for the 52 weeks ended 27 March 2021, and the comparable figures for the previous year, FY20, are for the 52 week period ended 28 March 2020.

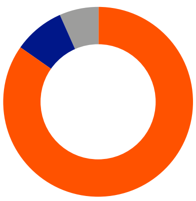
Company overview

We are the UK's leading variety goods value retailer, providing customers with the best-selling items across a range of Grocery and General Merchandise categories at bargain prices

Across all of our B&M, Heron Foods, Babou and B&M stores in France, we provide customers with a limited assortment of products including the best selling goods in our Grocery and General Merchandise ranges. They are mainly sourced directly from producers and manufacturers, and include a number of leading household brands. This simple low cost sourcing approach allows us to constantly provide customers with great value all year round.

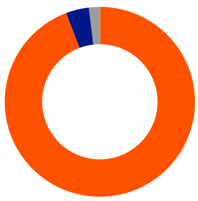
Our brands

	B&M	Heron Foods	Babou
Number of employees	36,483[1]	4,666	278[2]
Number of stores	681	306	104



Revenue by fascia

B&M	£4,077.6m
Heron Foods	£414.8m
Babou	£309.1m



Adjusted EBITDA[3] by fascia

B&M	£590.7m
Heron Foods	£24.6m
Babou	£11.1m

1. Includes the corporate segment.
2. The majority of colleagues in our French stores are not employees of the Group. They are employed directly by the Manager of each store, regardless of whether they are branded Babou or B&M, and are therefore excluded from the number above.
3. 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. For further detail, see the footnote on page 1. B&M also includes the corporate segment as referred to in note 2 of the financial statements and includes an adjusted loss of £(1.5)m in FY21.
4. Group net debt to adjusted EBITDA is stated on a pre-IFRS16 basis.

Well positioned for future growth

1. Favourable market positioning

B&M is a fast growing variety goods value retailer in the UK with 681 stores, plus a further 306 Heron Foods value convenience stores.

We have a modest share of the large UK market overall in relation to the range of products we sell, but we have continued to grow our like-for-like sales in a number of categories in FY21.

By providing customers with great value every day, we believe they will keep returning to our stores. The continued structural shift towards value and convenience retailing in the UK means that the B&M Group remains well positioned to grow sustainably in the long term.

See Market overview on page 6
for more information

2. Disruptive business model

The B&M business model of limited assortment, direct sourcing, tight discipline on maintaining a low cost base and keeping our operations simple, allows us to pass on savings to customers with our value pricing.

We have convenient locations for stores and we provide a range of best selling everyday products at value prices in all of our General Merchandise and Grocery ranges. This is a distinctive customer proposition, which resonates well with customers who either need or enjoy a bargain, often leading to further impulse purchases.

Our focus is on selling only the most popular products and maintaining a constant stream of new items every week, which gives customers another reason to keep returning to our stores.

See Business model on page 8
for more information

3. Attractive financial returns

B&M has a strong financial track record of consistently delivering like-for-like sales growth, stable gross margins, strong rates of new store rollouts and high cash generation. Over the period since IPO in June 2014 to March 2021 the Group has generated a total shareholder return of over 167.0%.

We have a clear capital allocation policy, with an ordinary dividend pay-out ratio of 30-40% of post-tax earnings and a leverage ceiling of 2.25x[4]. The exceptional sales performance over the past year and the capital light nature of our ongoing store roll-out programme, means the business has continued to be strongly cash generative in FY21.

See Financial review on page 18
for more information

4. Significant growth potential

New B&M UK store openings continue to produce strong returns, with a short capital investment payback period. Our target of at least 950 B&M stores in the UK means that we have a substantial runway for further expansion in our core UK business. This target may also be conservative in light of recent performance and the potential space opportunities in the future created by other retailers leaving the market or downsizing their store estates.

In addition, Heron Foods has given the Group a platform for growth in the value convenience sector and we are continuing to develop the model for realising the significant potential which exists in the French market.

See CEO's review on page 14
for more information

Strategic Report

Chairman's statement

"An exceptional year"

Peter Bamford
Chairman

Overview

It has been an extraordinary year. Covid-19 has had a huge impact on the world we live in and has tested many elements of our business strategy and operations. B&M has come through those tests in excellent shape and delivered outstanding results. Some may attribute B&M's performance over that last year to good fortune. However, strong leadership and excellent execution of a clear and focused strategy have been the underlying drivers of success. Whilst we have had the benefit of being classified as an essential retailer in the UK, and therefore have been able to trade throughout the pandemic and associated lockdowns, there have been huge challenges which Simon Arora and his management team have responded to rapidly and effectively while at all times keeping the safety of our colleagues and customers as the highest priority. Our colleagues throughout the Group have also responded magnificently to the situation and changing requirements.

It is clear that the B&M customer proposition remains exceptionally well-positioned in the UK and there is growing evidence that it can be highly successful in France. Careful product design and selection, great value prices and an effective and efficient supply chain have delivered consistently well for our customers throughout the last year with minimal disruption from Covid-19 and Brexit. There is also evidence that new customers have discovered B&M during this period and have found our products and stores very attractive.

The growth in the scale and value of B&M resulted in the Company joining the FTSE 100 Index from September 2020. This is an important milestone in B&M's development. The trading performance has also enabled us to refund all furlough support, waive business rates relief in full, and return an additional £450m to our shareholders through special dividend payments.

Strategic progress

We have continued to open new stores in the year under all fascias. In the UK we opened 43 new stores in total under the B&M fascia. This was a higher number than we expected at an early stage in the pandemic when we thought construction work might be more constrained. The new stores are typically larger than the historic average with more than half having garden centres, bringing the total number of garden centres to almost 200. Together with our enhanced ranges of product in the Home categories, B&M has been well positioned for the increased expenditure by customers on home and garden activities over the last year under lockdown.

Our new distribution centre at Bedford which was opened in FY20 has now become fully operational. This huge new facility was brought on line without material disruption to product supply, although the operating costs have run higher than we would like in the transition.

In France, Babou also has had to operate with more extensive trading restrictions and with varying numbers of stores having to close at various times under lockdowns. However, we have continued to test, develop and refine the B&M proposition for France and have growing confidence that we can build a large and successful business in the future.

While the exceptional nature of the last year will inevitably mean a reversal on some performance metrics in FY22, we believe that B&M is strategically well positioned for the long term.

Board changes and diversity

We have continued to evolve our Board and senior management team.

Paul McDonald retired from the Board and as the Group Chief Financial Officer ("CFO") in November 2020. I would like to thank Paul on behalf of the Board for his service over a period of 10 years. He played a major role alongside Simon Arora in taking B&M from being a small private company through the IPO and onwards to becoming part of the FTSE 100 last September. We wish him well for the future.

I am pleased to welcome Alex Russo as our new Group CFO, who joined the Board in November 2020. Alex brings with him a great deal of experience in the retail sector having worked for a number of leading retailers in the UK and internationally, including Tesco and Asda. Importantly he also has discount retailing experience, having latterly been the CFO of Wilko.

Following the retirement of Kathleen Guion in January 2020 we have also continued to seek to improve our gender diversity in relation to the Board this year. We are planning to appoint a further female Non-Executive Director and have a search process is under way which is detailed in the Nomination Committee report. In addition, Gilles Petit has decided not to seek re-election at the AGM this year as he is now intending to focus on roles supporting start-up businesses. I would like to thank Gilles for his contribution to the

Board during his period as a director. The consequence of these changes is that by the AGM we will have restored female representation on our Board to at least 33%.

We have also made a number of appointments to strengthen our broader senior management team as the business has continued to grow at a significant rate. Further details of those appointments have been included in my report as Chairman of the Nomination Committee on page 64 below.

Remuneration Policy

The Directors' Remuneration Report outlines the review of remuneration which has been carried out and the proposed changes to the policy which will be submitted to our Annual General Meeting in July. This is a significant review because the business has grown so much and become significantly more complex since the last review in 2018. The review concludes that, while the policy is largely 'fit for purpose' and requires relatively few changes, it is crucial that we make some changes to the Chief Executive Officer's remuneration to reflect how the role has developed as the business has grown. We have consulted our shareholders extensively in relation to the changes and I hope that our shareholders will support this new policy and the changes to its implementation at our AGM.

Culture, values and governance

Our response to the pandemic has been guided by our values and the interests of our stakeholders and the communities we serve.

Our most important priority has been to ensure that the safety of our workforce and customers has been protected through the measures we have taken in relation to the pandemic. At the outset of the pandemic we took immediate steps to ensure that social distancing was in place at all of our stores and distribution centres. We deployed face coverings, disposable gloves, hand sanitiser and social distancing marshalling across the store network and protective screens were installed for our checkout colleagues. We have continued to maintain high standards of cleanliness throughout our business, from stores and distribution centres, down to individual workstations of colleagues which are constantly cleansed at regular intervals throughout each working day.

To recognise the increased challenges for colleagues during the times of peak demand we increased the pay of our UK store and distribution colleagues by 10% for the months of April and May 2020. We also awarded them an extra weeks pay in January 2021.

As well as looking after our workforce and ensuring that our customers are served safely in our stores, we also wanted to give support and recognition to NHS staff and we therefore included them in our store discount scheme nationally during the peak of the pandemic in the first two months of the last financial year and also again in January 2021.

We have also delivered a total of £1m in cash donations to foodbanks across the UK as part of our response to the Covid-19 pandemic to support some of the most vulnerable in society.

Our governance in a broader sense has evolved with the growth and development of the company and our entry into the FTSE 100. The Board is conscious of the increasing importance of environmental, social and governance ("ESG") actions and reporting. Our aim is to deliver our growth strategy as a value retailer in a sustainable way for the benefit of all our stakeholders. For B&M we consider ESG from the perspective of five key stakeholders, namely our colleagues, customers, communities, suppliers and the environment. Details of our actions and outputs in relation to these stakeholders are set out in our Corporate Social Responsibility report on page 33 below. We also considered during our annual strategy day this year what further developments may be appropriate in relation to our ESG strategy and reporting going forward including the setting of appropriate targets, and preparing to comply with the Task Force on Climate-related Financial Disclosures requirements in FY22. Our management team will be evaluating those for further consideration by the Board in the coming year.

Finally, I would like to thank our shareholders for their continued support, and again our colleagues and customers during this very challenging year.

Peter Bamford
Chairman
2 June 2021

Purpose, culture & values

The vision, purpose and culture of our business is underpinned by our values of simplicity, trust, fairness and taking pride in everything we do.

Simplicity

Proud to keep our business simple and fun, and work at B&M speed

Trust

Proud to trust honesty, loyalty and hard work

Fairness

Proud to act fairly and responsibly with customers, colleagues and suppliers

Proud

Proud to treat every £1 as our own and provide customers with great value for money

Those values are also reflected in how we strive to do the best we can for the benefit of all our customers, colleagues, suppliers and investors, and the communities we operate in.

See pages 44 to 47 for more information

Market overview

As a variety goods retailer, the market in which we operate is diverse and substantial

General trends

The shift in retail demand towards much more value conscious consumers over the last decade is now an established feature of the market for Grocery and General Merchandise goods in the UK and France.

We believe this pattern of consumer behaviour will continue for the foreseeable future, with increasing social acceptance of discount shopping. In light of the many consequences the Covid-19 pandemic has had on everyday life, the relevance of value and convenience has never been greater.

Whether consumers need to save money or just enjoy a bargain, the B&M model is designed to meet those requirements through its carefully selected ranges, value prices and convenient store locations.

Convenience food store shopping is also an important part of the UK market. Through our convenience store chain, Heron Foods, we are also able to take advantage of this opportunity.

Market positioning

At B&M, we provide value and convenience across a wide range of Grocery and General Merchandise products. As such, we aim to take a small amount of market share in each of the 15 chosen categories in which we operate. The attraction for customers visiting our stores is that we offer the best selling products, and adjust our ranges to meet the changing demands of our customers for different types of products and for seasonal goods. This means customers can buy what they want, when they want and at the price they want all year round.

By spanning many different categories, customers are able to find a broad range of products in one visit. This serves customers particularly well with the current trend for consumers looking to reduce overall shopping visits during the Covid-19 pandemic.

Customers are typically looking for specific destination purchases, but they will often also make impulse purchases as they browse around a store. The desire for "treasure hunting" is supported by us constantly introducing new products in our stores. We average around 100 new products per week, predominately within our General Merchandise categories. This provides customers with their everyday essential needs, while also giving them a fun and exciting shopping experience.

Territories and store estates

United Kingdom

The UK retail market in which the B&M and Heron Foods businesses operate is very large, with total store-based retail sales, covering both Grocery and General Merchandise, of c.£300 billion in 2017[1]. Even though we have attracted a number of new customers during FY21, our share of this market remains small at c.1.5%[2], meaning there is still a significant opportunity for further growth across our chosen product categories.

We believe that an estate of at least 950 B&M fascia stores in the UK is achievable, based on analysis carried out by an external consultancy in 2017. This target appears to us to be increasingly conservative given the performance and customer appeal of B&M in FY21. The B&M fascia business in the UK currently has 681 stores, leaving a long runway for growth ahead of us.

Heron Foods operates in the convenience sub-sector of the UK Grocery market, which in total was worth c.£160 billion in 2017[1]. Heron Foods provides consumers with easy local access to everyday chilled, frozen and ambient food items. It has an attractive value proposition in a market which has been primarily dominated by the premium pricing models of other larger retailers. Our model is to locate stores in communities close to where people live and provide them with value prices for frozen, chilled and ambient food.

The Heron Foods chain of 306 convenience stores has the potential to become multiple times larger as we continue to roll out new stores both within and beyond the North of England heartland where most of its stores are located currently.

681
+3.8% in FY21
B&M UK stores

306
+4.4% in FY21
Heron Food stores

See page 16 for more information

B&M UK stores overall target
950

Heron Foods revenue growth
+6.4%

B&M UK LFL revenue growth
+23.8%

Out of Town revenue represents
c.80%

Babou revenue growth
+9.1%

1. Figures are based on management estimates, having regard to external market research on the size of the relevant market in 2016/17. Market share is calculated by reference to UK revenues in FY21.
2. UK market share is calculated based on the reported revenues of B&M and Heron Foods.

France
The French retail market is the second largest in continental Europe, and shares a number of similar characteristics to that of the UK. The market has attractive dynamics including the overall market size, the popularity of the discount channel and healthy operating margins achieved by several of the incumbent operators.

There are two immediate priorities for our French business. The first is to complete the evolution of the product mix, replicating the direct sourcing and limited assortment SKU model of B&M in the UK. In particular, this has and continues to involve reducing the exposure to Clothing and Apparel, whilst introducing a modest amount of food and grocery products and increasing the General Merchandise ranges within its product mix. A lot of work in relation to that has now been completed, but there is still some refining of the mix and ranges to do while customer reaction is being carefully monitored. The response we have received so far from the French consumer to the new products sourced via the B&M supply chain has been positive, but it has been difficult to measure the strength of that demand over a sustained period of time in view of the French lockdown restrictions this year.

At the end of FY21, we had a total of 104 stores in France, with 55 of them branded as "B&M". Early indications are that the re-branded stores are outperforming their Babou counterparts. Subject to monitoring the on-going performance of the re-branded stores, our second main priority is to re-brand the remaining stores as "B&M" by the end of 2021.

Given both the size of the French market and the small market share which Babou currently has, the opportunity exists for the French business to grow its store footprint multiple times over, which is our ultimate ambition in relation to that business.

104
+3.0% in FY21
French stores

Competition

As a variety retailer, B&M competes with a large number of other retailers covering a range of product categories:

The mainstream UK grocers offering a complete selection of Grocery and FMCG products, with the largest stores also having a range of General Merchandise items.

Convenience stores
A sub-sector of the UK Grocery market aimed at providing mostly food products to consumers, covering the full spectrum of price positions from value up to premium.

Category specialists
A large number of competitors in categories such as DIY, Gardening, Furniture, Homewares, Electricals and Pet.

Variety discounters
Like B&M, retailers who sell a wide selection of Grocery and General Merchandise products at value prices.

What differentiates B&M from the competition

B&M's business model provides a range of products at value-led pricing through our direct sourcing, limited assortment and simple low cost approach. With an emphasis on household brands, there is no compromise on quality at our price points. Our customer proposition is underpinned by the following main pillars of our business model:

Branded Grocery
B&M has a targeted range of Grocery products from the leading brands, many of which are sourced directly from global food and FMCG suppliers at everyday low prices. Our customers are then able to benefit from our value pricing of household brands within those categories which their budgets might not have been able to meet otherwise.

Branded General Merchandise
Within our General Merchandise ranges, we offer branded products where those names are an important customer requirement. We also have heritage branded products through relationships with national and global brands across a number of different categories of household products.

Own label General Merchandise
In addition to our wide selection of branded products, we also carefully curate ranges of own label products in specific categories such as Homewares and Furniture. By leveraging our relationships direct with manufacturers in Asia, we are able to design and bring to market a wide selection of quality products quickly and cheaply.

SKU discipline
We maintain a strict approach to our limited assortment model, only offering the best-selling products in any given category. Within our category ranges this limited SKU discipline means that we are agile and able to respond quickly to changes in customer trends. This ensures that our stores always have on the shelves what our customers want as seasons and demand changes.

Business model

A disruptive, agile and low-cost business model, with a track record of delivering growth

Our business model is to source and provide customers with a targeted food and grocery offering of leading brand products at the best prices we can, and to directly source the best-selling lines of general merchandise products enabling us to sell them at value prices.

Business strengths

Convenient store network	Our network of over 1,000 stores across the UK and France are found in convenient locations in modern retail parks, popular town centres and high streets. They are located in places close to where people live, making them easily accessible for customers.
Well invested infrastructure	We have a modern and scalable infrastructure to support the operations and growth of the business. In January 2020 we opened an additional Distribution Centre in Bedford in the South of England, providing B&M with a further 1 million sq ft of warehouse capacity. It currently serves around one-third of all B&M stores in the UK, but is capable of serving even more stores as we continue our store rollout programme.
Strong brand reputation	The B&M and Heron Foods names are recognised, established brands in the markets in which they operate. Those brands have a strong and growing reputation for delivering consistently great value, great brands, quality and newness in relation to the products people regularly buy for their homes and families. With discount shopping having become more socially accepted there is further opportunity to attract new customers while also retaining the loyalty of existing customers in the years ahead.
Skilled colleagues	Developing products and ranges to provide great value whilst being fresh and on-trend takes skill, experience and discipline. We have colleagues with many years of experience in their respective product markets, many of whom have worked previously as buyers and merchandisers with category specialist competitors. By working collaboratively with our buyers, merchandisers, product designers and sourcing agents in Hong Kong, we are able to provide what our customers want with quality products at value prices presented in a compelling way in our stores.
Strong supplier relationships	Maintaining our competitive value-led price model is also about developing and retaining strong long-term supplier relationships, who we regard very much as partners. Many of our suppliers have grown with us over several years working with our Group businesses. They value our simple and very efficient way of working directly with them. Our continued growth creates opportunities to attract and welcome new brands into our business.
Established governance processes & 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 Non-Executive Directors have many years of retail and consumer product business experience across a range of international markets. They provide constructive challenge to our management team, so that the best outcomes are achieved for all our stakeholders in how we operate our businesses, provide value and manage risk appropriately as a growth business.

Stakeholder outputs

Value to customers	Providing great value to customers is at the heart of our business. Helping customers spend less on the things they buy regularly for their homes and families all year round is what our business model is designed to constantly deliver. Never has this been more true than during the Covid-19 pandemic, and this year we have welcomed a number of new customers to B&M.
Colleague progression	Our colleagues are crucial to the success of our business, be that our central support teams, those working in our logistics network, or store colleagues providing great customer service every day. Our continued growth provides new job opportunities in the communities where we trade. There is also plenty of scope for colleagues throughout the business to build long-term and successful careers through promotion. In keeping with our values, we take pride in being an innovative and exciting place for colleagues to work, grow and develop to their full potential.
Suppliers as partners	The continued growth of B&M also benefits our suppliers. We have long-standing trading relationships with a number of well-known household brands across food and FMCG. We also have a number of established partners in relation to 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 and success of our respective businesses. We are always interested in adding well-known brands to our ranges. Our continued growth gives potential for our suppliers to grow with us which further strengthens those relationships.
Investing in communities	Our store opening programmes are targeted at making investments in communities where we are under-represented or not represented at all, using our flexible store formats to suit the relevant locality. This creates new jobs each time we open a store, plus convenient local access to our value-for-money products. In doing so, we are proud to contribute to the revitalisation of local communities where other retailers may have retrenched.
Returns for investors	Creating value for all our stakeholders is an essential underpin to creating shareholder returns for investors. Our characteristics of low capital-intensity and high-returning cash generative growth is a relatively rare and powerful combination in bricks and mortar retailing. These characteristics feed into the sustainability of our business model, which enhances our ability to provide continued growth and returns to investors.

Our limited product assortment of best selling products enables us to constantly introduce new products and react quickly to what's on trend and changes in demand.

Underpinned by

Corporate social responsibility

See CSR report on page 33
for more information

Risk management

See Principal risks on page 24
for more information

Financial performance

See Financial review on page 18
for more information

The broadening appeal of the B&M proposition

New customers discovering B&M

The Covid-19 pandemic has had a profound impact on the daily lives of everyone, not least in the way consumers have adapted their shopping habits. B&M has seen a customer preference for shopping at the more spacious, easily accessible out-of-town locations, which also enable customers to satisfy multiple shopping needs in a single trip. The economic impact of the pandemic on households means that value-for-money purchases have become increasingly important to help ease some of the pressures on limited spending budgets.

Against that backdrop, the combination of value, convenience and Grocery and General Merchandise product ranges offered by B&M all under one roof has been particularly relevant over the past 12 months. In order to understand more about the breadth of our appeal, in the summer of 2020 we commissioned Barclaycard, our merchant card services provider, to prepare an analysis of customer card transactions at our B&M UK stores. Customer card transactions at those stores accounted for approximately 80% of all purchases made at the time of that survey.

The card transaction analysis showed that the core B&M customer segment is families on a tight budget. The analysis also showed that in June 2020 some 23% of card transaction customers had not shopped at B&M during the previous five months, and the demographic profile of those customers was very similar to that of our existing customer base. This suggests to us that those new customers may well be likely to continue shopping at B&M in the future as they fit with the typical profile of our existing customers.

1 Calculated over the nine month period from July 2020 to March 2021 inclusive.

Something for everyone

Big brands

The April 2021 analysis also highlighted that the demographic profile of those customers most likely to visit repeatedly largely mirrored that of a typical B&M customer, being low to middle income family households. It is this demographic that B&M typically attracts due to our product mix and value proposition.

Something for everyone

Big savings

New customers were not restricted to particular areas of the country, with similar patterns being seen across different regions in the UK. This highlights to us the rollout opportunity which exists for B&M stores in the UK, particularly in the South of England where we are currently under-represented, and supports the long term target of at least 950 stores.

Like-for-like sales growth in the B&M UK business remained strong throughout the second half of the financial year. This was an indication that both existing and new shoppers were continuing to find our product offer and price proposition compelling and relevant.

To test and validate the pattern of new customer visits and customer loyalty, Barclaycard carried out a follow-up analysis in April 2021.

Of the new card transaction customers identified in the survey in June 2020, the analysis showed that 71% of them shopped with B&M again at some point over the subsequent 9 months[1], with an average frequency of visit of 4.2x up to the end of March 2021. That average frequency of repeat visits suggests we have become a part of the shopping routine for some of those new customers to our stores.

We believe that our value prices and quality product ranges are among the reasons why people finding B&M for the first time do come back again and over time become regular customers. We will continue to monitor this during the year ahead, given the ongoing uncertainty and reliability in trading conditions.

Long-term strategy

Our four strategic pillars aim to deliver sustainable growth

Strategic Pillars	Progress in FY21
Deliver great value to our customers	Our business model of sourcing household name branded products at everyday low prices has continued to prove a compelling proposition for customers. We saw a number of new customers discover our B&M fascia business in the UK over the past 12 months, attracted by the convenience and value for money we offer across a wide range of essential items. The Group delivered an exceptional like-for-like sales performance in FY21, particularly in the core B&M UK business in FY20 where growth was broad based across a number of our Grocery and General Merchandise categories. Due to the impact of Covid-19 on consumer spending, ranges such as Homewares, DIY, Gardening and Furniture were areas of particular strength. This was driven by increased demand from people spending more time in their homes. It was also helped by improved product quality and the presentation of those ranges in stores. Constant newness is also a key component of our General Merchandise ranges. Having experienced a year of significantly elevated sales, this remains particularly important to retain new customers and maintain the appeal of B&M as a destination shopping visit for them going forward. **See page 16** for more information
Invest in new stores	We continue to invest in our new store rollout strategy across the Group. In FY21 the B&M UK business opened 43 gross new stores despite the disruption to the construction sector caused by Covid-19, being 25 net of closures and relocations. The openings were weighted towards the second half of the year. Whilst we retain a presence in town centre locations, we have continued to target lager premises situated in convenient out of town retail parks. Those sites enable us to best showcase our Homestore ranges and often also have garden centres. We ended the financial year with a total of 681 B&M stores in the UK. In our Heron Foods business, we opened 17 new convenience stores, 13 net of closures and relocations, and now have 306 stores. The French business has been focused on re-branding a number of existing stores from the original Babou fascia to the B&M fascia. The French business did however open 5 new stores, and closed or relocated 2, taking the total number of stores in the French estate to 104. **See page 16** for more information
Develop our international business	B&M acquired Babou in France in October 2018 as a chain of 95 stores at that time. Before embarking on any significant store expansion programme, we have been focused on two priorities for the French business. The first has been to evolve the product offering to align it more closely to that of B&M in the UK. Specifically, this has involved introducing a limited but targeted selection of Grocery products, reducing the proportion of Clothing & Apparel in stores, and increasing the space dedicated to General Merchandise sourced directly through the B&M supply chain. A lot of this work has already been completed throughout the store estate, but we will continue to finesse the mix and ranges while we track the response of the French consumer. The second priority has been the re-branding of some of the stores in the estate from Babou to the B&M banner, and monitoring the performance and customer reaction to the rebranded stores. We had a total of 55 "B&M" branded stores out of the total portfolio of 104 stores in France at the end of FY21. The performance of the French business during those periods when the stores remained open was strong. This suggests to us that both the changes to the product mix and re-branding are having a positive impact, albeit there has been some disruption due to the coronavirus restrictions in France. Subject to the on-going performance of the re-branded stores we are aiming to re-brand the remainder of the estate by the end of 2021. **See page 16** for more information
Invest in our people and infrastructure	In the UK, we created over 7,200 new jobs during FY21 across our stores, distribution and support centre teams. We also strengthened the Group senior leadership teams, having welcomed Alex Russo as Group CFO, Anthony Giron as Managing Director of our French business and Richard Kirk as B&M UK Supply Chain Director. Having opened a new 1 million sq ft UK Distribution Centre in Bedford last financial year, it is currently experiencing a level of inefficiencies whilst scaling up operations and training new teams in a socially distanced environment. Notwithstanding those challenges it is now already serving over one-third of the B&M UK store estate. We have continued with our rolling programme of investment in upgrading our existing store estate, with maintenance capital expenditure of over £22m spent across the Group in FY21. A new Workforce Management System has now been rolled out across all stores, having been delayed during the initial coronavirus outbreak at the start of the financial year. Although the benefit seen in FY21 was minimal as we adopted a phased approach to training, this will now provide a strong foundation to drive further efficiencies within our store operations. **See page 17** for more information

Throughout FY21, the wellbeing of colleagues and customers has remained a priority for B&M, in light of the many challenges that Covid-19 has presented. Whilst working hard to maintain a safe working and shopping environment, the business continued to execute its long-term strategy for driving sustainable growth in revenues, earnings and free cashflow.

See pages 14 to 17 for more information

Performance in FY21

Group revenue growth

+25.9%

B&M UK like-for-like revenue growth

+23.8%

See page 18 for more information
See Principal risks numbers 2 and 3 on page 26

Looking ahead

With Covid-19 continuing to have a profound impact on the daily lives of everyone, value and convenience are likely to remain important to customers when deciding where to shop. We believe therefore that the B&M proposition should remain highly relevant to shoppers as we look to continue to grow our business in the future.

Competitive pricing is at the heart of our business model and our focus remains on providing a limited assortment of the best-selling products, including leading brands, at bargain prices. This model has a track record of resonating well with our customers. It also helps limited household budgets to go that little bit further.

We continue to look for opportunities in General Merchandise categories where other specialist category retailers are less price competitive and where we can see opportunity as some of them have downsized their bricks and mortar estates. By targeting those categories, we see potential to grow our market share further through our value-led model.

We are also investing in the skills and experience we have in our own trading teams, in areas such as product design and visual merchandising. This is to ensure that we are always selecting the right products to appeal to current trends, and making sure they are well-presented to customers in our stores.

UK gross new store openings

43 B&M UK

17 Heron Foods

See page 18 for more information
See Principal risks numbers 1 and 11 on pages 25 and 30

We expect to open 45 gross new B&M UK stores in FY22, subject to any disruption caused by changes in restrictions related to Covid-19. Whilst we plan the new store programme accordingly, we also remain vigilant in relation to suitable potential acquisition opportunities where there is space availability from downsizing or withdrawal from the market by others.

Longer term, we remain committed to our target of at least 950 B&M stores in the UK. However, this rollout potential is looking increasingly conservative given the performance of the UK business in FY21, particularly if the new customers we have welcomed to our stores in the last year prove to become loyal.

In FY22, our Heron Foods convenience store chain expects to open a similar number of new stores as seen in FY21, and it is likely to see a similarly paced rollout in future years.

France revenue growth

+9.1%

B&M branded stores in France

53%

See page 20 for more information
See Principal risks numbers 1, 3 and 6 on pages 25, 26 and 28

We continue to refine the customer proposition in France through our work to evolve the product range and re-brand the store fascia.

Subject to the performance of the stores we have rebranded so far, by the end of 2021 we would expect the entire estate to have been be re-branded as "B&M" in France. Subject to any further lockdown restrictions, a settled period of trading will afford us the opportunity to fully evaluate the impact of these actions and also the longer-term potential in France.

New jobs created in the UK

>7,200

B&M stores served by Bedford DC

c.250

See page 34 for more information
See Principal risks numbers 1 and 3 on pages 25 and 26

As we continue to open new stores it has a positive impact on local communities by creating jobs for new store colleagues and extending our value-led offering to even more people who either want or need a bargain.

The ongoing growth of the business as a whole also provides development opportunities for existing colleagues as well as creating a need to recruit new expertise to supplement our core capabilities.

The Bedford Distribution Centre is now supporting approximately 250 stores, but has the capacity to service even more. Bringing the efficiency of operations at this new facility in-line with our other Distribution Centres is important to facilitate our continued expansion in the south of England, and it is a key priority for FY22.

We will continue to invest in refreshing our older stores to maintain the highest retail standards of modern, clean, safe and welcoming shopping environments for customers. This has been particularly important during the Covid-19 pandemic and we applaud all our colleagues for their hard work in maintaining our high store standards during a particularly challenging time for the public generally.

Chief Executive Officer's review

"The exceptional performance this year was only possible because of the hard work and determination of all our colleagues across the Group, for which I express my gratitude."

Simon Arora
Chief Executive Officer

Overcoming the challenges of Covid-19 to emerge a stronger business

A year ago, I was writing about how the impacts of the virus on individuals, communities, our industry and the wider economy were unknown but likely to be very significant and potentially long lasting. Such uncertainties remain, despite the positive progress made over recent months in relation to the vaccination rollout and easing of lockdown restrictions in the UK.

While everyone came to terms with the impact of Covid-19 on their daily lives, as a business we too were forced to adapt. Serving customers efficiently and safely during sustained periods of unprecedented demand, managing our supply chain to ensure shelves remained full, and supporting colleagues through the disruption to both work and family life were just some aspects of the new realities which we faced.

I am very proud of the way in which we have overcome these challenges, as the business remained guided by its values of simplicity, trust, fairness and being proud to provide customers with great value for money. Thanking my management team for the strong leadership they have demonstrated throughout the crisis, and all our colleagues for everything they have done on behalf of customers and shareholders, is once again my most important task this year. Awarding front line colleagues 110% of their normal pay in April 2020 during the height of the crisis, and paying them an extra week's wages in January 2021, were both fully deserved.

Special praise should also be given to our French colleagues who, despite the disruption caused by 10 weeks of lockdown restrictions, delivered sales growth of 9.1% for the year; a remarkable achievement and testament to the capability of the management team. I am also delighted by the EBITDA outturn for the year, which was ahead of what my initial expectations following the start of the first lockdown.

The results for FY21 have been hard earned, and reflect the way in which the business has reacted. They speak to the strength and resilience of the B&M model, which at its heart is the fact that we are a value retailer backed by a well invested infrastructure and robust and highly responsive supply chain.

The majority of our products are sourced from overseas and, in particular, Asia. Despite normal lead times of 12-16 weeks on imported everyday products, and up to 9 months on imported Seasonal products, our trading teams were able to meet customer demand and deliver an exceptional like-for-like[1] sales growth of 23.8% in the core B&M UK business.

Our combination of value and convenience makes the B&M proposition very relevant to the needs of todays' shoppers. Our 681 B&M UK stores are mostly Out of Town and have demonstrated they are now destinations in their own right for an increasing number of customers, including many new shoppers in FY21. We are relatively insulated from the structural footfall decline in town centres and secondary malls. In addition, Heron Foods serves customers who generally live within walking distance of our convenience stores, meaning they too have played an important role helping communities through the pandemic by providing easy access to essential groceries.

To play our part in the collective response to the pandemic, we took a number of actions. We have delivered a total of £1m in cash donations to Foodbanks nationwide, provided £4.9m in discounts to NHS workers, continued to pay all suppliers and landlords on time and in full, and chose not to take any financial support from the UK government, in particular waiving business rates relief worth c.£80m. We also repaid £3.7m in furlough support which we received in the early weeks of the first lockdown, relating to 49 stores that we temporarily closed due to their locations in town centres or shopping malls.

Having navigated the past 12 months successfully, I believe that the B&M Group has emerged even stronger. The business is well positioned to provide for shoppers needs, especially in the context of potential societal changes caused by the pandemic. In particular, our discounted, value-for-money food and FMCG products appeal to lower income households who may have been disproportionally affected by the economic impacts of the pandemic.

Notwithstanding these core Grocery credentials, our highly affordable Home, DIY and Gardening categories are proving attractive for families who are likely to be spending more time working from home even when restrictions are fully lifted. These three categories account for a significant proportion of our UK sales, with ranges consisting of both leading brands and quality private label products manufactured exclusively for us.

We have clearly demonstrated the relevance of our customer proposition and the ability to win market share. We have also further strengthened our management team to support the rapid growth of the business. All of which means that despite many unknowns persisting, we can look forward to the future with a sense of optimism.

New jobs created in the UK	B&M UK like-for-like revenue growth	Repeat visit of June 2020 new customers	Discounts to NHS workers and foodbank donations
>7,200	+23.8%	71%	£5.9m

As a value retailer, the appeal of B&M is strengthened when large sections of the population are worried about their personal finances or are having to live within constrained household budgets. Our ability to provide families with their everyday shopping needs should continue to resonate strongly with consumers whatever the lasting effects of Covid-19 on our business, the retail industry and society in general may be. Should it result in further acceleration of the structural shift towards discount and convenience shopping, then it will only enhance our ability to grow over the longer term.

Financial performance

The core B&M UK business had an exceptional year, with like-for-like[1] ("LFL") sales of +23.8% due to a material increase in sales densities. Such performance reflects success across a number of product categories, particularly those related to the pandemic where elevated demand was seen throughout FY21. Whilst the business did benefit from remaining open during periods when "non-essential" retailers were closed, performance remained strong even when no restrictions were in force.

Despite the new store opening programme being disrupted in the first half of the year, the business moved quickly to catch up once the construction industry was able to restart. Performance of the 43 new stores in FY21 was strong, demonstrating once again the ability to deliver profitable organic growth.

B&M UK gross margin saw a significant increase this year, driven by a combination of a mix shift towards higher margin General Merchandise sales and in particular unprecedented level of sell-through on Seasonal lines due to the elevated demand. Diligent cost control enabled the business to deliver operating leverage and profit margin expansion, all of which resulted in significant profit growth and cash generation.

Heron Foods continued to perform well throughout the year and also benefitted from heightened demand, particularly in neighbourhood locations. Its emphasis on local convenience retailing and value for money on frozen, chilled and ambient food positioned it well to serve shoppers' needs throughout the pandemic.

In France, conditions have been more challenging. The French business was either closed or restricted to selling essential items of ambient food and FMCG (representing only c.15% of sales) for a total of 10 weeks during FY21, disrupting both the Spring and Winter peak trading periods.

Outside of the lockdown periods, when the business was permitted to remain open and sell the full range of products, performance was very pleasing and there was a positive customer response to products sourced from the B&M supplier base in Asia. Given the challenges the management team in France had to overcome, they made strong progress and delivered a profit result for the year ahead of initial expectations.

Current trading and outlook

The B&M UK business experienced very strong sales in the last month of FY21, with the final week being the strongest in the Group's history and a large contributor to the FY21 adjusted EBITDA4 outperformance of £626.4m versus the guidance issued on 5 March 2021.

Overall, year-to-date B&M UK LFL sales over the first 9 weeks of FY22 have been -1% versus FY21. Sales in this period benefitted from a pull-forward of Gardening demand into April usually occurring more evenly throughout the Spring/Summer period.

Trading continues to be volatile at a weekly and product category level, in particular since the recent easing of lockdown restrictions. This is likely to remain the case for the whole of FY22, as the business annualises against the very strong comparatives throughout last year. As such, the B&M UK business expects to see a decline in LFL revenues in FY22 compared to FY21, but is focused on delivering a healthy two year LFL versus FY20.

In France, a further national lockdown began on 3 April 2021 for a total of about 6 weeks. This meant that many of our stores were closed, with those remaining open restricted to selling essential items only. Since restrictions were lifted on 19 May 2021 there has been a pleasing recovery, with sales performance again being driven by the success of product ranges sourced from the B&M supplier base in Asia. Additionally, the business took advantage of the lockdown period to accelerate its conversion programme of the Babou fascia, with 73 of the 104 stores in France now trading as B&M.

Over the past year, the Group has demonstrated it has a resilient business model with a compelling and relevant customer proposition. As a consequence, it has emerged from the coronavirus crisis even stronger than before. Its strong value credentials in Grocery remain, whilst categories such as Home, DIY and Gardening are likely to continue their appeal to both low and middle-income families.

The Group is well positioned to execute its strategic priorities for FY22. It remains too early to accurately predict the likely revenue and profitability outcomes with any specificity , due to ongoing uncertainties over any future restrictions and the annualisation of previous lockdown periods. It is likely that Group gross margin will revert to more normalised levels this year, with the return of markdown activity on Seasonal goods expected. The Group is however focused on customer retention and disciplined cost control across all fascias to underpin efforts to maintain an adjusted EBITDA[2] margin higher than historical levels, albeit lower than the exceptional 13.0% margin delivered in FY21.

Long term, the Group's growth strategy remains unchanged and it is committed to a rollout target of at least 950 B&M UK stores, with 45 gross new stores expected in FY22. The geographic expansion of the Heron Foods convenience store chain will also continue, alongside developing a compelling proposition in France.

Strategic development

Throughout FY21, the priority of the Group was the wellbeing of colleagues and customers, having worked hard to maintain a safe working and shopping environment. At the same time, there has been a clear focus on delivering value for money, product ranges which appeal to a broader section of society, and improved in-store execution.

All three Group businesses have demonstrated an ability to respond quickly to changing circumstances. They coped well with uncertainty and disruption, be that sustained elevated demand in the UK or multiple periods of store closures and restrictions in France. In so doing, the Group has continued its strategy for driving sustainable growth in revenues, earnings and free cashflow. Details of progress against each pillar of this strategy are summarised below.

1. Delivering great value to our customers

Delivering great value is at the heart of the B&M business model. Across a variety of product categories, the range of items within each product line is limited only to the best sellers, with the offer focused on what customers buy regularly for their homes and families.

The B&M price competitiveness is driven by a relentless discipline around keeping costs low, buying large volumes per product line directly from factories rather than through intermediaries, and stocking only a limited assortment of the best-selling items. B&M's low operating costs are key to its ability to deliver low prices. As a result of a constant stream of typically c.100 new lines each week, customers find the 'treasure hunting' experience in store attractive, whether they need a bargain or just enjoy one.

Quality is also important to customers, and in that regard there is no compromise. B&M sells leading household brand names across a range of ambient food, FMCG and General Merchandise categories, whilst private label ranges within categories such as Homewares and Furniture continue to benefit from an emphasis on being up-to-date with current design trends, and are increasingly appealing to middle-income households.

The 681 B&M UK stores are generally large format, with an average sales area of approximately 20,000 sq. ft, and are mostly in convenient Out of Town locations with easy access by car, making them well suited to the needs of customers in the context of the Covid-19 pandemic.

These are just some of the reasons why customers keep coming back to stores, and indeed why many new customers discovered B&M this past year. In June 2020, an estimated 23% of store customers who paid by card had not visited B&M during the preceding five months. Over the subsequent nine months to the end of March 2021, 71% of that new customer cohort visited B&M again at least one more time. The average transaction frequency over that period was 4.2x, despite the wider context of retail footfall remaining significantly down.

Importantly, the demographic profile of those customers who have demonstrated the greatest propensity to return most frequently has been households who are typically on low and middle incomes and who also have children. It is this same type of customer who has traditionally been attracted to the B&M proposition. As such, having discovered B&M and started to embed store visits in to their new shopping routines, there are promising indicators that a number of the new customers from FY21 could become loyal B&M shoppers in future years.

New customers are also typically spending more per visit than existing customers and have been seen across the UK, providing further support for the long term rollout target of 950 B&M fascia stores.

The majority of product categories across both Grocery and Non-Grocery saw strong sales growth in FY21, with lockdown-related categories such as DIY, Homewares and Gardening all performing particularly well. Whilst general market demand for such products was clearly heightened throughout the year, recent investment in product design and visual merchandising capability has enhanced the in-store execution of these ranges. As such, B&M outperformed many of its competitors, suggesting there have been genuine market share gains in FY21.

Seasonal categories are a particular strength of B&M's proposition within General Merchandise. Around 20% of the space in a typical store is fully re-merchandised through the seasons, and these are also areas where pricing can be at its most disruptive. Garden and Outdoor Leisure enjoyed an exceptionally strong Spring/Summer 2020 season, as a combination of record breaking Spring weather and the first national lockdown drove unprecedented demand. Christmas and Toy ranges performed similarly well this year, with a very strong sell-through also leading to a gross margin benefit.

With consumers likely to have developed new shopping habits over the course of the pandemic, and its lasting impact on the lives of everyday people still uncertain, the B&M proposition should continue to resonate strongly with customers even as society slowly returns to normal.

2. Investing in new stores

The first half of FY21 saw significant disruption to the UK construction industry and a slowdown in leasing activity by commercial property landlords, which in turn led to delays in the B&M and Heron Foods new store opening programmes. However, both businesses worked hard during the second half of the year to catch up, and achieved a pleasing increase in store numbers.

A total of 43 gross new B&M fascia stores were opened in the UK during FY21, 34 of which were in the second half of the financial year. Of these, 5 were relocated stores where there was an opportunity to open a larger, more modern unit capable of providing a better shopping experience for customers and generating a significantly higher quantum of profit than the closed store. There were a further 13 closures, largely the consequence of older, early generation stores coming to the end of leases and where the locations were not attractive enough to renew. In total there was a net increase of 25 stores, taking the B&M UK portfolio to 681.

The business is currently budgeting for a further 45 gross new stores in FY22. It is possible that the fallout across the retail industry from the impact of the virus may provide further attractive opportunities not yet factored in to this number. Longer term, there remains a long growth runway in the UK, with the potential for at least 950 B&M fascia stores in total. Given the performance of the business over the past year, and with new store sales densities and contribution margins remaining very strong, this target increasingly looks like a conservative estimate.

Heron Foods, the discount convenience store business, opened a total of 17 gross new stores and closed 4 under-performing stores during the year, bringing the total to 306. It has a smaller store model and existing geographic footprint, but continues to deliver a strong new store returns profile. It has the potential to become multiple times larger than its present size, albeit growth will be slower than the B&M fascia due to the nature of locations required and the practicalities of distributing chilled and frozen food. FY22 should see a similar number of new store openings to that in FY21.

In France, at the end of FY21 there were a total of 104 stores with 55 trading under the B&M banner and the remaining 49 still under the Babou fascia. The focus has been very much on converting the existing Babou portfolio rather than opening new stores. In FY22, there will be 3 to 5 net new stores in France, all of which will be in the second half of the year.

3. Developing our international business

It was a year of significant disruption in the French business, caused by multiple lockdowns totalling 10 weeks during which stores were either closed completely or restricted to selling essential items only, including for 6 weeks at the start of FY21 and 4 weeks during November 2020. Despite this, total sales were up 9.1% year-on-year, reflecting a strong performance in those periods where the business remained fully open.

The local management team has made pleasing progress against their two main strategic priorities. Firstly, the business has successfully reduced its reliance on Clothing & Apparel while increasing its General Merchandise ranges sourced through the B&M supply chain. Ongoing refinements to the product mix continue to be made, and the new products have been well received by the French consumer.

At the same time, the performance of those stores re-branded from 'Babou' to 'B&M' has been encouraging, having completed 35 such conversions during the year. When a conversion takes place, in addition to changing the store fascia, the internal layout and merchandising are also made more akin to B&M stores in the UK. This helps to complement the ongoing range optimisation work, as well as improving overall store standards. By the end of 2021, the entire estate should be branded as B&M.

Whilst it is difficult to determine how much of the improved performance is the 'halo effect' of a new store opening versus the combined impact of re-ranging and re-branding, a more settled period of trading in FY22 will allow the success of these changes to be more fully demonstrated.

From an operational perspective, the supply chain has now successfully navigated four peak seasonal intakes of stock, involving large volumes of containerised inbound product. With a capable and stable management team now in place, the Group remains cautiously optimistic that its plans for the French business will prove successful. In the meantime, no other international geographies are currently being evaluated.

4. Investing in our people and infrastructure
The new c.1 million square feet Southern distribution centre at Bedford was completed and fitted-out during FY20 and currently serves around 250 stores. Having the additional logistics capacity in place prior to the elevated demand this year proved crucial to helping maintain in-store availability. The Bedford site is expected to provide sufficient capacity for the foreseeable future.

The senior management team continues to broaden and strengthen, having made a number of appointments during FY21. These included Alex Russo as Group Chief Financial Officer, Anthony Giron as Managing Director of Babou, Richard Kirk as Supply Chain Director and Suzie Williams as Group IT Director. Such appointments reflect the significant growth in the business, and position it well for future success.

With Covid-19 preventing foreign travel to trade fairs and suppliers, the B&M trading teams turned a necessity into a competitive strength. By investing in areas such as product design and development, visual merchandising and co-ordination across different categories to create a more aspirational set of product ranges, they have become less dependent on factories for development of new products. In becoming more self-reliant and capable of delivering on-trend product ranges, this is one area where the business has emerged from the pandemic in an even stronger position than before. In that context, the performance of categories such as Homewares and Furniture has been particularly rewarding.

At store level, a new digital Workforce Management System was gradually rolled out, having been paused during the initial coronavirus outbreak. This new system will enable a more agile approach to store rotas, as well as creating efficiencies through the reduction of paper-based processes. Having adopted this new best in class approach to managing store hours, it will help the business grow sustainably by servicing customer demand in a cost-efficient way.

Although store colleague learning and development had to be put on hold at the start of the financial year, the "Step-Up To Managers" programme was successfully adapted to facilitate e-learning. A total of 124 colleagues were promoted into management roles this year, as the business continues to invest in internal colleague development and progression.

Corporate social responsibility
The Group is proud to serve customers in many different communities across the UK through its B&M and Heron Food stores, providing convenient, local access to the everyday products they need at value prices. Never has presence in these communities been more important than during the pandemic.

Through the new store opening programmes, the reach of the B&M value proposition is extended to new communities and customers, helping to revitalise areas where other retailers have in many cases retrenched. Perhaps most importantly, this creates many new local jobs. In FY21, the Group created over 7,200 new jobs in the UK, in the context of around 67,000 lost jobs in the retail industry in 2020 according to estimates from the British Retail Consortium.

The Group strives to be a good corporate citizen, delivering its strategy as a value retailer whilst acting in the interests of all stakeholders. In particular this year, the Group voluntarily waived c.£80m of business rates relief made available by the UK government, and repaid £3.7m of furlough money initially received at the start of the pandemic.

It is conscious of the increasing importance of environmental, social and governance ("ESG") actions and reporting, and is committed to developing appropriate targets during FY22 to support the ongoing success of the business. The Group considers ESG from the perspective of a number of key stakeholders, with some of this years' highlights as follows:

Colleagues
- acknowledged the dedication and hard work of front line colleagues by paying an additional 10% pay in April 2020 and awarding an extra weeks wages in January 2021;
- colleague engagement continued to be very strong, with a colleague satisfaction score of 81% despite the disruption to normal working routines caused by the pandemic;
- continued development and training of own talent through the Step-Up programme, promoting 124 colleagues to B&M Deputy and Store Manager positions.

Communities
- created over 7,200 new jobs in the UK, including 620 placements under the governments "Kickstart" scheme and welcoming 187 colleagues onto apprenticeship programmes;
- delivered a total of £1 million to local Foodbanks across the country in response to the impact of the Covid-19 pandemic on some of the most vulnerable in society;
- extended a total of £4.9m of discounts to National Health Service workers to recognise their heroic efforts.

Customers
- maintained an attractive value-for-money proposition across a range of product categories making everyday essentials affordable;
- opened 38 net new UK stores in FY21, making stores accessible to even more customers;
- welcomed a number of new customers to B&M this year.

Suppliers
- continued to treat all suppliers, landlords and partners fairly by paying them on time and in full;
- sales growth across multiple product categories enables both new and existing suppliers to grow their own businesses, sharing in the success of B&M;
- enhanced our ethical trading risk management through increased investment in social compliance audits.

Environment
- greenhouse gas emissions and energy usage from UK operations decreased in absolute terms, despite opening 38 net new stores in the year, with a newly created an Energy Manager role to oversee the installation of technology to decrease energy consumption further;
- recycled 99.8% of the Group's supply chain packaging waste in FY21;
- travelled 2.7m fewer like-for-like miles in FY21 due to the annualised benefit from the Bedford distribution centre opened in FY20.

Simon Arora
Chief Executive Officer
2 June 2021

1. Like-for-like revenue relates to the B&M UK 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 adopted as it excludes the two month halo period which new stores experience following opening.
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. Further details can be found in notes 3 and 5 of the financial statements. Adjusted figures exclude the impact of IFRS16.

Financial review

"We have delivered a significant increase in profitability this year, with strong cash returns for shareholders."

Alex Russo
Chief Financial Officer

Accounting period

The FY21 accounting period represents the 52 weeks trading to 27 March 2021 and the comparative period represents the 52 weeks to 28 March 2020.

The Group financial statements have been prepared in accordance with IFRS, however underlying figures presented before the impact of IFRS16 continue to be reported where they are relevant to understanding the performance of the Group.

Financial performance

Group

Total Group revenue in FY21 was £4,801.4m (FY20: £3,813.4m), representing an increase of 25.9%. On a constant currency basis[1], revenues increased by 25.7%.

Group adjusted gross margin[4] was 36.7% (FY20: 33.8%), an increase of 292 bps on the prior year. Group adjusted operating costs[4], excluding depreciation and amortisation, grew by 20.1% to £1,137.1m (FY20: 946.9m). The growth in operating costs was lower than the growth in revenue due to the operating leverage delivered by the B&M UK businesses. Depreciation and amortisation (excluding the impact of IFRS16 and adjusting items) was £62.4m (FY20: £57.7m), an increase of 8.2% on the prior year and reflecting the ongoing investment in new stores across all fascias.

An adjusted EBITDA[4] is reported to allow investors to better understand the underlying performance of the business. The adjusting items are detailed in notes 3 and 5 of the financial statements, and totalled £(3.5)m in FY21 (FY20: £40.7m). Group adjusted EBITDA[4] increased by 83.0% to £626.4m (FY20: £342.3m), driven by the strong performance of the core B&M UK business.

Group statutory profit before tax was £525.4m (FY20: 252.0m), representing an increase of 108.5%.

B&M UK

In the UK, total B&M revenues increased by 29.9% to £4,077.6m (FY20: £3,140.1m), largely driven by exceptional like-for-like[3] ("LFL") revenue growth of 23.8% (FY20: 3.3%). The annualisation of revenues from 36 net new store openings in FY20 and 25 net new store openings in FY21 also contributed a further £218.7m. In addition, there was £47.4m of wholesale revenue, an increase of £19.7m on the prior year.

A key driver behind the step up in LFL revenue was the number of new customers that shopped with B&M in FY21. The LFL performance was relatively consistent throughout the year, with Q4 representing the strongest quarter. Although there was an increase in demand across almost all product categories, General Merchandise categories such as Homewares, DIY and Gardening performed particularly well, as people spent more time in their homes during the coronavirus pandemic. This also meant that Out of Town locations, where stores stock the full range, out-performed Town Centre locations.

There were 43 gross new store openings in the year and 18 closures, with 5 of the closures being relocations. New store openings continue to deliver strong returns on investment. The B&M UK business also continues to take advantage of relocation opportunities. These are typically smaller early generation B&M stores that are replaced by modern, larger stores that provide customers access to the full product range, making such opportunities margin accretive.

B&M UK gross margin expanded by 333 bps, driven by both a mix shift towards higher margin Non-Grocery categories as noted above, and in particular an unusually strong sell-through across Seasonal ranges such as Outdoor Furniture and Christmas leading to minimal markdown activity than in previous years.

Adjusted operating costs[4], excluding depreciation and amortisation, grew by 24.4% to £913.8m. These costs represented 22.4% of revenues in the year (FY20: 23.4%), a reduction of 98 bps due to operating leverage achieved on the higher revenues generated and ongoing discipline around cost control. Included in these operating costs is approximately £75m of business rates, having voluntarily waived the relief offered by the UK government. The business again worked hard to absorb the impact of the minimum wage increase through efficiency savings, whilst at the same time investing in additional store colleague hours to help service the elevated customer demand in a safe manner. Rental costs remained relatively stable, with the existing rent-roll already being competitively positioned. Elsewhere, transport and distribution costs remained broadly flat as a percentage of revenues, where savings through optimisation of the transport network were offset by distribution inefficiencies, particularly at the Bedford distribution centre, as a consequence of introducing new protocols and procedures relating to social distancing.

Adjusted EBITDA[4] for the B&M UK business increased by 84.7% to £590.7m (FY20: £319.8m), and the adjusted EBITDA[4] margin increased by 430 bps to 14.5% (FY20: 10.2%) due to the exceptional LFL performance, increase in gross margin and disciplined cost control delivering operational leverage as explained above.

Heron Foods

The discount convenience chain, Heron Foods, grew revenues by 6.4% to £414.8m (FY20: £389.9m), with neighbourhood locations performing particularly well as consumers sought to shop locally for their everyday essentials. There were 13 net new stores opened in FY21, which also contributed to the increase in revenues.

Gross margin in Heron Foods remained broadly flat, reflecting a stable product mix.

Despite the inflationary pressures on store wages, operating costs were well controlled, increasing as a percentage of revenues by only 48 bps to 25.5% (FY20: 25.0%). Like the B&M UK business, Heron Foods waived the business rates relief, which was worth approximately £5m in FY21.

Heron Foods adjusted EBITDA[4] decreased by 3.5% to £24.6m (FY20: £25.5m), and the adjusted EBITDA[4] margin declined by 63 bps to 5.9% (FY20: 6.6%).

Babou

In the French business, total revenues increased by 9.1% to £309.1m (FY20: £283.4m), despite many stores being closed for up to 10 weeks throughout the year as a result of the French government's response to the pandemic. For those stores that did remain open, they were restricted to selling "essential" items only and, therefore, generated significantly lower revenues during those weeks.

Constant currency revenue comparison

				Constant Currency		
£/€'000	**2021**	2020	%	**2021**	2020	%
Babou in €	**346,267**	324,210		**346,267**	324,210	
Exchange Rate	**1.1203**	1.1441		**1.1203**	1.1203	
Babou in £	**309,084**	283,376		**309,084**	289,396	
B&M	**4,077,564**	3,140,144		**4,077,564**	3,140,144	
Heron	**414,777**	389,867		**414,777**	389,867	
Total Per Segment	**4,801,425**	**3,813,387**	25.9%	**4,801,425**	**3,819,407**	25.7%

Group profit before tax

£ millions	**2021**	2020
Revenue	**4,801.4**	3,813.4
Adjusted Gross Profit	**1,763.5**	1,289.2
%	**36.7%**	33.8%
Adjusted Operating Costs	**(1,137.1)**	(946.9)
Adjusted EBITDA[4]	**626.4**	342.3
%	**13.0%**	9.0%
Depreciation & Amortisation	**(62.4)**	(57.7)
Adjusted Interest	**(23.8)**	(24.6)
Adjusted Profit Before Tax[4]	**540.1**	260.0
Adjusting Items	**(3.5)**	40.7
Adjusting Interest	**(4.7)**	(0.0)
Impact of IFRS 16	**(6.6)**	(48.6)
Profit before tax	**525.4**	252.0

Reconciliation of adjusted items

£ millions	**2021**	2020
Profit on ordinary activities before interest and tax	**615.0**	333.7
Add back depreciation and amortisation	**62.4**	57.7
Remove depreciation and amortisation of finance leases	**(3.7)**	(3.4)
Add back IFRS 16 depreciation and amortisation	**156.6**	149.1
EBITDA[4]	**830.5**	537.1
Fair value effect of ineffective derivatives	**6.8**	(0.6)
Foreign exchange on intercompany balances	**3.2**	(3.7)
French stock provision	**(6.5)**	9.3
Foreign exchange on acquisition balances	**–**	3.3
Gain on sale & leaseback of Bedford	**–**	(16.9)
Adjusted EBITDA[4]	**833.9**	528.5

For further information and segmental detail of adjusted measures see notes 3 and 5 to the financial statements on pages 118 to 121.

B&M UK like-for-like reconciliation

£'000	**2021**	2020	%
Like-for-Like Revenue[3]	**4,309,652**	3,480,435	+23.8%
New Stores opened after March 28 2020	**142,954**	0	
New Stores opened prior to March 28 2020	**244,648**	74,862	
Closed Stores	**297**	63,844	
Gross Segment Revenue	**4,697,550**	3,619,141	
Value Added Tax / Commission Income	**(667,380)**	(506,793)	
Wholesale Revenues	**47,394**	27,796	
Revenues of B&M Retail Segment	**4,077,565**	3,140,144	+29.8%

Financial review

continued

During the periods where the French stores were fully open, performance was strong. This was driven by a combination of both the continued range optimisation work and the positive impact from re-branding 35 stores from Babou to the B&M banner during FY21, all of which progressed well despite the disruption caused by multiple lockdowns.

Gross margin continued to improve, supported by a reduced exposure to Clothing and Apparel and a corresponding mix shift to higher margin other General Merchandise categories.

Operating costs were well controlled throughout the year, particularly during those periods where stores were either closed or restricted to selling a limited range of products.

Adjusted EBITDA[4] was £11.1m (FY20: £(3.0)m), with an adjusted EBITDA[4] margin of 3.6%. This represents encouraging progress in the French business, especially considering the mitigating factors outlined above.

Finance expense

Adjusted net finance charges[4] for the year were £23.8m (FY20: £24.6m), representing a decrease of 3.1%. This included bank and high yield bond interest of £22.5m (FY20: £22.7m) and amortised fees of £1.7m (FY20: £2.1m), offset by interest income of £0.3m (FY20: £0.2m).

There was also a one-off exceptional interest charge of £4.5m relating to the Group refinancing that took place in July 2020. This represented unamortised fees on previous banking facilities being written off, breakage fees and redemption interest due to early repayment of the previous £250m High Yield Bond.

The interest charge relating to lease liabilities under IFRS16 was £61.4m (FY20: £57.2m).

Profit before tax

Statutory profit before tax was £525.4m (FY20: £252.0m). An adjusted profit before tax[4] is also reported to allow investors to better understand the operating performance of the business (see notes 3 and 5 of the financial statements). Adjusted profit before tax[4] for the year increased by 107.7% to £540.1m (FY20: £260.0m).

The impact of IFRS16 on the Group financial statements was to decrease statutory profit before tax by £6.6m.

Taxation

The tax charge in FY21 was £97.3m (FY20: £57.2m), representing an effective tax rate of 18.5%. We expect the tax rate going forward to reflect the blended rate of taxes in the countries in which we operate, currently being 19% in the UK and 28.5% in France.

As a Group we are committed to paying the right tax in the territories in which we operate. In the B&M UK business the total tax paid in FY21 was £440.1m, including £227.8m relating to those taxes borne directly by the company such as corporation tax, customs duties, business rates, employer's national insurance contributions and stamp duty and land taxes. The balance of £212.3m 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

Statutory profit after tax from continuing operations was £428.1m (FY20: £194.8m) and the statutory diluted earnings per share from continuing operations was 42.7p (FY20: 19.5p[6]).

In the prior year, statutory profit after tax including the loss from discontinued operations was £80.9m, with a diluted earnings per share of 9.0p.

Adjusted profit after tax[4], which we consider to be a better measure of performance due to the reasons outlined above, was £434.5m (FY20: £203.0m), and the adjusted fully diluted earnings per share[4] was 43.4p (FY20: 20.3p).

Investing activities

Group net capital expenditure[8] totalled £81.5m, lower than the prior year (FY20: £123.0m). Investment this year included £42.9m spent on 65 gross new stores across the Groups fascia's (FY20: £42.4m on 74 stores), £22.2m on maintenance works to ensure that our existing store estate and warehouses are appropriately invested (FY20: £28.6m), and £16.4m on infrastructure projects and freehold acquisitions to support the continued growth of the business (FY20: £52.0m). Infrastructure spend in the prior year included one-off expenditure of £32.0m relating to the Bedford distribution centre.

Net debt and cash flow

The Group continues to be strongly cash generative, with cash generated from operations increasing by 75.0% to £944.0m (FY20: £539.5m).

Such cash generation reflects the growth in adjusted EBITDA[4] during FY21, attractive paybacks generated from new stores and a working capital inflow.

The strong performance and high cash generation have enabled the Group to pay dividends totalling £697m[7] in FY21. This included the £150m[7] special dividend relating to the sale and leaseback of the Bedford facility declared in FY20, and a further £450m[7] of special dividends declared and paid in FY21.

Net debt[5] (on a pre-IFRS16 basis), increased to £519.8m (FY20: £347.5m). The net debt[5] to adjusted EBITDA[4] leverage ratio was 0.8x (FY20: 1.0x), comfortably within our 2.25x leverage ceiling.

B&M periodically explores opportunities to repay, prepay, repurchase, refinance or extend its existing indebtedness prior to the scheduled maturity of such indebtedness, and/or amend its terms with the requisite consent of lenders as part of B&M's continuing efforts to manage its capital structure. B&M and/or its Group may also incur additional indebtedness to the extent permitted by the covenants of existing indebtedness or with the requisite consent of lenders, including in connection with the Group's evaluation of strategic expansion and acquisition opportunities.

In accordance with this framework, the Group completed a refinancing of existing banking facilities in July 2020, extending the maturity on both the £300m loan facility and £155m Revolving Credit Facility to April 2025. The refinancing also included the issue of a new £400m High Yield Bond, maturing in July 2025, to replace the existing £250m Bond. This enabled the repayment of the €92m bi-lateral loan facility used for the Babou acquisition. Additionally, Babou utilised the French Government-backed loan facility scheme made available due to the disruption caused by Covid-19, resulting in an initial loan of €51m being drawn, of which half has since been repaid. See note 21 of the financial statements for further details.

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.

Dividends

During the year, the Company declared and paid an interim ordinary dividend of 4.3p[7] per share in addition to special dividends totalling 45.0p[7] per share. Subject to approval by shareholders at the AGM on 29 July 2021, a final ordinary dividend of 13.0p[7] per share is to be paid on 6 August 2021 to shareholders on the register of the Company at the close of business on 2 July 2021. The ex-dividend date will be 1 July 2021.

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

The Group is strongly cash generative and its 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 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 is not exhaustive 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. The parent company is a Luxembourg registered company, and as such, the Board is permitted to have recourse to the company's share premium account as a distributable reserve. It remains the Group's policy for dividend purposes 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. There are over £500m of distributable reserves in the principal trading subsidiary of the Group, B&M Retail Limited, and there are no dividend blocks between it and the Company.

Notwithstanding the current economic uncertainties, the Group has continued to be strongly cash generative and is in a strong position to maintain its ordinary dividend policy. The principal risks of the Group are set out in its Annual Report, in particular those relating to Covid-19, supply chain, competition, economic environment, commodity prices, infrastructure and international expansion. These are relevant to the ability of the Group to maintain its ordinary 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 to a large extent comprises essential goods and also competes across a very broad section of the retail markets in our chosen locations.

Alex Russo
Chief Financial Officer
2 June 2021

1. Constant currency comparison involves restating the prior year Euro revenues using the same exchange rate as that used to translate the current year Euro revenues.
2. References in this announcement to the B&M UK business includes the B&M fascia stores in the UK except for the 'B&M Express' fascia stores. References in this announcement to the Heron Foods business includes both the Heron Foods fascia and B&M Express fascia convenience stores in the UK. When reporting adjusted EBITDA, B&M UK also includes the corporate segment as referred to in note 2 of the financial statements, and includes an adjusted loss of £(1.5)m (FY20: £(1.9)m).
3. Like-for-like revenue relates to the B&M UK 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 adopted as it excludes the two month halo period which new stores experience following opening.
4. 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. Further details can be found in notes 3 and 5 of the financial statements. Adjusted figures exclude the impact of IFRS16.
5. Net debt comprises interest bearing loans and borrowings, overdrafts and cash and cash equivalents. Net debt was £519.8m at the year end, reflecting £737.5m as the carrying value of gross debt netted against £217.7m of cash. See notes 18, 21 and 28 of the financial statements for more details.
6. Statutory diluted EPS for FY20 reflects continuing operations only. Including discontinued operations, FY20 statutory diluted EPS was 9.0p.
7. Dividends are stated as gross amounts before deduction of Luxembourg withholding tax, which is currently 15%.
8. Net capital expenditure includes the purchase of property, plant and equipment, intangible assets and proceeds from the sale of any of those items. These exclude IFRS16 lease liabilities.

Strategic Report

Key performance indicators

A year of significant growth across a range of performance measures

Financial

Total revenue growth (%)

25.9%

2021	25.9
2020	16.5
2019	17.1

Strategic link

A B C D

Description
We aim to deliver sustainable growth in our chosen markets of the UK and France. Total revenue growth is an essential part of achieving that objective, being a direct output of our new store rollout programme and the performance of our product ranges.

Performance
Total Group revenue increased by 25.9%, with B&M UK, Heron Foods and Babou all delivering revenue growth in FY21 through a combination of positive like-for-like growth and new store openings. Performance was particularly strong in the core B&M UK business, which saw revenues increase 29.9% year-on-year.

B&M UK like-for-like revenue growth (%)[1]

+23.8%

2021	23.8
2020	3.3
2019	0.7

Strategic link

A B C D

Description
A crucial driver of growth for the business is sustainable profitability from the existing B&M store estate in the UK. By focusing on like-for-like revenue growth, we are able to track the ongoing trading performance of our stores and respond accordingly.

Performance
We grew our B&M UK like-for-like revenues by +23.8% in FY21, driven by a broad based performance across both Grocery and General Merchandise categories. Recruitment of new customers was also an important factor, and led to like-for-like revenue growth being consistently higher than our historical average throughout the year.

Adjusted EBITDA (£m)[2]

£626.4m

2021	626.4
2020	342.3
2019	319.6

Strategic link

A B C D

Description
In addition to growing sales and opening new stores, we want to ensure that growth in the business remains profitable. We measure our profitability by our adjusted EBITDA performance.

Performance
The Group's adjusted EBITDA grew by +83.0% to £626.4m in FY21, representing an exceptional financial performance. This year-on-year increase was largely driven by the core B&M UK business.

Profit before tax (£m)

£525.4m

2021	525.4
2020	252.0
2019	244.3

Strategic link

A B C D

Description
In addition to adjusted EBITDA, we recognise the importance of our statutory profit, including depreciation, amortisation and interest charges. As such, we also use profit before tax as a performance indicator.

Performance
In FY21, our statutory profit before tax grew by 108.5% to £525.4m.

Adjusted diluted earnings per share[2]

43.4p

2021	43.4
2020	20.3
2019	20.2

Strategic link

A B C D

Description
It is important to investors that we grow our earnings per share as well as our adjusted EBITDA. This measure is stated after depreciation, interest and tax charges.

Performance
Adjusted diluted earnings per share grew by 113.8% in FY21.

Cash generated from operations (£m)

£944.0m

2021	944.0
2020	539.5
2019	423.0

Strategic link

A B C D

Description
The Group is highly cash generative, capable of delivering high returns from a relatively low capital intensity. By monitoring the cash generated from operations, we are able to actively manage the working capital needs of the business whilst adhering to our clear capital allocation policy.

Performance
Cash generated from operations in FY21 was £944.0m, an increase of 75.0% on the prior year driven largely by the increase in adjusted EBITDA as noted above.

Adjusted EBITDA (%)[2]

13.0%

2021	13.0
2020	9.0
2019	9.8

Strategic link

A B C D

Description
To ensure we are not diluting our earnings as we expand our business, in addition to the overall value of the adjusted EBITDA we also measure this as a percentage of total revenues.

Performance
The Group's adjusted EBITDA margin in FY21 was 13.0%, an increase of 407 bps on the prior year. This adjusted EBITDA margin expansion was primarily driven by the B&M UK business, which saw materially elevated sales densities, a higher gross margin and delivered operational leverage.

Capital expenditure (£m)

£87.9m

2021	87.9
2020	124.6
2019	106.0

Strategic link

A B C D

Description
Ongoing investment in new stores is one of our strategic pillars, whilst we also choose to invest in carefully selected infrastructure projects that we believe will support the organic growth of the Group. We therefore monitor capital expenditure to ensure we are investing appropriately in the needs of the business, in accordance with our capital allocation policy.

Performance
We invested a total of £82.7m capital expenditure in FY21, which was in line with our original plans. This included £42.9m on new stores across the Group, £8.4m on infrastructure projects, £8.0m on the acquisition of freehold stores and £23.4m on upgrading existing stores.

Link to strategy key

- A Delivering great value to our customers
- B Investing in new stores
- C Developing our international business
- D Investing in people and infrastructure

Non-financial

Group net new stores opened

41

2021	41
2020	53
2019	70

Strategic link

A B C D

Description
Our new store opening programme remains at the heart of our growth strategy, complementing growth in like-for-like store revenues.

Performance
The net growth in our store estate across all fascias in FY21 was 25 new B&M UK stores, 13 new Heron Foods convenience stores and 3 new stores in France.

UK market share[3]

c.1.5%

2021	c.1.5
2020	c.1.2
2019	c.1.0

Strategic link

A B C D

Description
Our market share of store based retail sales in the UK is relatively low, both in total and in each individual product category that we sell. This means we have a considerable opportunity to increase our market share through continued growth. In particular, we believe that a B&M UK store target of at least 950 stores is achievable, providing a long runway of future expansion from our current base of 681 stores.

Performance
In FY21 we opened 25 net new B&M UK stores in addition to delivering a +23.8% increase in like-for-like revenues. We have increased our like-for-like sales across a number of product categories of the B&M UK business, while both existing and new customers have found the B&M proposition compelling.

Colleague Step-Up programme

124

2021	124
2020	125
2019	202

Strategic link

A B C D

Description
Developing and promoting our colleagues is important for retention and progression. Our in-house Step-Up programme provides training to store colleagues over an 8 month period, giving them the tools for a successful career within the business.

Performance
In FY21, a total of 124 existing colleagues were promoted to Store Manager or Deputy Store Manager roles under our Step-Up programme in the B&M UK business. While the absolute number of promotions this year was less than in previous years due to social distancing requirements creating challenges in delivering the training, we successfully adapted the programme to facilitate e-learning.

1. Like-for-like revenues relates to the B&M UK 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 adopted as it excludes the two month halo period which new stores experience following opening.
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 19 for further details. EBITDA represents profit on ordinary activities before net finance costs, taxation, depreciation and amortisation.
3. Market share estimates are based on management estimates, having regard for external research on the size of the relevant market in 2016/17. See page 6 for further details.

Principal risks and uncertainties

B&M's risk management framework

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.

The Group's risks and mitigations are reviewed as part of the oversight of the system of internal controls by the Audit & Risk Committee. They are reported on to the Board, which takes overall responsibility for risk management of the Group.

The Group's Internal Audit function assesses the on-going business risks of the Group. It reports on the effectiveness of internal control procedures to the Audit & Risk Committee. In assessing risk it considers the Group's risk mitigating actions and provides recommendations to management to improve business processes and limit their exposure to risk.

The Group's approach to reviewing risk appetite is part of an annual risk management cycle, which is used to drive and inform actions in relation to the principal risks identified by the Board. As part of that process the Group's appetite for risk is defined with reference to the expectations of the Board for both commercial opportunity and internal control. It is then used for setting the Group's internal audit plan each year.

Category of risk	Tolerance
Strategic	Medium
Financial	Low to medium
Operational	Low
Compliance	Extremely low

Risk management evaluation

The Group's executive management are responsible for identifying and evaluating new and emerging risks and mitigating actions.

The Audit & Risk Committee, together with the support of the Group's Internal Audit department and the Group's General Counsel, is responsible for monitoring risks and mitigating actions and reporting any matters of concern to the Board.

The Board is responsible for overseeing risk management of the Group. It considers the recommendations made by the Audit & Risk Committee and determines the framework of the type of controls and mitigating steps which are to be implemented. That evaluation of risk and controls is carried out in the context of how those risks could impact the overall objectives of the Group.

The 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 French businesses.

Group Internal Audit reports to the Audit & Risk Committee at each of its meetings during the year on the progress of management's implementation of recommended actions to mitigate risks.

Principal risks

Covid-19 was added by the Board originally as a new principal risk in 2019/20 and it continues to remain a principal risk but the overall impact of it to B&M as a retailer of essential goods has reduced. The UK's exit from the EU and credit risk and liquidity are no longer principal risks of the Group. Otherwise none of the other principal risks included in the 2019/20 financial year have been removed and no new ones have been added.

Principal risks heat map

1 Covid-19
2 Supply chain
3 Competition
4 Economic environment
5 Regulation and compliance
6 International expansion
7 Warehouse infrastructure
8 IT systems, cyber security and business continuity
9 Commodity prices/cost inflation
10 Key management reliance
11 Store expansion
12 Stock management

Link to strategy key

- A Delivering great value to our customers
- B Investing in new stores
- C Developing our international business
- D Investing in people and infrastructure

Risk change key

- Increased risk
- No change
- Decreased risk

Assessment of risks

An assessment is made by the Board of the likelihood or probability of a risk occurring and the impact of the risk after taking account of mitigating factors and controls. The assessment of that is set out in the heat map opposite.

The heat map indicates the Board's view of the likely degree of impact of each risk after taking into account the risk mitigations referred to in the principal risks table below.

Principal risks table

The table below describes (i) the main risk exposures identified by the Board in relation to our Group businesses, (ii) the mitigating factors which relate to how the Group manages each of the risk exposures, and (iii) the linkage between the business strategy and the relevant risk exposures. The group also summarises (where relevant) key actions arising in the year in relation to how the Group has addressed certain aspects of those risks. The Group has also indicated where there were any changes in the profile of any of the risks, which reflects the Board's view of the current trend in relation those risks.

The risks set out in the table are not an exhaustive list. They represent the main risks to the Group in relation to the period under review and also currently, in the opinion of the Board.

1 Covid-19

Description & potential impact

Prolonged social restrictions due to the coronavirus or any reoccurrence of it in the UK, France or China could impact consumer demand, supply chains, the ability of colleagues to work and our stores continuing to operate at expected levels of profitability. It could also affect the timing of new store openings in relation to completion of works by contractors.

Strategic Priority

A B C D

Change

Decreased risk

Risk Mitigations

- The categories of goods which the B&M UK and Heron Foods businesses sell are essential goods within the UK Government guidelines.
- Implementation of social distancing steps in accordance with UK Government guidance and other measures for colleagues and customers at stores and in our supply chain.
- Maintaining sufficient liquidity for our on-going operations.
- Maintaining (i) flexibility in our distribution network and with suppliers to cope with additional demand in relation to FMCG items, and (ii) controls of orders of lines where demand has slowed to protect against over-stocking in certain categories.

Key Actions in 2020/21

- From the early stages of the coronavirus restrictions taking effect in China, contingency plans were put in place by the B&M UK business in FY20 and which continued in FY21 in order to protect our supply chain (as referred to below under the key actions in relation to Supply Chain risk) which protected the business from any material disruption to supplies, costs or prices, with those risks having been managed and offset by stock cover held in our UK Distribution Centres of c.12 weeks cover for general merchandise goods.
- From the early stages of the coronavirus restrictions taking effect in the UK in the FY20 and FY21, the B&M UK business also increased the volume of orders of Grocery and FMCG goods to keep pace with increased demand for those items during peak periods. The UK business reacted quickly by re-deploying colleagues in our Distribution Centres to prioritise the picking of those goods to replenish stores as quickly as possible to meet customer requirements.
- Measures were initially taken to temporarily close 49 B&M UK smaller format town centre or precinct location stores for a period of 4 weeks only before they were re-opened as there was no negative overall impact on trading across the B&M UK business.
- Our French business was required to close all its stores for period from 15 March 2020 to 11 May 2020 under the French Government lockdown restrictions. There have also been other periods where the stores have been restricted to selling only limited categories of goods. In November 2020 Babou implemented a click and collect service from stores to enable customers to continue to access goods by pre-ordering them on-line.
- The Group introduced flexible working arrangements in its businesses during the year to support colleagues in relation to working hours and homeworking arrangements.

2 Supply chain

Description & potential impact

Imported goods from China represent a significant proportion of the Group's general merchandise products. Lead time delays in the supply chain could result in lower sales and potential loss of margin through higher markdowns. Disruption to the supply chain arising from civil unrest, natural disasters, diseases and pandemics, ethical trading issues or quality standards failures could impact our trading performance and brand reputation.

Strategic Priority

A

Change

Risk Mitigations

- The Group has an experienced sourcing team which 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 one single supplier.
- The Group has anti-bribery & corruption and modern slavery & human trafficking policies in place in relation to its supply chain.
- A combination of individual buyers and sourcing agent employees conduct supplier factory visits.

Key Actions in 2020/21

- As referred to above in relation to the Covid-19 risk above, when the coronavirus impacted factories and ports in China contingency plans were put in place initially to source supplies of products from other countries and regions were that to have become necessary. As we had a stock cover in the B&M UK business of c.10 weeks on general merchandise imported goods, there was a very limited impact arising and limited recourse only was made to our contingency plans.

3 Competition

Description & potential impact

The Group operates in highly competitive retail markets in the UK and France which could materially impact the Group's profitability, share price and limit growth opportunities.

Strategic Priority

A C D

Change

Risk Mitigations

- Continuous monitoring of competitor pricing and product offering.
- Development of new product ranges within the product categories to identify new market opportunities and target new customers.

Key Actions in 2020/21

- The Group has continued to maintain its strict SKU count discipline within product ranges, which enables it to react quickly to ever changing consumer tastes, trends and buying habits.
- The Group commissioned a customer insight survey to measure our strengths and weaknesses against our competitors, to provide management with indicators of where the Group can improve our competitive edge relative to our peer group and other discount retailers. It is our intention to repeat that exercise or conduct similar testing each year so the Group can track progress against each of the indicators and outputs from those surveys.
- As an essential retailer, the business has continued to operate throughout the pandemic and prioritise the stocking and replenishment of goods at stores which have been in the highest demand at peak times during spikes in the pandemic to ensure that we have kept customers supplied with goods they most want. We have ensured that our stock picking at warehouses and stock ordering from suppliers was carefully planned to facilitate this through our supply chain throughout the year.

4 Economic environment

Description & potential impact

A reduction in consumer confidence could impact upon customer spending and subsequently revenue and profitability, as a result of the prevailing macroeconomic conditions in the markets in which we operate.

Strategic Priority

A B C D

Change

Risk Mitigations

- 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 economic conditions.

Key Actions in 2020/21

- In light of the initial uncertainty in relation to consumer confidence following Brexit and the impacts of the pandemic, the Group has continued to ensure that we remain focused on only stocking the top best-selling lines across our ranges. We have continued to work hard to ensure our stores have all of our top 100 best-selling products ready on the shelves on a daily basis.

Link to strategy key

- A Delivering great value to our customers
- B Investing in new stores
- C Developing our international business
- D Investing in people and infrastructure

Risk change key

- Increased risk
- No change
- Decreased risk

5 Regulation and compliance

Description & potential impact

The Group is subject to a range of regulatory and legislative requirements, including those relating to the importation of goods, anti-bribery and corruption, anti-modern slavery, anti-tax avoidance & evasion, health & safety, employment law, general data protection regulation ("GDPR"), control of pollution and contamination to the environment, the Listing Rules, Transparency laws and regulations and the Groceries Supply Code of Practice (the "Groceries Code"). The impact of failure to comply with laws and regulations could lead to financial penalties and significant reputational damage.

Strategic Priority

C D

Change

No change

Risk Mitigations

- The Group has a number of policies and codes, including a code of conduct which incorporates an anti-bribery & corruption policy, which outlines the mandatory requirements we apply to our business. Our codes and policies are communicated to staff along with our employee handbook which is made available to everyone joining the business.
- 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 all applicable new legislation and regulations which apply to us in Luxembourg, the UK and France. Changes in legal and regulatory matters (including those arising from Brexit) are monitored closely on a regular basis by the Group's General Counsel, who provides reports on new regulatory developments directly to the Board as well as its Committees and Executive Management. The Internal Audit function of the Group includes assurance testing and auditing of the Group's implementation of new areas of regulatory compliance.
- We have a whistle-blowing procedure and policy which allows colleagues to confidentially report any concerns or inappropriate behaviour within our business.
- In relation to anti-modern slavery and other standards relating to human rights within our supply chain, the Buying teams are charged with ensuring that every supplier is required to adhere to our Workplace Policy standards.
- The Company has a Group-wide GDPR policy. Our privacy policies, processes in relation to data subject rights requests, privacy notices given to all our colleagues, and privacy notices for users of our websites and subscribers to our on-line mailing lists are reviewed to ensure they are GDPR compliant.
- Our Groceries Code compliance programme includes guidance and training for colleagues, monitoring of compliance, reporting of potential non-compliance issues, dispute resolution procedures and a Code Compliance Officer who oversees compliance and the resolution of code related issues with suppliers in the event of escalation being necessary or required by a supplier. Oversight of our compliance with the Grocery Code is carried out by management and reviewed by the Audit & Risk Committee as a standing agenda item at each of the meetings of that committee throughout each year.

Key Actions in 2020/21

- The B&M UK business has created and launched an e-learning portal for GDPR training for colleagues to make it easier refresh their training during each year. It is intended to roll-out the e-learning platform to other areas of mandatory training over time once colleagues are familiar with using the portal. This will reduce the amount of paper based process required and created a more flexible way for colleagues to carry out some of their training needs.
- Our Groceries Code Compliance Officer and Internal Audit team have actively engaged during the year with the Groceries Code Adjudicator ("GCA") in conference call discussions during the year. This has helped to develop a close and constructive working relationship and dialogue with the GCA as the oversight body in relation to compliance with the Groceries Code, in relation to our action plans and follow-up work during the year.
- In relation to the environment, emissions and sustainability our UK business has continued to invest in initiatives to reduce its carbon footprint with: (i) continuing to invest in our c.234 Heavy Goods Vehicles which are all Euro VI emissions standard engine trucks, being the highest standard of fuel efficient engines for managing levels of emissions, and (ii) the addition of our Bedford distribution centre in the later part of FY20 for deliveries in the South of the UK, has begun to lead to significant reductions in miles travelled for deliveries to our stores in the South of England.

Principal risks and uncertainties

continued

6 International expansion

Description & potential impact

Developing our businesses in our new market territories is important to the Group's strategic plans. Expanding into new markets creates additional challenges and risks which could impact the overall performance of the Group, its growth and profitability.

Strategic Priority

C

Change

Risk Mitigations

- The Group has significant international retail experience on our main Board.
- The Group will continue to support the development of the experienced senior leadership teams in France in key operational areas.
- The Group assesses markets in which the business operates in or expand into, to ensure they are appropriate for value retailing and that product ranges are developed and selected by local buying teams along with access to leverage from the Group's supply chain.
- Continuing to invest in both the infrastructure and technology of our French business.

Key Actions in 2020/21

- We continued to strengthen the senior management team of our French business, Babou, during the year and appointed a new CEO in May 2021. This has enabled us to restructure the senior leadership team to focus those resources on the key operational functions of the business. In particular this has allowed the Trading Director of Babou to devote his time exclusively on leading the buying operations of the business going forward, with other areas which had previously been covered by him being transferred to the CEO of that business.
- The Group is monitoring the Babou stores which have been converted B&M fascia and format to track their performance and make any necessary adjustments to product ranges as we evolve and refine the ranges in response to the demand and tastes of French customers.
- Babou has implemented a new click and collect service in FY21 across the majority of its stores. This has been particularly helpful for customers during the pandemic in relation to remote shopping.

7 Warehouse infrastructure

Description & potential impact

The loss of one of our distribution centres or failure to maintain and invest in our warehousing and transport infrastructure as the business continues to grow its store portfolio, could materially impact short/medium term trading and the profitability of the business.

Strategic Priority

B D

Change

Risk Mitigations

- Forward plans have been implemented for additional warehousing capacity to support our new store opening programme. The Group in the UK has six separate distribution centres (having added Fort this year and closed an older distribution centre in Blackpool). The additional distribution centre in Fort, which serves as a hub to support our expansion in the South of England, is now in full operation.
- The Group maintains adequate business interruption and increased cost of working insurance in the event of a loss of a distribution centre(s).

Key Actions in 2020/21

- The JDA Warehouse Management System is now live and rolled-out within all our main UK Distribution Centres and an upgrade to the existing generation of the software is due to be implemented in FY22.
- The vast majority of product SKU's now have a dual locations with our UK Distribution Centre estate, so in the short term if a Distribution Centre was out of operation our stores can continue to be serviced with the full range of product SKU's by the rest of the Distribution Centres without significant replenishment delays.
- B&M's UK business have access to container storage yards in the north and the South of England, allowing greater flexibility for re-routing stock to other Distribution Centres at short notice if a Distribution Centre was carrying a surplus or was out of operation.

Link to strategy key

- A Delivering great value to our customers
- B Investing in new stores
- C Developing our international business
- D Investing in people and infrastructure

Risk change key

- Increased risk
- No change
- Decreased risk

8 IT systems, cyber security and business continuity

Description & potential impact

The Group is reliant upon key IT systems, and disruption to those would adversely affect business operations including those at the distribution centres and stores. The potential impact of a failure to protect and maintain our data and systems could lead to significant business disruption, potential prosecution and also reputational damage. This also applies to any failure to protect the Group's IT systems and data from viruses, cyber invasive threats, corruption or sabotage.

Strategic Priority

D

Change

No change

Risk Mitigations

- All critical business systems have third party maintenance contracts in place and those systems are industry standard retail business systems.
- IT investments and budgets are reviewed and approved at Board level.
- The Group has a disaster recovery strategy and plan in place for all of our key systems.
- The Group has an on-going Payment Card Industry 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.

Key Actions in 2020/21

- The Group completed the roll-out of its card payment encryption system with Worldpay across all the B&M UK fascia stores by the end of June 2020. This enhances the IT cyber security and PCI controls in relation to processing card transactions. The roll-out has been extended across the Heron Foods stores in FY21 also.
- The B&M fascia business has also implemented a Cloud Security Platform and Advanced Malware Protection to improve email and web cyber security.
- A phased programme of improvements and upgrades to IT systems and infrastructure over the next 3 years from FY22 has been approved by the Board with the Group's IT Director to bring enhancements to our core systems as we continue to grow at a significant rate.

9 Commodity prices/cost inflation

Description & potential impact

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, logistics and store overheads.

Strategic Priority

A

Change

Increased risk

Risk Mitigations

- Freight rates, energy and currency are forward purchased to mitigate against volatility and to 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 that.

Key Actions in 2020/21

- The Group has freight rate agreements in place with freight forwarders for 2021 with set prices for several months ahead.
- Energy purchases have also been agreed through an energy broker until September 2022.
- The business has created an Energy Manager position who is responsible for driving energy improvements and efficiencies in the B&M UK business store estate. The Energy Manager has trialled a Building Energy Management System to control energy consumption at stores more effectively, which we are now looking to extend to new store openings in FY22.

Principal risks and uncertainties

continued

10 Key management reliance

Description & potential impact

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 senior colleagues could impact on the performance overall of the business.

Strategic Priority

D

Change

Risk Mitigations

- Key senior and operational management are appropriately incentivised through bonus and share option arrangements to retain talent.
- The composition of the executive team is kept under constant review to ensure that it has the necessary resources and skills to deliver the Group's plans.
- The Nomination Committee develops succession plans for the Board of Directors and key senior operational management resourcing positions. It also reviews the wider senior management resourcing needs of the Group.

Key Actions in 2020/21

- The Group has continued to strengthen the senior management teams of its businesses. This has included (i) the appointment of an Group IT Director reporting directly to the CFO (ii) the appointment of a Head of Investor Relations reporting directly to the CFO (iii) the appointment of a Head of Internal Audit reporting directly to the Chair of the Audit Committee, (iv) the appointment of a new Group CFO following the retirement of the previous CFO early this year, (v) appointment of a Supply Chain Director in the B&M UK business following a retirement earlier this year, and (vi) the appointment of a new CEO in the French business strengthening the management team locally in that business.

11 Store expansion

Description & potential impact

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.

Strategic Priority

B

Change

Risk Mitigations

- 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 that there is an overall benefit to the Group.

Key Actions in 2020/21

- The B&M UK business has continued to take steps where new store opening opportunities exist in current store locations, to replace older generation stores with better quality sites and premises. That mitigates the potential effects of cannibalisation and also improves the quality and performance of the estate in addition to new store openings in brand new locations for the business.

Link to strategy key

- A Delivering great value to our customers
- B Investing in new stores
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- D Investing in people and infrastructure

Risk change key

- Increased risk
- No change
- Decreased risk

12 Stock management

Description & potential impact	Strategic Priority	Change
Ineffective controls over the management of stock could impact on the achievement of our gross margin objectives. Lack of product availability or over-stocking could impact on working capital and cash flows.	A	Decreased risk

Risk Mitigations

- The Group has a highly disciplined limited SKU count throughout our product ranges and effective regular markdowns on slow moving product lines.
- Our non-seasonal initial stock orders do not exceed circa 14 weeks of forecast sales and action is undertaken after circa 4 weeks of trading to either repeat the order, refresh the product design or discontinue the product line.
- Consistent levels of stock cover by product category are maintained through regular reviews of open-to-buy process, supported by the disciplined SKU count.

Key Actions in 2020/21

- The Group has carried out a review of its stock cover requirements in advance of FY22 in light of the strong demand in FY21 to ensure that sufficient ordering is in place to build stock levels to the normal levels of cover previously.

Principal risks and uncertainties

continued

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 24 to 31 of the strategic report and the Group's prospects.

B&M operates in a competitive retail environment and need to be able to react to changes in retail markets and consumer trends. Accordingly, B&M set out a strategic plan on a three-year cycle which is common practice in the retail sector.

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 on the Group's business model, future trading expectations and liquidity of one or more of the principal risks set out on pages 25 to 31 occurring in the period;
- the likely degree and effectiveness of possible mitigating actions in relation to the principal risks;
- the implementation of the Group's plan following its acquisition of Babou in October 2018; and
- the Group's debt facilities of £455m in relation to the term loan and revolving credit facility which matures in April 2025, and the high yield bond of £400m which matures in July 2025.

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. The Group did not think there was a case for testing the impact of store closures as a result of future lockdown measures, due to the sale of essential goods which resulted in B&M and Heron Foods remaining open throughout the FY21 lockdown periods, and with the impact of Babou closures being immaterial on a Group level.

A number of other severe but plausible scenarios were considered by the Board. They included:

- a decline of circa 17% like-for-like sales in FY22 followed by modest increases of 2% respectively in FY23 and FY24 in the Group's main UK trading business, B&M, as a result of competition increasing when non-essential retailers reopened in April 2021 after the third national lockdown ends;
- a significant decline in the gross margin of the Group's main UK trading business due to higher costs of imported goods arising from commodity price increases, increases in import duties and adverse currency exchange rate movements;
- a marked deterioration in working capital creating significant pressure on liquidity, due to ineffective controls on stock; and
- a range of other severe scenarios which could have a material impact on the Group's main UK trading business, including for example, a major fire at one of its distribution centres.

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 dividend payments;
- limiting capital expenditure to essential maintenance only; and
- suspension of the new store opening programmes.

Each of the above scenarios 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 2024.

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. After making enquiries, including preparing cash flow forecasts for at least 12 months from the date of approval of these financial statements, 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.

Strategic Report

Corporate social responsibility

Reflecting the B&M values in the way we deliver growth

Environmental, Social and Governance ("ESG")

Our approach to ESG is to:

- deliver our growth strategy for the benefit of all our stakeholders;
- build our business in a sustainable way in the communities we invest in; and
- apply our values of simplicity, trust, fairness and being proud, in the way we operate our business in relation to people, communities and the environment.

B&M is committed to delivering its growth strategy and ensuring that all its stakeholders benefit from that growth. How we do that is important from an environmental, social and governance ("ESG") perspective to ensure that we continue to build our business in a sustainable and environmentally friendly way over the long term.

A key part of our approach to ESG is therefore to ensure that as we grow we continue to apply our values of simplicity, trust, fairness and being proud, in the way we operate our business. We believe those values underpin the continued success of our business.

For B&M, we consider ESG from the perspective of our colleagues, customers, communities, suppliers and the environment. We are reviewing what targets may be appropriate for these areas moving forward to support the ongoing success of the Group for all stakeholders.

Alongside our approach to ESG, we have policies with regards to our dealings with people, our social responsibilities and also in relation to our environmental outputs.

Below, we set out these policies, how we have applied them in relation to our business in the year under review and the outputs from them. In relation to our governance and decision making with regard to our stakeholders' interests, see also the Stakeholders and Section 172 report on page 44.

People

Our policy and commitment in relation to our colleagues is to:

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

See page 36 for more information on diversity and equality

As well as our overall policy in relation to our colleagues (see above) we also have a number of detailed policies relating to our terms and conditions of employment and workplace matters. These policies are designed to ensure that we provide appropriate safeguards and practices for the benefit of all colleagues throughout our different working environments, and to ensure compliance with legislation.

Through the policies and standards we have in place we are able to support the growth of our business and attract and retain new colleagues as our operations expand in all areas of our business, particularly at our stores and distribution centres. The Group now employs over 41,000 people across our three businesses. In FY21 we created over 7,200 new jobs in the UK alone, at a time when some other store-based retailers have been taking steps to rationalise their workforce have or closed entirely.

Colleague progression

Our commitment to developing our own talent through our Step-Up career development programme has continued. This programme gives store colleagues a real opportunity to demonstrate their talent and grow within the business to the next level. In FY21 124 existing colleagues were promoted to either store manager or deputy manager positions at B&M UK stores (FY20: 125). We are very pleased that we maintained the programme this year notwithstanding the challenges posed by the restrictions associated with Covid-19. We successfully migrated the training for the programme on-line, restructured it over a shorter timeframe to make it easier for colleagues to participate in and achieved a result which we are proud of for those who came through it this year. As part of our values of fairness and trust, any colleagues who enter but do not succeed the first time can enter the programme again in future years whenever they want to.

By having a focus on home gown talent opportunities for colleagues wherever possible, career development and retention, the business benefits over the longer term as our culture and values are maintained and reinforced through the continuity of our 'B&M people' growing with our business.

Colleague engagement

One of our Non-Executive Directors, Carolyn Bradley, is the Group's Designated Non-Executive Director for Workforce Engagement. Carolyn oversees the effectiveness of our workforce engagement initiatives, and reports to the Board on the outputs from them during the course of the financial year.

There is a standing agenda item at two Board meetings each year, for the Board to consider reports from the Workforce Engagement Director. This enables the Board to monitor progress, consider feedback and discuss outputs and actions with the executive management team.

This is also supplemented by reports provided each year on colleague engagement and pay, by the Group People Director to the Remuneration Committee.

Our annual colleague engagement survey included over 2,100 UK respondents this year, which included colleagues from stores, distribution and support centres of both the B&M UK and Heron Food businesses.

We had an 80% response rate to the survey and an overall satisfaction score of 81%, which was very similar to the previous year. We regard this as an excellent result given the circumstances and challenges of the past 12 months. The results were particularly strong in areas including: colleagues feeling they are valued by the business, being encouraged to work to their potential, and having a clear understanding of what their responsibilities are.

One of our aims is very much geared to promoting and retaining home grown talent. These ratings are therefore particularly important, as they are a strong indicator of the type of culture which exists across our business. This has been a particularly pleasing result this year, with our colleagues having been instrumental in how we have overcome the operational challenges posed by the pandemic to the business.

Colleague satisfaction rating
81%

"Step Up" promotions
124

As part of the colleague engagement survey, we also invited feedback on areas where we could make improvements for colleagues. The main themes from that included improving communication with colleagues, enhancements to some of our IT systems and further employee benefits. As a direct result of that feedback, the following outputs have already been implemented by the senior management team:

- a project has started to improve the functionality, speed and user experience of the Hub portal which is used by the head office retail team as an information platform to support regional, area and store managers on a range of operational items;
- the retail operations and buying teams are working closely together with a clearer shared focus on the preparation of the store activity planner each week, to help store teams to deliver the best possible customer experience;
- the newly appointed Group IT Director has performed an in-depth assessment of our existing infrastructure and set out a plan for a number of systems upgrades which have been approved for rolling out in the next 12 months;
- in response to the need for home-working due to the Covid-19 pandemic, the business invested in new technology and IT equipment for a range of colleagues across departments in the central operations teams; and
- the colleague benefits portal, which provides a number of discounts on purchases with a variety of retail and leisure outlets, has been extended to include further promotions and outlets for when the Covid-19 restrictions hopefully begin to allow for more social activities.

The senior management team of the B&M UK business also have a number of other established workforce engagement mechanisms. They are designed to keep colleagues informed of the trading performance and factors affecting the business on a quarterly basis, whilst also enabling colleagues to ask questions directly of senior management in relation to the business and its strategic plans. This has out of necessity been restricted to electronic communications in the last year, but when restrictions allow for town hall meetings to resume again they will be reinstated.

Considering the constraints that all colleague engagement processes had to operate within during FY21, the overall results have been extremely encouraging, and provide a strong platform from which to build on during the year ahead.

Rewards

We reward our store managers and supervisors through an annual bonus scheme. This scheme is kept simple and transparent, with just 4 metrics designed to be stretching and motivating for the store teams. These metrics are fully aligned to ensuring our stores deliver the best possible shopping experience to our customers. In addition, we also run regular incentive schemes at the store level to drive and reward high performance.

We also have an annual bonus scheme for our distribution managers who run our distribution centres and head up various warehouse and transport teams.

B&M also has a share incentive plan which is open to all B&M UK employees after 12 months service, to provide them with the opportunity to participate in the future success of B&M as a shareholder.

Restricted Stock share option awards have also been made to a number of management personnel over the last four years on an annual basis. This is a broad based pool of management and includes a number of heads of departmental functions across the central support teams.

The performance of the business in FY21 is testament to the resilience and determination of all our colleagues in navigating the challenges which Covid-19 has posed. In recognition of the hard work and commitment shown by store and distribution colleagues in our UK businesses throughout the year, we were proud to pay them 110% of normal pay in April and May 2020. We also followed that up by awarding an extra week's pay to our B&M UK stores and distribution workforce in January 2021. Any central support colleagues who were not members of annual bonus schemes were also given a bonus award at the end of FY21. All of these bonuses were one way the business was able to give a big thank you to the wider workforce for all of their hard work and commitment to the business and our customers in the last year.

The business has also committed that it will award workforce bonuses each year going forward, where the Group achieves certain internal levels of growth performance.

People continued

Our Diversity Policy in relation to the Board and senior management is:

- to ensure as an overall objective that the Company maintains the necessary skills, experience and independence of character and judgement of its Board members and senior management team, for the Group to be managed effectively for its long-term success;
- while making appointments based on merit so the best candidates are appointed, the Company recognises the value which a diverse Board and senior management team brings to the business and it embraces diversity in relation to gender, race, age, educational and professional backgrounds; and
- together with the above criteria, the Company also recognises 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 experience in relation to membership and chairmanship of Board committees are also relevant factors.

Diversity and equality

In relation to gender diversity, at the year-end the Board had 28.6% female representation, with two out of the seven Board members being female. Full details of the composition of B&M's Board are set out on pages 50 and 51. The Company has commenced a search process with an external consultancy, with the intention of appointing an additional female Non-Executive Director to the Board. See page 65 below for further details in relation to that process. In addition, Gilles Petit is not standing for re-election to the Board at the AGM on 29 July 2021, as referred to on page 4 above. In consequence of these changes, by the time of the AGM, the Board will have at least 33% female representation.

The Company already complies with the Parker Review recommendations in respect of ethnic diversity and Board representation.

The percentage of female representation across the senior management of the Group reporting either directly to the Board or the Executive Committee was 42.3% at the end of FY21 (FY20: 45.5%).

In relation to all employees of the Group, the percentage of female colleagues was 58.2% (FY20: 58.4%).

Our equal opportunities policies in relation to our workforce are also designed to recognise and actively encourage the benefit of having a diverse workforce across our business which is inclusive of all types of diversity as well as gender. We look to ensure that all colleagues are treated fairly and with respect, and that no employee is discriminated against on grounds of gender, race, colour, religion, disability or 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.

Gender pay gap reporting

In accordance with the Equality Act (Gender Pay Gap Information) Regulations, we have published our data online in relation to each of our B&M UK and Heron Foods businesses as at 5 April 2020.

The hourly pay of B&M UK colleagues mean hourly rate for females is 7.5% lower than males. The median hourly rate is the same for females and males. For Heron Foods, the mean hourly rate for females is 20.3% lower than males and the median hourly rate for females is 4.8% lower than males.

In relation to bonuses of B&M UK colleagues, 4.8% of females and 13.3% of males were paid a bonus. The mean bonus pay for females was 19.3% lower than males, but the median bonus pay for females was 34.4% higher than males. For Heron Foods, 2.0% of females and 24.8% of males were paid a bonus. The mean bonus pay for females was 7.7% lower than males and the median bonus pay for females was 16.1% lower 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 France and Luxembourg are not included in this data.

This data is stated for the year before the bonuses which were paid in FY21 to colleagues which are referred to on page 35 above.

Social

Our policy in relation to social and community engagement is to:

- continue to make investments in new stores and new jobs in local communities where we are under-represented or not represented at all;
- provide value for money to our customers;
- build long standing relationships with our suppliers; and
- promote ethical trading policies and practices within our supply chains.

Communities

In the communities we serve we provide shoppers with great prices, create local jobs each time we open a new store, and help to sustain those areas where people live and work. In doing so, we have an important role to play as a positive presence in local areas, towns and neighbourhoods by serving people with the goods they need and at prices which help limited spending budgets go that bit further.

Quality, convenience & value

Both the B&M and Heron Foods brands are known by their customers for providing them with quality products at bargain prices. Value led shopping opportunities have become particularly important for many customers during the pandemic. We expect this to continue to be the case as communities emerge from the social and economic impacts of coronavirus and need to manage household budgets accordingly for some time to come.

We are proud to be a part of supporting the communities where we trade by bringing our value for money proposition to as many customers as we can. By providing Grocery, FMCG and General Merchandise goods all under one roof at our B&M stores, we are able to provide customers with a one- stop- shop to serve a whole range of shopping requirements for daily essentials and their homes. At our Heron Foods stores we include a range of frozen, chilled and ambient food and a targeted range of FMCG goods to enable customers to do one-stop food and other essentials shopping very conveniently.

Investment in communities and creating new jobs

In FY21, despite the challenges posed by the Covid-19 pandemic, we have continued to invest in new stores where we are under-represented or not represented at all by opening a total of 60 gross new stores in the UK.

When we open a new store, we try to find a hero from the local community known for their charitable work to perform the ribbon-cutting ceremony on the opening day. This is one small way in which we can help to give some publicity with the local media for them to promote and support the good work that they do for their communities. We actively encourage our store managers to maintain those relationships with the local hero going forward and give continued to support to the social good they are doing for local people.

We expect our store expansion programme to continue in the years ahead, as we remain committed to our rollout target of at least 950 B&M stores in the UK. This will continue to create jobs in yet more communities where new store openings take place, contributing to their revitalisation. Every new store we open represents a long term commitment to communities we serve. We are also delighted to welcome new colleagues to take up new jobs we offer every time we open a new store. This is a positive investment in communities often in locations where job opportunities may otherwise be limited.

We are proud to contribute to the revitalization and sustainability of those areas by the considerable investment and long term commitment we are making to them with our new and existing stores throughout the UK. There are still many areas in the UK where we have not penetrated local markets, particularly in the South of England. Every time we open a new store we know by our track record that it will be a success. The only constraint on new store openings is finding available real estate of the size and convenient locations we require to give the best offering we can to customers.

In relation to jobs at our B&M stores and Distribution Centres in the UK, we are also proud to continue to help long-term unemployed people back into work in their local communities through the government's "kickstart" scheme. In FY21, another 620 long-term unemployed people secured a role with B&M (FY20: 320).

Social continued

By supporting this scheme we are able to help people get back into work by providing local job opportunities to them.

Charitable initiatives and pandemic support
We were proud again this year to be a headline partner for the "Mission Christmas" appeal, which is an initiative run by the Cash4Kids children's charity. It provided £12.7m of gifts and vouchers to some 254,000 under-privileged or poorly children in the UK at Christmas 2020. Most of our stores acted as collection points for the initiative, in what was our fifth consecutive year of participation on a national level.

At our Heron Foods business, we have contributed to the local community by donating old thermal uniforms to homeless people in Hull, and providing a chiller unit to a local charity that supports the community with food parcels.

As part of our response to help the wider community since the on-set of coronavirus in the UK, we delivered £1m in cash donations to Foodbanks across the UK, and used our Heron Foods delivery vans to help deliver food parcels amongst the local community.

In recognition of the heroic efforts of our NHS workers, we were proud to offer them our B&M colleague discount at stores during the initial outbreak of the pandemic. We also extended this again throughout the month of January 2021 when there was another surge in the virus in the UK. In total, we awarded £4.9m of discounts to NHS workers in FY21.

Customers

Helping household budgets go further
Our purpose is to deliver great value to customers so that they keep returning to our stores time and time again. We believe that by making everyday essentials affordable, we are able to help families by making limited household budgets go that little bit further.

The combination of value, convenience and Grocery and General Merchandise goods all under one roof has been particularly important during the Covid-19 pandemic. This is likely to remain the case for the foreseeable future with large sections of the population being concerned about their personal finances or having to live within constrained household budgets. We are committed to serving those needs through the stores we operate in our chosen markets in the UK and France.

Customer offering
We believe that by providing customers with a limited assortment of the best selling products across a range of product categories, all at value prices, we are able to give customers what they want all year round. By doing that well we are able to retain the loyalty of existing customers who keep returning to our stores and also attract new customers. Shopping at B&M also does not require any compromise on quality since we sell many of the household brand names which our customers want, and they are able to enjoy the opportunity to purchase them at bargain prices at our stores.

In addition, our range discipline is such that we constantly refresh our product offer, introducing up to 100 new products a week throughout the year, predominantly in our General Merchandise ranges. This encourages customers to visit the store again and again to see what is new. We also provide customers with a fun and exciting shopping experience through promotional events in stores, often involving seasonal products. Each of those events are aimed at giving even better promotional value-prices to our customers.

We take pride in providing the high-quality customer experience shoppers expect from any retailer. We invest in our stores to present them in a clean and tidy format, with new store fit-outs and refurbishments including investments in LED lighting and refreshed floor coverings. This also has environmental sustainability benefits and provides modern, clean environments for customers and our colleagues. This is something that has become even more important as an assurance to those visiting our stores during the pandemic.

Our store colleagues are trained to focus on taking a helpful and friendly approach with customers, so that customers enjoy coming back to our stores time and time again. This includes our no-quibble customer returns policy, highlighting our emphasis on providing great value for money and quality products.

New customers discovering B&M for the first time
Whilst we have an established base of existing loyal customers, the B&M proposition is increasingly resonating with new ones. This has been seen throughout FY21, where a number of customers have discovered us for the first time.

Early in the pandemic, in the month of June 2020, we saw that 23% of all card transaction shoppers had not shopped with B&M during the previous five months. When we followed-up this analysis in March 2021, we found that 71% of those customers had continued to shop with us over the subsequent nine months, with an average visit frequency of 4.2x during that period.

This average frequency of repeat visits suggests we may have become a part of the shopping routines for some of these new customers.

See page 10 for further information regarding new customers in FY21.

Health and safety

The Board has overall responsibility for ensuring that the Group maintains high standards of health and safety in our businesses. The Board and the executive management team monitor key performance indicators in relation to health and safety trends in the business on a bi-monthly basis, 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.

In light of the Covid-19 pandemic, our commitment to the safety and wellbeing of colleagues and customers has never been more important. We have worked hard throughout the year to maintain safe socially distanced working and shopping environments, including:

- providing PPE for all store, distribution and support centre colleagues;
- installing protective screens at store check-outs and workstations;

New jobs created in the UK

>7,200

Discounts granted to NHS workers

£4.9m

- clearly marking two meter gaps in the busiest aisles in store, to help customers with social distancing;
- implementing enhanced cleaning regimes across the business; and
- introducing flexible home working arrangements for a large number of our support centre team colleagues.

We recognise that having essential retailer status has carried with it a great responsibility to help colleagues and customers through the crisis, and to do so in a safe manner. In that context, we are proud that we have been able to continue operating whilst only recording a very modest number of confirmed coronavirus cases throughout FY21. This is testament to the diligence and rigour of the enhanced measures we have put in place.

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 a system of working procedures for colleagues to follow, with pictograms to make them user friendly and help overcome 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 for each new colleague with reviews (and refreshers as required) also taking place during the next 12 weeks thereafter. We are developing our e-learning portal to include health and safety training for some colleagues to make it more flexible and user friendly to those preferring to complete it on-line.

In FY21 there were 125 reported accidents (0.2 per store) reportable to the Health & Safety Executive relating to the B&M business in the UK (FY20: 102 reported accidents and 0.2 per store). This is in the context of 233 million shopper visits over the course of the year.

Suppliers

We aim to foster long standing relationships with our suppliers, who we regard as business partners in terms of our relationships and dealings with them. Many of our suppliers have worked with B&M for a number of years, and have therefore been able to share in our growth and success.

They value the simple, transparent pricing model that we adopt, minimising the use of rebates and retrospective discounts. We work collaboratively with all our suppliers to ensure we are always bringing the best products at the best prices to our customers.

We use a standard set of terms and conditions when making purchases from suppliers. Provided the goods meet relevant quality and safety standards, we will pay the supplier within the agreed payment terms. Our import suppliers are generally paid in advance of the goods arriving into the UK.

These minimum terms and standards of dealings with our suppliers are important in terms of ensuring our products are safe and fit for purpose for our customers, and also that the factories of our suppliers comply with local laws and regulations and our policy standards referred to further below. This ensures that our customers can be assured of the safety, quality and integrity of the products they buy from us at our stores.

Social continued

Ethical trading and our supply chain

We regard our supply chain as a key differentiator, with our disruptive sourcing process an essential feature of the B&M business model. However we are equally driven by the need to ensure our supply chain partners remain transparent, fair in their business dealings and robust in their welfare policies for their colleagues.

We have a number of formal policies in place in relation to our business and our dealing with suppliers including:

- anti-bribery and corruption;
- supplier workplaces, covering anti-slavery and respect for human rights, which all suppliers are required to adhere to; and
- whistle-blowing, in relation to reporting of any suspected wrong doing or malpractice.

Our policies and procedures are geared toward what we think are balanced, reasonable and effective processes. We strive to find effective ways of improving the communication of and adherence to our ethical business practices.

Anti-bribery and corruption

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

Each year an annual review is undertaken of our buying teams in the UK and France. This requires written reports to be completed of any suspected or actual incident of bribery or corruption between any third party and the business. For the year under review, this due diligence process disclosed no instances of any such activity having taken place or having been suspected in our business.

B&M UK, Heron Foods and Babou all have clearly communicated whistle-blowing procedures and processes in place. In the year under review, no reports were made in any of our three businesses of any instances of suspected bribery or corruption in relation to employees with any suppliers or other third parties.

Anti-modern Slavery

We have a zero-tolerance policy on slavery, forced labour and human trafficking of any kind in relation to our business and our supply chains. We support the promotion of ethical business practices and policies to protect workers from any kind of abuse or exploitation.

In the last year, B&M UK, Heron Foods and Babou have continued to communicate our Workplace Policy on the welfare rights of workers to their existing and new suppliers. The standard terms and conditions of purchase used with all suppliers make it a condition that they adhere to those Workplace Policy standards.

In the event of any suspected failure by a supplier to comply with our Workplace Policy, we would investigate the circumstances of it with the supplier. If, as a result of such an investigation, we identified a breach of our policy we would 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.

In relation to the year under review, no reports have been made to the Group 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.

A copy of our 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, for leading household brand name suppliers, the Group operates on the basis of reasonable reliance being placed on those who have their own comprehensive procedures and policies in place. For all other suppliers, in particular those supplying general merchandise goods from overseas, other forms of checks and verification process are in place by the Group and its sourcing agent, as set out below.

The vast majority of general merchandise products which are imported into the UK and France by B&M and Babou are sourced from China. They are mainly machine manufactured goods as opposed to being labour intensive handmade goods. Heron Foods also sell a limited number of products imported from China. They are all procured from the B&M supply chain and benefit from the checks and verification process of B&M's sourcing agent.

Overseas suppliers of general merchandise goods are required to provide social compliance reports, as a check on compliance with local laws and regulations, including labour practices. The Group outsources the vetting and reviewing of those reports to a specialist team at our product sourcing agent in Hong Kong. They carry out this service for our Group in relation to suppliers sourced by them and also suppliers which are sourced directly by the Group. This ensures that there is a consistent and robust review and social compliance auditing standard applied to all our suppliers regardless of the origin of their relationship with us. It is also carried out independently from our buying teams, as a further safeguard and check on the robustness and integrity of the processes which we have in place.

In addition to the above checks, members of our UK buying team, where practical, visit new suppliers also as part of our verification processes.

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

Internal Auditing

Our Internal Audit function in the UK carried out a review and audit of our supply chain and procurement in FY16 and again in FY19. That due diligence included a review of the social compliance vetting and verification processes of our sourcing agent in Hong Kong in relation to both new and existing suppliers in China and Asia on an on-going basis.

Within those processes for both new and existing suppliers, they are required to produce social compliance audit reports prepared by external specialists. Those external specialists would generally be 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 new audit reports, as part of its continuing verification processes of approved suppliers.

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 effectively by the sourcing agent to ensure that the risk of any modern slavery issues in our supply chain do not arise.

Enhancements to our risk management and due diligence

Our policies, procedures and approach to verification processes are geared toward what we think are balanced and reasonable, practical and effective. We continue to strive to find effective ways of improving the communication of and adherence to our ethical business practices. The outsourcing of social compliance audit checking for direct suppliers (as well as those sourced on our behalf) to our sourcing agent in Hong Kong this year, as opposed to B&M's in-house teams carrying out those processes, is an added enhancement to the way we ensure that our supply chains are operating to our required standards of ethical trading practices.

Quality assurance

In relation to general merchandise products which are manufactured for the Group, we have a well established and developed process of pre and post-production sample testing and approvals. This is supported by our quality assurance team and external testing houses of our own or suppliers, being global certification providers. It is also supplemented by our own programme of quality control inspections performed by colleagues of our sourcing agent at factory premises prior to shipment.

The Groceries Supply Code of Practice (the "Groceries Code") and The Groceries (Supply Chain Practices) Market Investigation Order 2009 (the "Order")

The Groceries Code and the Order regulate certain aspects of the relationships of B&M and Heron Foods in the UK with their grocery goods suppliers. Under the Groceries Code retailers are required to deal with their suppliers fairly and lawfully at all times.

In the UK, B&M and Heron Foods have established compliance procedures under the Groceries Code. Those businesses have materially complied with the Groceries Code throughout the year under review.

B&M and Heron Foods became designated retailers under the Order, and thereby subject to the Groceries Code, on 01 November 2018.

In relation to the second annual compliance report of B&M and Heron Foods for the year to 31 March 2021, there were no formal disputes under the Groceries Code. There were also no Groceries Code related issues raised by suppliers with B&M or Heron Foods of any potential non-compliance with the Groceries Code. The report was submitted to our Audit & Risk Committee members in June 2021 and it was approved by them for submitting to the Competition and Markets Authority and the Grocery Code Adjudicator.

In the year under review B&M and Heron Foods have carried out training and guidance programmes with colleagues on the Groceries Code. Training has been provided by external consultants to existing staff. There is a new joiner guidance document and also external training packs for new colleagues joining the buying teams in each of those Group businesses. During the year under review buying colleagues who deal with grocery suppliers have also completed declarations confirming their compliance with the Groceries Code, and, that all instances of any complaints received under the Groceries Code have been reported to either the Buying Office Manager or Code Compliance Officer.

Following the retirement of Paul McDonald as the Group CFO in November 2020, his successor Alex Russo was appointed as our Group's Code Compliance Officer.

See principal risk number 2 and 5 on pages 26 and 27
for more information

Environment

Our Environmental policy is to:
- grow our business and operate sustainably in the communities we serve;
- 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 and France; and
- continuously look for opportunities to reduce or minimise our environmental footprint where we can, in particular in areas of scale in our operations where we can make an impact.

Packaging waste recycled by the Group in FY21

99.8%

FY20: 99.8%

Environmental sustainability

The nature of our business model, being the sourcing and retailing of a limited assortment of products, does not in itself involve significant environmental risks to the sustainability of our business or our model. There are however environmental impacts from our business operations which, as opposed to being risks, are outputs which we are very conscious of managing responsibly.

We constantly strive to seek to either reduce the intensity levels of our consumption, or find better or new ways of operating in a more environmentally sustainable way.

The impacts of our policy, and how we have applied it during this year, are as set out below.

Transport & Distribution

The opening of our 1 million sq ft distribution centre in Bedford in January 2020 represented an important investment, not only in terms of facilitating further store expansion but also with regard to doing so in a more efficient and environmentally friendly way.

Being the first distribution centre outside of the North West of England, the Bedford facility has begun to significantly reduce the number of miles travelled to service stores in the South of England. The reduction in miles travelled has also therefore reduced overall fuel consumption and emissions from our HGV transport fleet in real terms compared with miles travelled previously to serve the stores in the South. The annual benefit of the Bedford facility is currently estimated to provide a reduction of approximately 2.7 million delivery miles travelled, which would equate to over 3,700 tonnes less CO_2 emissions. After a further 12 months operating at normal capacity we will then be able to measure the actual impact.

We have a total of 231 tractor units, with the entire transport fleet in the UK less than 5 years old and fitted with Euro 6 engines, which have the lowest emission rate possible.

We have also continued to invest in double decker "wedge" trailers, which increase trailer capacity and therefore maximise transport volumes whilst minimising distribution mileage travelled. We now have a total of 173 of these trailers, resulting in a saving of approximately 5 million miles a year compared to using a standard trailer type, and resulting in a 6,500 tonne reduction in CO_2 emissions per year.

We also have an increased focus on driver performance monitoring across our B&M and Heron Foods transport colleagues, rewarding fuel efficient driving and thus reducing diesel emissions.

Other sustainability initiatives at our distribution centres include using lithium Ion picking and loading trucks, which are more energy efficient than the previous generation of pallet handling equipment. At our Heron Foods distribution centre we have introduced electric charge points for fridges and freezers, eliminating the need to run diesel engines and also reducing noise pollution.

Waste & recycling

The main source of waste in our operations results from packaging. Where possible we collaborate with our suppliers to minimise product packaging only to what is necessary for their safe carriage. This reduces costs, weight and wastage of excess packaging.

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 and backhaul it (being another efficient use of our transport fleet) to our distribution centres for sorting in readiness for recycling.

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 was recycled into energy production.

Overall, the total level of packaging waste recycled by the Group in FY21 was 99.8%.

In addition to the packaging and recycling initiatives above, we also recycle all batteries in store and have started recycling small domestic appliances following the introduction of new UK legislation this year. Store cleaning regimes have also been improved this year, with over 480 stores now using chemical-free floor cleaning systems.

With regards to waste water, some of our larger stores now feature waterless urinals, and this is something we are looking to rollout further in the year ahead.

Energy consumption

All new stores are now opened with energy efficient LED lighting. In addition, wherever it's practical we invest in retrofitting LED lighting into existing stores when carrying out store refurbishments. We also have LED and motion-activated lighting installed in all four main B&M distribution centre locations, as well as our Heron Foods distribution centre, to reduce unnecessary electricity usage.

This year we launched a new "controllable cost wheel" to all B&M UK stores. This initiative aims to give stores better visibility of their water and electricity consumption, as part of a general energy awareness campaign including in-store posters, colleague briefings, and trialling of centrally managed energy settings in several stores. This will be supported by further projects planned next year to help reduce store energy consumption.

We created a new Energy Manger role in FY21. He is responsible for driving further energy improvements and efficiencies across our UK businesses. We have already trialled a Building Energy Management System in a number of existing stores to control their energy consumption better. This is now planned to be extended to all new store openings in FY22.

Greenhouse gas ("GHG") emissions

In FY21 around 62% of our carbon footprint in relation to the UK operations of B&M was as a result of electricity and gas usage from our stores and warehouse facilities. Diesel used by our transport fleet accounts for the remaining 38%.

Store numbers across the Group continue to increase, particularly in the UK where the number of stores increased by 38 in FY21. Despite this growth in store numbers, the absolute value of GHG emissions and energy usage from UK operations decreased in FY21.

We express our annual emission intensity ration by reference to our revenues. Scope 1 GHG emissions and energy use have been calculated based upon the quantities of fuel purchased for our transport fleet, and Scope 2 GHG emissions and energy use are calculated from electricity and gas usage applied to published factors.

The intensity ratio for emissions is measured in tonnes of CO_2e per £1m of turnover. The intensity ratio has improved in the last year for the UK businesses. This was partly due to lower emissions from electricity purchased from the grid generally. It also reflects the high throughput of sales from our existing store estate in the year.

Carrier bags

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

We donate the proceeds from the carry bag levy to a number of good causes. In FY21, we donated a total of around £870,000 to UK charities, of which approximately £725,000 was distributed at grass roots level to local foodbanks across the country as part of our response to the Covid-19 pandemic to support some of the most vulnerable in society.

Sustainability and efficiency at a glance:

- significant reductions in miles travelled and associated emissions by new servicing c.250 of our stores in the South of England from our new Bedford distribution centre;
- our entire B&M UK transport fleet is now fitted with Euro 6 engines which have the lowest emission rate;
- the total packaging waste recycled by the Group in FY21 was 99.8%;
- over 480 stores now using chemical-free floor cleaning systems;
- all new stores opened with energy efficient LED lighting and an ongoing programme of LED lighting being retrofitted at existing stores;
- reduction in absolute emissions and energy usage from UK operations in FY21; and
- preparing to comply with TCFD reporting requirements in FY22.

Greenhouse gas and energy usage data

	Emissions				Energy usage		
FY21	Scope 1 TCO_2e	Scope 2 TCO_2e	**Total TCO_2e**	**Intensity Ratio**	Scope 1 MwH	Scope 2 MwH	**Total MwH**
B&M	34,725	56,175	**90,900**	**22.29**	129,152	240,951	**370,103**
Heron	8,101	11,013	**19,114**	**46.08**	30,048	47,237	**77,285**
UK Subtotal	42,826	67,188	**110,014**	**24.49**	159,200	288,188	**447,388**
Babou	110	7,341	**7,451**	**24.11**	404	31,486	**31,890**
Group Total	42,936	74,529	**117,465**	**24.46**	159,604	319,674	**479,278**

	Emissions				Energy usage		
FY20	Scope 1 TCO_2e	Scope 2 TCO_2e	**Total TCO_2e**	**Intensity Ratio**	Scope 1 MwH	Scope 2 MwH	**Total MwH**
B&M	29,874	61,835	**91,709**	**29.21**	122,119	250,522	**372,641**
Heron	8,928	12,121	**21,049**	**53.99**	35,918	47,423	**83,341**
UK Subtotal	38,802	73,956	**112,758**	**31.94**	158,037	297,945	**455,982**
Babou	129	9,820	**9,949**	**35.11**	472	38,420	**38,892**
Group Total	38,931	83,776	**122,707**	**32.18**	158,509	336,365	**494,874**

Note: FY21 relates to the period from April 2020 to March 2021 and FY20 relates to the period from April 2019 to March 2020.

Stakeholders and Section 172 statement

Our stakeholders' interests

This report describes how the Directors have had regard to the interests of stakeholders and other matters referred to in section 172(1) (a) to (f) of the Companies Act 2006 in relation to their decision making.

The Company is a Luxembourg registered company and is not subject to the Companies Act 2006 or to the Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"). It is however subject to the UK Corporate Governance Code 2018 (the "Code"). The Board considers the Regulations to be reflective of best practice. Accordingly, it has followed that practice where practical, while maintaining its status as a Luxembourg registered company.

Stakeholders

Achieving our vision and fulfilling our purpose (as set out opposite) means that evaluating and considering the interests of our stakeholders in our decision making are key to the Group's success. The Group's key stakeholders include its customers, colleagues, suppliers, the people and communities where it trades and its investors.

The Board uses a number of mechanisms through which it is able to determine and appraise the interests of stakeholders to inform discussion by the Board and its decision-making. This includes a range of activities from regular management reports through to other forms of direct engagement by members of the Board.

We describe below how we have engaged with the particular key stakeholder groups and considered their interests in the last year. We have also provided further details of our engagement with colleagues in our Corporate Social Responsibility Report in the section on Workforce Engagement on page 34.

	Why we engage	How we engage, measure and monitor
Customers	Providing great value to our customers is our core purpose as a business. We monitor and respond to our customers preferences and needs to ensure we maintain a compelling product offering and price proposition at our stores.	Monitoring our like-for-like ("LFL") sales trends. Commissioning third party customer exit data and card provider customer transaction analysis to monitor customer demand, preferences and requirements. Holding in-store promotional themed events to measure customer response and reaction to extra value propositions in different product areas.
Colleagues	Engagement with our colleagues is key to understanding how the business can support them in carrying out their roles effectively, make improvements in our business and recognise and reward exceptional performance.	Regular engagement programmes including colleague listening groups, apprentice listening groups, new store and distribution centre colleague surveys and bi-annual business updates from management. Annual colleague survey for Retail, Distribution and Central Support colleagues. Development days and structured career progression programmes including promotion paths to Store Manager and Area Manager roles. Twice yearly updates to the Board on colleague engagement by Carolyn Bradley, one of our Non-Executive Directors, as the Designated Director for Workforce Engagement.

Our vision, purpose and values

Our vision

To grow our B&M UK business to at least 950 stores, and to successfully deploy our direct sourcing limited assortment business model in France so that we can maximise the potential of that business.

Our purpose

To deliver great value to our customers, so that they keep returning to our stores time and time again, in order to generate growth in our like-for-like sales, profits and cash and long term value to our investors.

Our values

Simplicity, trust, fairness and being proud of what we offer to customers are at the heart of our business as we strive all year round to deliver the lowest prices we can for the best-selling products which our customers need or want.

We are proud to operate in many different communities and areas, providing access to our variety goods offering locally, helping household budgets go that little bit further and creating new jobs every time we open a new store.

Examples of actions in 2021	Examples of outcomes in 2021	Links and more information
The Board reviews LFL sales data every month in the Group's management account reports. This is analysed across each business fascia, the Grocery and General Merchandise product split and for each main product line within those categories. The Group commissioned a study by Barclaycard in June 2020 and again in April 2021 in relation to customer transactions at our B&M UK stores. The results of that in June 2020 were that 23% of card transaction customers had not shopped with B&M during the previous five months. In addition, 71% of those new card transaction customers shopped with B&M again during the subsequent nine months, with an average visit frequency of 4.2x during that period.	During the early part of the pandemic when shoppers were stockpiling goods, by tracking what lines of Grocery and FMCG products were selling through very quickly we were able to respond to the situation very rapidly. Our buying teams reprioritised orders with suppliers and we reorganised labour and picking in our distribution centres to make sure our stores were replenished with those stocks which were in high demand regularly to keep serving the needs of our customers. As a result of the Barclaycard study we believe that the value led pricing which we offer and our range coverage are significant factors in attracting new customers.	See the Customer Feature on pages 10 to 11.
While town hall meetings with management and colleagues have not been possible during the pandemic, the business has managed to continue with listening groups in its Retail, Distribution and Central Support operations. It has also kept on track career progression training for colleagues looking to apply for Store Manager and Area Manager roles. The Annual Employee Survey "Your Say" was completed this year by our B&M and Heron Foods colleagues across all the main operating functions of those businesses. We continued to see in excess of 80% colleague satisfaction ratings measured against five key questions to gauging colleague response to how well they are kept informed about the business, what is expected of them, career development discussions, line manager support and leadership and how valued they feel they are by the business.	From our feedback with colleagues through our various engagement processes we identify key themes of "What You Said" by colleagues and responses to those by the business in relation to "What We Did". Examples of outcomes from that process this year included: • a plan to improve the user experience in relation to the Hub which is our e-portal for sharing daily operational communications with colleagues. That plan includes both technology and data improvements to make it more efficient for colleagues to find what current information they need more easily; and • a laptop roll-out programme to enable office based colleagues to work efficiently while working remotely with up to date secure access while off-site to the main operating systems. To recognise the challenges which colleagues faced during the pandemic this year, with very high levels of demand for goods at stores and the need to react quickly in our distribution functions the B&M UK business gave store and distribution colleagues a further 10% on top of their normal pay for the first 9 weeks of the financial year. In January they were also awarded ones weeks extra pay. Also any members of the Central Support function who were not members of our colleague bonus schemes received one-off bonuses in March 2021.	See the Colleagues section in the Corporate Social Responsibility report on pages 34 and 35

Stakeholders and Section 172 statement

continued

	Why we engage	How we engage, measure and monitor
Communities	The relationships we have with the communities where we operate our stores and distribution centres are key to the sustainable development and growth of our business. We want to serve customers locally with what they want and at bargain prices. We also want to support the communities where we operate by providing jobs and career opportunities locally.	Evaluating real estate opportunities for opening new stores in catchments where we are either under-represented or not represented at all. This provides jobs and access to our value-led proposition to more communities every time we open new stores. Providing support for the community at local and national levels where we can contribute to society more generally. Each time we open a new store in the UK we try to find a local hero to perform the ribbon-cutting ceremony to promote the good work they do in the community. We also encourage our store managers to maintain those relationships in the future and give continued support to those activities.
Suppliers	We regard our suppliers as key business partners. Many of them have worked with us for a number of years. We like to build long term relationships with suppliers to support our business. Our continued growth gives our suppliers the potential to grow with us, which also further strengthens those relationships.	There is regular engagement with the Group's suppliers led by the Group's Trading Director, Grocery Controller, senior members of the Group's buying and merchandising teams and our Hong Kong based sourcing agents. This includes a range of supplier visits, meetings and presentations, factory visits and trade fair meetings in China, the UK and the EU with both existing and new suppliers. During the pandemic the ability to hold physical meetings has been curtailed and in place of that virtual meetings and conference calls have taken place instead.
Investors	Our investors include shareholders, bondholders and banks. They have a direct financial interest in the performance of our business and our continued success.	The management team have roadshow presentations and one-to-one meetings with investor groups each year on the announcements of our half-year and full-year results. Presentations and conference calls with question and answer sessions are also held on the announcement of the Q1 and Q3 trading updates announcements. One-to-one conference calls and meetings are also held during the year with both existing and potential new institutional investors. The pandemic has prevented management from holding physical meetings with investors, but in place of that webcasts, virtual meetings and conference calls have been held during the year. The Board reviews investor relations reports and market updates as a standing agenda item at each of its meetings throughout the year. It also has an investor relations agenda item with its corporate brokers at its strategy day meetings each year.

Examples of actions in 2021	Examples of outcomes in 2021	Links and more information
The Board continued to support the new store openings programme of its B&M and Heron Foods businesses in the UK. That also includes the relocation of stores in existing areas where better real estate opportunities exist, and capital and maintenance expenditure on stores ear-marked for refurbishment within the existing estate. The opening of new stores and relocations of stores (often to larger premises) create new jobs and promotion opportunities at those stores and also in our distribution centres, while our business continues to grow. As the UK businesses were able to continue to trade and provide essential goods during the pandemic, the Board considered that it was in the best interests of the Group and its stakeholders to waive the UK business rates relief in the year under review.	We opened 43 new B&M stores and 17 new Heron Foods stores (including relocations and closures) in the financial year under review, notwithstanding the challenges to the construction and contracting sector during the pandemic. In the UK this year we created over 7,200 new jobs in our B&M business. In response to the pandemic, B&M has delivered a total of £1m in cash donations to foodbanks across the UK. We also temporarily extended our colleague discount scheme to all National Health Service workers at our B&M UK stores during the peak of the crisis, giving £4.9m of discounts in total to those key workers. B&M also re-introduced the discount for all NHS workers throughout January 2021 when the pandemic spiked again. The Group has repaid in full the furlough scheme assistance in the UK which was originally provided at the onset of the pandemic when the Group initially temporarily closed a small number of stores. Also the B&M UK and Heron Foods businesses decided to forego the business rates relief granted by the UK Government which amounts to approximately £80m in the financial year under review.	**See the Social and Communities section in the Corporate Social Responsibility Report on pages 37 and 38**
There has been a continuous rolling programme of ensuring suppliers meet appropriate levels of external audit social compliance checks. This is important to the welfare of the employees of our suppliers, and the maintenance of their on-going trading relationships with our Group. As referred above, the B&M and Heron Foods UK businesses have continued with their new store openings and existing store refurbishment programmes during the year. This is important to our main building services contractors, many of whom have worked on stores with us for several years.	During the year as well as using our main Hong Kong sourcing agent ("MTL") to carry out social compliance audit checks on those suppliers which they introduce to B&M, the Board supported management's decision to outsource the audit checking processes to MTL in relation to the Group's own direct/non-MTL sourced suppliers. This has enabled the Group to apply a consistent and established methodology and utilise MTL's expertise and connections across Asia on B&M's behalf. This has been more efficient as a central channel for carrying out this process for all suppliers rather than it being executed and spread across each of the individual in-house buying teams at B&M. The B&M UK business has continued to use its main store fit-out contractors where available to carry out new store opening and existing store estate refurbishment works during the year. That has provided them with a level of on-going work-streams where the sector in which those contractors operate has been severely impacted by the downturn in building investment activity generally in the UK during the pandemic.	**See the Suppliers section of the Corporate Social Responsibility Report on pages 39 and 40**
The Board reviewed its financing structure during the year to with regard to the maturity timelines for its senior bank debt facilities which were due to mature in August 2021 and bonds in February 2022. The B&M UK business generated strong cash flow reserves in the financial year under review. The Board considered within the context of its capital allocation policy and its debt leverage ceiling policy, the opportunity to make further returns to shareholders in addition to its ordinary dividend policy.	The Group successfully refinanced its senior bank debt facilities and bond in July 2020, which will now mature again in 2025. The bond was refinanced with a coupon of 3.625%, compared with a coupon of 4.125% on the previous bond. The company declared a special dividend of 25p per share in November 2020 and also a further special dividend of 20p per share in January 2021, which were both within the Groups stated leverage ceiling of 2.25x net debt to adjusted EBITDA.	**See the Viability Statement on page 32 and also the Financial review on page 18.**

Chairman's introduction

Peter Bamford
Chairman

We have continued to evolve our approach to corporate governance

Dear Shareholder,

We have continued to evolve our approach to corporate governance in line with the growth and development of our Group in this last year and our admission to the FTSE 100 Index in September 2020. We have applied our values in our Board decision making and considered the interests of our stakeholders. We have also recognised the continued growing importance of environmental, social and governance ("ESG") issues, the need for greater gender diversity within our Board and Executive Committee, and the constantly developing framework of reporting requirements. Covid-19 and Brexit have also brought a series of governance challenges which we have responded to. Some key points are summarised below.

Board changes

We have continued to evolve the membership of the Board and our succession plans during the year.

In particular we appointed a new Chief Financial Officer to Board in the year. Further details of that appointment process are set out in the Nomination Committee report on page 64 below.

The Board has continued to progress its planning in relation to its gender diversity balance following the retirement of one of its female members in January 2020. Details of that process are also included in the Nomination Committee report.

As referred to on page 4 above, Gilles Petit has notified the Company that he will not be standing for re-election as a Non-Executive Director of the Board at the AGM on 29 July 2021 as he wishes to pursue opportunities supporting start-up businesses.

Directors' remuneration policy

The Directors' Remuneration Policy is due for renewal this year. A revised three year policy is being proposed for shareholder approval at our AGM on 29 July 2021. We intend to maintain the same overall structure to that of the existing policy, which has worked well and been popular with shareholders as reflected in their voting each year.

Details of the proposed policy are set out in our Directors' Remuneration Policy report on pages 66 to 89 below. We hope that shareholders will support the new policy which aims to retain, incentivise and attract talent in relation to our senior executive management team.

ESG

As a Board we continue to maintain high standards of corporate governance to support the delivery of our overall vision and purpose as a business and our values (see page 45) which underpin our culture of being proud of everything we do.

We recognise that ESG is of increasing importance to our stakeholders. In relation to environmental outputs our focus is on how efficiently we can do things while we continue to grow our business at a significant rate. At the same time we are providing communities with increased access to our bargain priced goods and creating new jobs from our store opening programmes. Managing our businesses well to consistently produce returns for our investors is also a central part of the good governance of our Group. More details of our ESG activities and outputs are contained in our Corporate Social Responsibility report on pages 33 to 43 above.

We remain committed to the continued development of our strategy and disclosures in relation to ESG, while we determine as a Board (along with the management team), what the right standards and targets are for us to benchmark ourselves against in both the short and longer term as a value retailer and high growth business.

We intend to develop our ESG strategy further in FY22, including the setting of appropriate targets and preparing to comply with the Task Force on Climate-related Financial Disclosures reporting requirements.

Covid-19 and our stakeholders

I have referred to the way the business has addressed the challenges of Covid-19 in relation to trading in the Chairman's Statement on page 4 of the Strategic Report.

The risks posed by Covid-19 to our business and stakeholders have been mitigated very effectively by the key actions taken in FY20 in relation to our supply chain before the pandemic came to the UK and those in FY21. The actions taken in FY21 are described in the CEO's review on page 14 and in Principal Risks section of the Strategic Report on page 24.

Our main aim throughout the pandemic has been to ensure that the welfare of our colleagues and customers is protected, while helping customers to access essential goods from our stores. True to one of our key values, our colleagues have made everyone at B&M very proud of the way they have done that during a very challenging time.

Brexit

In December 2020 we held an EGM for the adoption of resolutions to address changes to the regulatory regime applicable to B&M as a Luxembourg registered company as a consequence of the UK's exit from the EU. The two main aspects of that in relation to the dematerialisation of our shares and the framework in relation to the regulation of takeovers were approved by shareholders and implemented ahead of the end of the transitional period of the UK's exit from the EU on 31 December 2020.

Board Effectiveness

We carried out an internal Board evaluation process this year. Details of the process and feedback from that review, along with actions arising from it are set out on page 56 below.

Peter Bamford
Chairman
2 June 2021

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 24 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: December 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

Alex Russo
Chief Financial Officer

Appointment: November 2020

Alex joined the B&M Group on 5 October 2020 and the Board as the Group's Chief Financial Officer on 16 November 2020. He has previously had a number of senior executive board positions with leading UK and International retailers including Asda, Tesco, Kingfisher and Wilko. He served as Chief Financial Officer at Walmart's Asda business between 2014 and 2018. His retail career covers the UK, Europe and Asia.

Committee membership:

–

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

Committee membership:

A&R REM NOM

Committee membership key

A&R Audit & Risk

REM Remuneration

NOM Nomination

Committee Chair

Tiffany Hall
Independent
Non-Executive Director and Chair of the Remuneration Committee

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. Tiffany is the Chair of the Remuneration Committee and a member of the Nomination Committee of B&M.

External appointments
She is a Non-Executive Director of The Hut Group plc, The British Standards Institution and Symington Family Estates.

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, Remuneration and Nomination Committees of B&M.

External appointments
She is 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 Futtain Retail LLC, and a Trustee and Deputy Chair of Cancer Research UK.

Committee membership:

A&R REM NOM

Carolyn is also the Designated Non-Executive Director for Workforce Engagement.

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. Gilles is a member of the Audit & Risk and Nomination Committees of B&M.

External appointments
He is a Non-Executive Director of Lagardère SCA.

Committee membership:

A&R NOM

Outgoing members

Paul McDonald
Chief Financial Officer

Retirement: November 2020

Paul served as the Group's Chief Financial Officer from May 2011, prior to B&M's flotation in 2014, and continued in that role until November 2020. He retired from the Board on 15 November 2020.

Corporate governance report

Background

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 referred to on page 77, the Company has complied throughout the year under review with the provisions of the UK Corporate Governance Code published in July 2018 (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 7 members comprising the Chairman, 2 Executive Directors & 4 Independent Non-Executive Directors.

See pages 50 and 51 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; and
– maintaining effective oversight of compliance by our UK businesses with the Groceries Supply Code of Practice.

See page 58 for a copy of the Committee's report

Nomination Committee

This committee is made up of the Chairman, CEO and 4 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; and
– 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 page 64 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; and
– reviewing pay and conditions across the Group's wider workforce.

See page 66 for a copy of the Committee's report

Workforce Engagement NED

Carolyn Bradley is the Designated Non-Executive Director for Workforce Engagement

The main responsibilities of this role are the governance and oversight of the following matters:

– to consider with the Board the mechanisms required from time to time by the Group in relation to Workforce Engagement to enable the Board to be appropriately appraised on colleague engagement;
– to co-ordinate such direct engagement between the Non-Executive Directors and the workforce as is considered appropriate;
– to ensure the Workforce Engagement mechanisms which are approved by the Board are put in place and are effective;
– to report on the outputs from those mechanisms to the Board at least twice a year, and make any recommendations arising from those reports to the Board; and
– the holder of this office is also supported by members of the senior executive team of the Group who are responsible for the day to day implementation of the Workforce Engagement mechanisms by the Group.

See page 34 on Workforce Engagement

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 three 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 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.

Management responsibilities

The Executive Directors of the Group and of its three 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 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 52). The reports of each of the Committees for the year under review are set out on pages 58, 64 and 66.

A detailed presentation of each of the B&M, Heron Foods and Babou businesses and their up to date trading performance is provided by the CEO at each Board meeting, together with comprehensive financial reports and analyses presented by the CFO. During those months that fall 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 Group's businesses.

Members of the broader senior management teams of B&M, Heron Foods and Babou participate at meetings of the Board and store tours with the Board during the course of the year, and attend the annual strategy day of the Group and strategy sessions of the Board held during the course of the year on the relevant business fascias. During the pandemic there have only been a few opportunities for physical meetings and store tours due to restrictions on travel and social distancing. However the Board intends to resume its usual programme of meetings and store tours as soon the lifting of restrictions allow for it and normal travel can be resumed.

The implementation of the Board approved strategy, policies and decisions are delegated to the Executive Directors of the Company to adopt them in relation to the day to day operational management of the Group's main businesses. The Executive Directors are also supported by senior management teams in each of the B&M, Heron Foods and Babou businesses of the Group. The leadership teams of those businesses regularly have business update and trading review meetings with the Group CEO and CFO.

Schedule of matters reserved to the Board

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

Approve

- 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;
- approving the structure, size and composition of the Board and remuneration of the Non-Executive Directors;
- approving and supervising any material litigation, insurance levels of the Group and the appointment of the Group's professional advisers;

Ensure

- ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives;
- ensuring the maintenance of a sound system of internal controls and risk management; and

Review

- reviewing the Company's overall corporate governance and approving the division of responsibilities of members of the Board.

Board and Committee attendance at scheduled video conferences and meetings during FY21:

Directors	Board 6 Attended	Audit & Risk Committee 3 Attended	Nomination Committee 3 Attended	Remuneration Committee 5 Attended
Peter Bamford – Chairman	6	–	3	–
Simon Arora	6	–	3	–
Alex Russo (appointed 16 November 2020)[1]	2	–	–	–
Ron McMillan	6	3	3	5
Tiffany Hall	6	–	3	5
Carolyn Bradley	6	3	3	5
Gilles Petit	6	3	3	–
Directors who retired from the Board during FY21				
Paul McDonald (retired 15 November 2020)[2]	4	–	–	–

1. Alex Russo has a full attendance record during the period from his appointment to the Board on 16 November 2020 for the year under review.
2. Paul McDonald had a full attendance record up to his retirement from the Board on 15 November 2020 for the year under review.

A number of additional ad hoc video conferences were also held on particular matters between the regular scheduled programme above.

In addition to the regular scheduled video conference discussions, the Board and Committees have passed a series of written resolutions during the year in relation to the formal decisions taken by them.

Also during the year video conference discussions between the Non-Executive Directors and Chairman have taken place and also between the Non-Executive Directors without the Chairman being present.

The Chairman has also had one-to-one discussions with each of the Independent Non-Executive Directors.

The Company held two general meetings of shareholders in the year under review, being the Annual General Meeting on 18 September 2020 and an Extraordinary General Meeting on 3 December 2020.

Board composition

In November 2020, Alex Russo was appointed as an Executive Director and Group CFO and Paul McDonald retired as an Executive Director and Group CFO.

The Board comprises the Chairman, 2 Executive Directors, being the CEO and CFO, and 4 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 Ron McMillan, Tiffany Hall, Carolyn Bradley and Gilles Petit being Independent Non-Executive Directors. Following the year end this requirement continued to be met and it will also continue to be met notwithstanding that Gilles Petit will not be seeking re-election to the Board at the AGM on 29 July 2021.

Each of the Independent Non-Executive Directors who served during the year under review was and continues to be 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 (the "Relationship Agreement") which came into effect on the admission of the Company's shares to trading on the London Stock Exchange in June 2014 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 2021, SSA Investments (together with Praxis Nominees Limited as its nominee) held 10.98% 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 66 to 89.

Diversity policy

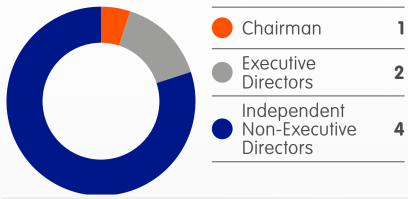
The overall objective of the Company's Diversity Policy is to ensure that the Company has a well-balanced Board at all times in terms of the necessary skills, experience and independence of character and judgement of its members, for the Group to be managed effectively for its long-term success.

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 page 33. During the year under review the Company had two female Board members. One of the female Board members also chairs one of the three main standing Committees of the Board. The percentage of female Board members as at the year-end was 28.6%. The Company is also planning to appoint another female Non-Executive Director to the Board. It is currently undertaking a search and selection process and expects to have concluded that appointment before the end of the calendar year. In addition, Gilles Petit is not standing for re-election to the Board at the AGM on 29 July 2021, as referred to on page 4 above. In consequence of these changes, the Board will have at least 33% female representation by the time of the 2021 AGM.

The Executive Committee of the first level of senior management below the Board has one female member out of a total of six members, being the Group People Director. Prior to February 2020 the Executive Committee did not have any female members.

Board composition



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 other Board decisions. His role is supported by the Group CFO and the senior executive management teams in each of the Group's businesses.

Conflict of interests

Simon, Bobby and Robin Arora own all the shares in SSA Investments S.à.r.l., which (together with Praxis Nominees Limited as its nominee) holds 10.98% 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 new 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 provides 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.

The same process above applies to the purchase of freehold store premises by the Group from those related parties.

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.

There is a Board approved policy in relation to the use and chartering by the Group of 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 pages 92 and 93 in relation to details of related party transactions entered into in the financial year 2020/21 and also as set out in note 27 on pages 147 and 148 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), Carolyn Bradley and Gilles Petit. 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 50 and 51 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 52 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. The Group's Internal Audit function and the Luxembourg and UK audit partners of the Group's external auditors also attend.

The Audit & Risk Committee Report on pages 58 to 63 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 Tiffany Hall (Chair), Ron McMillan and Carolyn Bradley.

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 52 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 retained FIT Remuneration Consultants LLP until November 2020 and thereafter PricewaterhouseCoopers LLP as external advisors who attended and participated at all meetings during the periods of their appointment at the request of the Chair of the Committee.

The Directors' Remuneration Report on pages 66 to 89 sets out details of the role and activities of the Remuneration Committee in the last financial year.

Nomination Committee

The Nomination Committee consists of 6 Directors, being the Chairman of the Board (who chairs the Nomination Committee), the CEO and each of the 4 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), Ron McMillan, Tiffany Hall, Carolyn Bradley and Gilles Petit.

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 52 above.

The Nomination Committee Report on pages 64 to 65 sets out details of the role and activities of the Committee in the last financial year.

Board and Committees effectiveness review

Board and Committee effectiveness reviews were conducted in the year under review. As part of that process the chairman had discussions with Executive Directors on a one-to-one basis, the Non-Executive Directors on a one-to-one and together as a group to discuss matters relating to the Board, its balance and monitoring of the exercise of powers of the Executive Directors.

The Directors completed confidential questionnaires in relation to the Board and each of its three main standing Committees. The process was co-ordinated by the Group's General Counsel and he prepared a report on the feedback provided by the Directors which was then presented to the Board who discussed the main themes and points arising from it.

The review was very positive overall. The key themes identified from the review were gender diversity, executive team development, retention and succession, international strategy including the on-going development of the model of the business in France, continuation of the rolling programme of deep dive discussions on key strategic matters and moving ahead with the next stage of development of the Group's ESG strategy in FY22.

In relation to those areas so far the following steps have been taken:

- as set out on page 65 the Company is actively seeking to appoint a further female Non-Executive to the Board by the time of the forthcoming AGM or as soon as reasonably practical thereafter;
- over the last few years there has been a strengthening of the broader management team in the UK and France. See page 30 above. The Group People Director has also developed a succession plan in relation to a number of the key roles in those teams. There is still some work to be done in relation to that and it remains a continuing programme of action for the Nomination Committee and the management team;
- at the Board's annual strategy day in March 2021 a rolling programme of deep dive subjects was agreed to be scheduled for the year ahead. That also included a deep dive in relation to the French business following the work which has been carried out in the last year in relation to the refinement of product mix and the re-branding and new layouts of a number of the stores in the French business to the B&M fascia and format; and
- the Board discussed the development of its ESG strategy for FY22 at its annual strategy day in March 2021 and identified a number of potential avenues for further evaluation by the management team including what type of reporting standards and metrics might be appropriate to B&M as a value retailer.

In relation to other Code matters regarding the effectiveness of the Board and its members, where Directors have external appointments, the Committee and the Board are satisfied that they do not impact on the time the Director needs to devote to the Company.

Appointments, induction and development

Where any new Director is appointed by the Board, the Nomination Committee lead the process, evaluate the balance of skills, experience, independence, and knowledge and diversity on the Board. In light of that process it approves a description of the role and capabilities required and identifies candidates for the Board to consider using external search consultants.

All new Directors receive a full, formal and tailored induction programme and briefing with members of senior management. They are also 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 EU and UK Market Abuse Regulations, together with governance policies and the UK Corporate Governance Code.

The induction of Alex Russo as a new Executive Director and Group CFO took place this year with:

- a series of structured meetings with the CEO, Group Trading Director, Group People Director, the Group's General Counsel and members of the broader senior management team of B&M;
- meetings with the CEO and Finance Director of Heron Foods and tour of their head office and distribution centre; and
- virtual meetings with senior management of Babou.

In relation to corporate governance he was 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. He also had meetings with the Group's General Counsel in relation to the workings of the Board and each of its Committees.

The Directors update their knowledge and familiarity with the businesses of the Group throughout each year with a mix of central operations and store tours of B&M, Heron Foods 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 and Babou businesses. There have only been a few opportunities for physical meetings and one store tour during the last year due to restrictions on travel and social distancing during the pandemic. The Board intends to resume its usual programme of meetings and store tours as soon the lifting of restrictions allow for it and normal travel can be resumed.

The Nomination Committee 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 Board review and evaluation exercise carried out in the financial year 2020/21 as referred to above, the Nomination Committee has recommended that each of the Directors be re-elected to the Board. This is except for Gilles Petit who has notified the Company that he will not be seeking re-election to the Board at the AGM on 29 July 2021.

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 appointments, responsibilities and duties. Accordingly, each of the Directors seek re-election at the Company's Annual General Meeting on 29 July 2021, with the exception only of Gilles Petit as referred to above.

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 5 years ago, following a review of the monitoring and reporting systems of the Group by the Audit & Risk Committee.

The Board carried out a review of the key risks to the Group's businesses at its annual strategy day conference in the year under review. The Board is satisfied that those risks 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 wrongdoing 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 2021 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 24 to 32.

Regulatory framework and Brexit

In December 2020 an EGM was held for the adoption of resolutions to address certain changes to the regulatory regime applicable to the Company as a Luxembourg registered company, as a consequence of the UK's exit from the EU.

One of the main legal changes included the shares in the Company being dematerialised and held through an EU member state central securities depositary. This was to ensure that following with the expiry of the transitional period of the UK's exit from the EU on 31 December 2020 ("Exit Day"), the Company's shares would continue to be settled in the London market without any disruption to trading in them.

The other main consequence of Exit Day was that the UK City Code on Takeovers and Mergers (the "City Code") and the Luxembourg law of 19 May 2006 on takeovers would have then ceased to apply to the Company. Resolutions were therefore proposed at the EGM to amend the Articles of Association of the Company to adopt provisions requiring continued adherence to the City Code and squeeze-out and sell-out rights of minority shareholders based on the framework under Luxembourg takeover law. This was to reflect the position which had applied to the Company prior to the Exit Day in our Articles of Association.

All the resolutions in relation to the above matters were passed at the EGM with 99.99% of the votes cast being in favour.

Shareholder relations

All the resolutions in relation to the above matters were passed at the EGM with 99.99% of the votes cast being in favour.

Meetings and calls are regularly held with institutional investors and analysts in order to provide the best quality information to the market. Due to the pandemic that has been restricted to virtual meetings and calls this year, but we have maintained a regular dialogue through those means throughout the year with our investors.

The formal reporting of our full year results will be a combination of webcasts, presentations, one-to-one virtual meetings and conference calls. 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 an account of the progress of our businesses over the past year will be given with the opportunity for shareholders to raise any questions.

The Company holds conference calls and one-to-one virtual 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 91;
(b) relationship agreement and independence statement – pages 92 and 93.

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 90 to 94 below.

Peter Bamford
Chairman
2 June 2021

Audit & Risk Committee report

Ron McMillan
Chairman of the Audit & Risk Committee

The Committee has oversight of the external financial reporting of the Group, risk management and mitigation, the internal control framework and the effectiveness of internal and external audit.

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 financial statement 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. Towards the end of the previous year, the Head of Internal Audit resigned and temporary resources were put in place to ensure that the planned programme of internal audits for the year under review was completed. Following a facilitated search, a new Head of Internal Audit was appointed in July 2020 and resources were strengthened.

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 32, in the principal risks and uncertainties section of the Strategic Report.

The Committee has continued to monitor related party transactions and has monitored the Group's compliance with the Grocery Code.

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.

The outcome of the consultations on the Government's proposals to restore trust in audit and corporate governance has recently been published and the Committee will monitor the progress of the proposals over the coming months and years.

I am available to speak with shareholders at any time and will also be available at the Annual General Meeting on 29 July 2021 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
2 June 2021

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 50 and 51, 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, Carolyn Bradley and Gilles Petit. Details of Committee video conferences and attendances are set out on page 53 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 and reviews of outputs from work programmes executed by the internal and external auditors. In addition to scheduled Committee video conferences, the Chairman of the Committee has had many discussions with the CFO and the internal and external auditors during the course of the year.

Although not members of the Committee, Alex Russo, CFO and Paul Owen, Group General Counsel, and representatives from the internal and external auditors attended Committee video conference discussions during the year. 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;
- making recommendations to the Board in relation to the appointment of the external auditor; and
- maintaining effective oversight of compliance by our UK businesses with the Groceries Supply Chain Code of Practice (the "Groceries Code").

Committee activities in 2020/21

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 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;
- review of the going concern and viability statements;
- approval of the internal audit plan; and
- reports of the UK businesses of the Group regarding compliance with the Groceries Code and the annual compliance report to be filed with regulatory bodies.

Accounting matters

The Committee considered the following accounting matters during the year:

- the methodology and assumptions applied by the Group to value inventory;
- accounting practice in relation to property dilapidations liabilities;
- goodwill impairment in relation to each of the companies in the Group;
- hedge accounting;
- the accounting for supplier rebates; and
- the continued application of IFRS16.

In considering the accounting matters referred to above 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.

Audit & Risk Committee report

continued

The video conferences at which the following matters were considered are set out below:

	Jun 2020	Nov 2020	Jan 2021	May[1] 2021
Internal Audit ("IA")				
IA annual evaluation	•			•
IA work plans, reports and updates	•	•		•
External Audit				
Audit reports on preliminary results and annual report FY20	•			
Audit reports on preliminary results and annual report FY21				•
Audit report on the Group's interim results FY21		•		
External audit plan and strategy		•		
External auditor's effectiveness/independence/and quality of audit	•			•
Non-audit services provided by the external auditor	•	•		•
Accounting matters				
The methodology applied to inventory valuation	•	•		•
Accounting for deferred consideration on the disposal of Jawoll	•			
Adopting accounting for hedging instruments and policy	•	•		
Accounting in relation to supplier rebates	•	•		•
Adoption of IFRS 16	•	•		
Accounting in relation to Covid-19 business rates relief		•		•
Review of goodwill impairment testing in relation to Babou	•	•		•
Other matters				
Review of the Corporate Risk Register and risks included in the Annual Report	•			•
Review of related party transactions (store leases and flights)	•	•		•
Quarterly reviews of related party transactions (associated companies)	•		•	•
Year-end final review of related party transactions (store leases)	•			•
Consideration of post-Brexit implications for financial reporting	•	•	•	
IT systems, security and business continuity		•		
Review of Groceries Code compliance and complaints	•	•	•	•
Review of going concern and viability for FY20 and FY21	•			•
Review of Social Compliance audit processes relating to suppliers		•		•
Review of Heron Foods' financial controls	•			
Review of Babou's financial controls		•		•
Review of Babou's stock management		•		
Review of store rental payment processes		•		
IT cyber security			•	
Post-Brexit export processes			•	
Review of B&M staff expenses policy			•	
Review of controls in relation to refunds processes at stores			•	
Review of e-learning staff training platform			•	
Review of GDPR	•	•		
Review of the annual revenue cycles, recording and controls				•
Review of direct imports quality controls				•
Review of corporate policy compliance in B&M UK and Heron Foods				•
B&M UK stock take attendances				•
Review of compliance with Corporate Criminal Offence legislation				•
Review of product recalls				•
Transport availability				•
Store repair and maintenance programmes				•
Recruitment procedures				•
Goods not for resale in Heron Foods				•
Review of Babou corporate policies and financial controls				•
Social responsibility checks of direct import suppliers				•

1. This was held after the FY21 year end but prior to the publication of this report.

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.

IT systems, cyber security and business continuity are acknowledged as being significant risks and the risk mitigations and key actions in FY21 are set out in the principal risk section of this Annual Report on page 24.

During the year, Internal Audit carried out a review of the Group's IT systems from a security and business continuity perspective and concluded that appropriate controls are in place and that they are adequate and operating effectively.

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.

As a standing agenda item at each of its meetings the Committee considered and reviewed B&M and Heron Foods' compliance with the Groceries Code. After the year-end the Committee also reviewed the annual compliance report of B&M and Heron Foods in relation to the Groceries Code and approved it for submission to the regulatory bodies in accordance with The Groceries (Supply Chain Practices) Market Investigation Order 2009.

Related party transactions

There is an established process for the consideration and review of related party store lease and freehold acquisition transactions of the Group with Arora Family. Details of that process are set out on page 55 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 24 to 32.

The Board has confirmed that it has carried out a robust assessment of the principal risks facing the Group, including emerging risks and 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 an 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 financial statements and assessed whether the business was viable in accordance with the UK Corporate Governance Code 2018. The assessment included a review of the principal risks including emerging 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.

Going concern has in the past year again been an area of particular focus for management and the auditors and the Audit Committee has discussed and challenged the assumptions implicit in the Group's budgets and forecasts. B&M's UK business is deemed to be an essential retailer and it has been table to trade throughout the lockdown periods. Notwithstanding, the Committee is satisfied that KPMG has applied an appropriate degree of scepticism in reviewing the Group's budgets and forecasts.

The Group's viability statement in on page 32.

Fair, balanced and understandable.

The Committee considered whether the 2021 Annual Report is fair, balanced and understandable and whether it provides the necessary information to shareholders to assess the Group's position, 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 2021 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 18 September 2020 as the Group's independent external auditors (réviseur d'entreprises agréé) for the financial year ended 27 March 2021. The partners responsible for the audit are Thierry Ravasio, a partner in KPMG's Luxembourg office and Tony Sykes, a partner in KPMG's London office.

Audit independence

The Committee sought and was provided with assurance from the Audit Engagement partners that they and all members of KPMG's staff engaged in the audit had confirmed that they and their dependents were independent and that KPMG as a firm was independent.

Audit quality

The Committee assessed the quality of KPMG's audit in a number of ways:

1. the Committee met with the senior members of the KPMG audit team on three occasions during the year and discussed the planning, execution and reporting of audit work and findings. All senior members of the KPMG team contributed to these meetings;
2. in conjunction with the CFO and senior members of the finance team, the Audit Committee discussed and assessed KPMG's approach to execution of and reporting of their audit and related findings; and
3. the Committee considered the matters set out in KPMG's 2020 Transparency Report, dealing with audit quality monitoring and remediation. It considered the results of internal and external engagement reviews and the steps being taken by KPMG to address findings. Within KPMG, audit quality is monitored at a global level and at an engagement level with all engagement partners being reviewed at least once in a three year cycle.

Audit & Risk Committee report

continued

In reviewing KPMG's 2020 Transparency Report, the Committee noted the firm's commitment to quality and risk management. The Committee also discussed with KPMG the results of the FRC Audit Quality Inspection of the UK firm, which were published in July 2020.

The Committee noted that KPMG had taken steps to address the key findings of the 2019 FRC report by continuing with and extending the initiatives within its three year Audit Quality Transformation Plan. Whilst there has been considerable focus on audit quality, the FRC concluded that there remains some areas where improvements need to be made.

On an annual basis, the Audit Quality Review ("AQR") team of the FRC carries out reviews of the audits of FT350 companies. In the year to July 2020, across the seven largest accounting firms, 33% of audits reviewed were considered to need more than limited improvement. The individual results of firms were similar. The main areas of concern to the AQR continue to be impairments of goodwill and intangibles, revenue and contracts and provisions, including loan loss provisions. KPMG are taking steps to improve the results of the 2020 AQRs undertaken and the Committee will monitor the progress it is making.

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 29 July 2021. Given KPMG's short tenure of five 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 the areas highlighted by KPMG.

The Committee considered in detail KPMG's audit planning documentation and satisfied itself that he audit work to be carried out by KPMG covered all significant aspects of the Annual Report and Accounts. There were no areas which the Audit Committee asked KPMG to look at specifically. KPMG's report to the Audit Committee at the conclusion of the audit confirmed that the audit had been carried out as set out in the planning documentation and the Audit Committee considered the findings of KPMG as reflected in their audit opinion and their year-end report to the Board. KPMG's audit opinion sets out the key matters that, in their professional judgment, were of most significance in their audit. These are consistent with the key matters considered and agreed with the Audit Committee when the audit was planned. KPMG's opinion describes how these matters were addressed in the audit and the scope and nature of their work reflects the thoroughness of their approach and the degree of scepticism applied.

Non-audit work

The Board's policy in relation to the auditors undertaking non-audit services is that they are 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. Fees for new audit work must be approved by the Committee in advance.

KPMG were paid £791,798 during the year in relation to audit work and £98,100 in relation to work associated with the half year interim report. Fees for other services provided by KPMG were £92,057 which principally related to their work as reporting accountants on the refinancing of the Group in FY21.

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.

Critical Judgments

Critical judgments and key sources of estimation uncertainty are set out on pages 113 to 115 of the Annual Report. These relate to investments in associates, hedge accounting, carried forward tax losses, goodwill impairment, inventory valuation, lease discount rates and lease terms.

Investments in associates

Multilines International Ltd is 50% owned by the Group but is treated as an associate because of the level of influence exercised by the Group, which is considered to be more in keeping with that of an associate than a joint-venture.

Hedge accounting

Significant judgment is involved in forecasting the level of US dollar purchases to be made within the period that a forward hedge has been bought for. The Group takes a prudent view that no more than 80% of the operational hedging in place can be subject to hedge accounting.

Carried forward tax losses

The French entity, Babou, had carried forward a significant historical tax loss in prior years which the Group has not recognised as a deferred tax asset due to the uncertainty around whether it would be able to utilise the tax loss against future profits. However, prudent budgets and forecasts made by management show that the tax loss is highly likely to be realisable in the foreseeable future. A judgment has therefore been made that the tax loss should be recognised and as such a €7.4m deferred tax credit has been recognised. This assessment has not been affected by the closure of the French stores due to the Covid-19 pandemic.

Estimation Uncertainty

Goodwill impairment

The Group's calculation of goodwill impairment includes assumptions about the cash flows, growth and capital expenditure. The key element is the return made by cash generating units and the costs directly attributable to making sales.

Inventory valuation

Inventory is recognised at the lower of cost and net realisable value. Management have exercised significant judgment in relation to the net realisable value of stock affected by the Covid-19 pandemic. An additional provision has been made by Babou of €4.5m in relation to seasonal stock which may be specifically impacted by the uncertainty over the phasing of the reopening of the store estate. This compares to a €7.3m provision made at the prior year end. Management considers that a smaller provision is appropriate this year due to the outturn of the prior year provision where the majority was released through profit and loss as the stock was sold through once the stores reopened.

Lease discount rates

Where a rate implicit to a lease is not available, management calculates appropriate discount rates based on the adjusted marginal cost of borrowing available to the business. Unless there is good reason to act otherwise, management set the longest possible contractual term for that lease on the basis that the Group will continue to occupy that property.

Lease terms
A lease term is a key input into calculating the initial lease liability under IFRS 16. As referred to above, unless there is a good reason to act otherwise, management set the longest possible contractual term of that lease. Upon termination of a lease, where a new lease agreement for the property is not in place but the Group remains in occupation, a 'holding over' lease applies and management set the term of it based on their expectations of how long the Group is reasonably certain to stay in the property taking account of recent trading patterns and the pipeline of new store opportunities.

The Committee discussed the above critical judgments and areas of estimation uncertainty with management and the auditors and was satisfied that they were appropriate and properly managed and that the auditors had applied an appropriate degree of scepticism in undertaking their work.

Internal audit

The Group Internal Audit function has a direct reporting line to the Committee and they were represented at all Committee video conference discussions throughout the year. In September 2019 the Head of Internal Audit resigned, and for a period of the year, the Internal Audit function was challenged in delivering the agreed work programme. External temporary resources were engaged and a new Head of Internal Audit joined the Group in July 2020. During the year, the Group Internal Audit team 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. The Group Internal Audit function also has 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 as set out on pages 60 and 61.

In relation to each of the areas covered, 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 performance

The performance of the Committee during the year was evaluated as part of a broader Board performance review conducted internally and led by the Chairman of the Board as described on page 56 above. The overall conclusion of the review was that the Audit & Risk Committee remains effective in discharging its functions and reporting to the Board.

Ron McMillan
Chairman of the Audit & Risk Committee
2 June 2021

Corporate Governance

Nomination Committee report

Peter Bamford
Chairman of the Nomination Committee

The Nomination Committee has responsibility for regularly reviewing the structure, size and composition, and diversity of the Board. It also reviews the leadership and senior management needs of the Group, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace.

Dear Shareholder,

The Nomination Committee's report for the year ended 27 March 2021 is set out below

Committee composition, responsibilities and effectiveness

The members of the Committee during the year were Peter Bamford (Chairman of the Committee), Simon Arora (CEO) and each of the four Non-Executive Directors being Ron McMillan, Tiffany Hall, Carolyn Bradley and Gilles Petit. Although not members of the Committee, Allison Green, the Group People Director and Paul Owen, the Group's General Counsel, attended each of the Committee's video conference discussions during the year. Details of Committee video conferences and attendances are set out on page 53 of the Corporate Governance Report.

The Committee has responsibility for reviewing the structure, size and composition of the Board, including the skills, knowledge, experience and diversity of the Board. Further details of the other main responsibilities of the Committee are set out on page 52 of the Corporate Governance Report. The Committee's terms of reference are also available on the Company's website at www.bandmretail.com

The effectiveness of the Committee during the year was evaluated as part of a broader Board performance review conducted internally and led by the Chairman of the Board as described on page 56 above. The overall conclusion of the review was that the Committee remains effective in discharging its functions and reporting to the Board.

Committee activities

During the year under review the main activities of the Committee included succession, diversity, wider executive team development and conflicts of interest, each of which are now described in further detail below.

Board succession

As reported last year the Committee, led by the Chairman, oversaw the process of identifying and recommending the appointment of Alex Russo as an Executive Director and the Group Chief Financial Officer ("CFO") following the retirement of Paul McDonald. He joined the Board on 16 November 2020. The search was carried out by the Committee with the assistance of Sam Allen Associates ("SAA") who are a signatory to the voluntary code of conduct for executive search firms, and they had no other connection with the Group. His appointment was made following an orderly handover process with the previous CFO, Paul McDonald, after the announcement of the half year results of the Group.

Alex Russo has held a number of UK and international senior executive roles with retailers including Asda, Tesco, Kingfisher, and latterly as CFO of Wilko. He brings him valuable experience from those roles.

It was important in making the appointment of the new CFO that the Company identified the right candidate who understood and embraced the Group's vision, purpose and values as a value retailer. There was an extensive search process which originally began in FY20. The Committee prepared a detailed specification for the role which was approved by the Board, held interviews with candidates and took references on the final candidate. Having found a candidate with an impressive background with leading retailers, the Company was pleased to have identified someone who had both discount retail and international experience. Those credentials were particularly important to ensure the Board got the best fit in terms of the culture of the Group and its business.

The Committee ensures that a comprehensive induction process is carried out with new Directors on their appointment to the Board. The details of the induction process carried with the new CFO are set out on page 56 above.

As referred to on page 4 above, Gilles Petit will not be standing for re-election as a Non-Executive Director of the Board at the AGM on 29 July 2021 as he wishes to pursue opportunities supporting start-up businesses.

Board diversity

The Committee has continued to review the Group's diversity in relation to the Board and at other levels of senior management in the business. As referred to on page 36, the Group's appointment processes and diversity policy recognise the value which a diverse Board brings to its business.

A recruitment process was commenced during the year, with the assistance of Russell Reynolds Associates, to appoint a further female Non-Executive Director, and the Company expects to have made that appointment by the end of the calendar year. In addition, Gilles Petit has decided not to seek re-election to the Board at the AGM. In consequence of these changes, the Company will reach the Hampton Alexander target of at least 33% female representation on its Board by the AGM on 29 July 2021.

The Board complies with the Parker Review ethnic diversity target of having at least one director with an ethnic minority background, in relation to the CEO on the Board.

Further details of the Group's gender diversity policy are set out on page 36 above. The percentage of female representation across the senior management of the Group reporting either directly to the Board or the Executive Committee was 42.3% at the end of FY21.

Wider executive team developments

One of the main responsibilities of the Committee under its terms of reference is, to keep 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.

In relation to its role in reviewing the leadership and senior management requirements of the Group, the Committee and the CEO agreed a plan originally agreed in FY18/19 for the strengthening of the senior management team, as the business of the Group continues to grow at a significant rate.

The Committee is pleased to report on the progress made in relation to some of the key appointments made during the last two financial years in particular. This also included the implementation of a number of succession appointments made in relation to retirements which were coming up in the broader executive team. Key appointments were as follows:

- February 2020 – Allison Green was appointed as the Group People Director. She was also appointed to the Executive Committee of the Group;
- May 2020 – Anthony Giron was appointed as President and CEO of Babou (as reported last year);
- October 2020 – Richard Kirk was appointed as the Supply Chain Director of the B&M UK business on the retirement of Andy Monk. Richard Kirk was appointed to the Executive Committee of the Group; and
- November 2020 – Alex Russo was appointed as an Executive Director of the Company and the Group CFO (as referred to above).

The Committee agreed the specification of the roles for each of the above positions, reviewed the candidate profiles for the short listed candidates and participated in the interview processes along with the CEO. The above appointments have added important skill sets and experience to the Group to support its on-going growth, without detracting from the business model and values of the Group of keeping things simple and tightly managed by a core team with complimentary attributes.

In addition, new appointments were made to the leadership roles in Internal Audit, IT, Investor Relations, Digital, and Grocery Trading.

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 in the UK and France.

The Committee receives reports from the CEO and Group People Director in relation to progress with planned recruitments to the broader executive team as a regular agenda item of the Committee's business.

Conflict of interests

The Committee requires any proposed appointee to the Board to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest.

The Committee carried out that process in relation to the appointment of Alex Russo.

It also did so on behalf of the Board in considering any conflicts of interest of Non-Executive Directors where they disclosed their intention to take up other additional external appointments during the year. The Committee is assisted by the Group's General Counsel who maintains a register of external appointments of the Company's Board members and sectors within which companies they are appointed to operate.

Peter Bamford
Chairman of the Nomination Committee
2 June 2021

Directors' remuneration report

Annual statement by the Chair of the Remuneration Committee

Tiffany Hall
Chair of the Remuneration Committee

We aim to incentivise superior performance and align remuneration outcomes for Executive Directors with success in the delivery of the Board's strategy and long term shareholder value.

Dear Shareholder,

I am pleased to present the Company's Remuneration Report for 2020/21. This report contains:

- The Company's forward-looking Directors' Remuneration Policy on pages 69 to 77, which will apply for 2021/22 onwards, and which is subject to a shareholder advisory vote at the 2021 AGM.
- The Company's Annual Report on Remuneration on pages 78 to 89, which details the remuneration paid to the Directors in the 2020/21 financial year, and which is subject to a shareholder advisory vote at our 2021 AGM.

Performance and incentive outcomes for 2020/21

The Group's performance was very strong in 2020/21 in a challenging year. Total Group revenues increased by 25.9%, adjusted EBITDA increased by 83.0% and the Group's cash flow from operations increased by 75.0%. As well as successfully integrating Alex Russo into the role of CFO, Simon Arora and his management team demonstrated excellent leadership during the pandemic, managing our supply chain, logistics and store operations effectively to ensure sufficient quantities of essential goods were on the shelves to cater for the exceptionally high demand from our customers.

The Annual Incentive Plan ("AIP") out-turn was 98.75% for Simon Arora, 83.13% for Paul McDonald and 87.50% for Alex Russo of their respective maximums, which reflected the outstanding financial results and the Committee's assessment against objectives set this year for them. One-third of the bonus achieved under the AIP in 2020/21 will be deferred into shares for 3 years.

The 2018 LTIP has reached the end of the relevant three year performance period. This was subject to two equally-weighted 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 to 27 March 2021. The TSR performance resulted in a 79.0% out-turn for that measure. The adjusted earnings per share was 43.4p relative to a maximum target of 28p, which gave a 100% vesting level under that measure and an overall vesting level of 89.5% of the award. The award is due to vest on 20 August 2023 following a two year holding period. Simon Arora and Paul McDonald both participated in the 2018 LTIP scheme.

The Committee has discretion to adjust the level of vesting. It considered that the formulaic out-turns under both the AIP and LTIP were appropriate due to the excellent leadership and successful execution of the strategy of the business over the periods to which those awards relate. The outcomes have therefore been approved without the exercise of any discretion.

The Committee notes that the total single figure of remuneration for the CEO has increased significantly since the previous year. This is the first year that the CEO's figures include an LTIP award, as prior to 2018, he did not receive an LTIP award. In addition, the CEO has managed the challenges the business has faced in the last 12 months extremely well, responding very quickly and effectively to Covid-19 ensuring the safety of our colleagues and meeting the elevated customer demand for essential goods at value prices. This has resulted in very strong growth in earnings and high returns to shareholders.

Our colleagues across the business also responded extremely well to the challenges of Covid-19.

During April and May 2020 we gave our B&M UK and Heron Foods workforce an additional 10% to their pay, to recognise their considerable efforts made across the business to adapt to the changing requirements at the onset of the pandemic.

In January 2021 we also gave our B&M UK colleagues an extra week's pay as a bonus for their hard work and commitment during the year. Going forward, our workforce will have the opportunity to share in the Company's success with cash bonuses being paid where internal targets for the business are met or exceeded.

It is worth noting that while we temporarily closed a number of our stores and made use of the Coronavirus Job Retention Scheme, we subsequently paid back all the support received from the Government (c.£3.7m). We also waived the Government's business rates relief during the pandemic (c.£80m).

Changes to Directors

Paul McDonald stepped down from the Board and his position as CFO on 15 November 2020. He was entitled to salary, pension and benefits for the remainder of his notice period to 8 January 2021. Given Paul had worked for the company for over ten years and that it was mutually agreed he should retire from the Board, the Committee deemed it appropriate to treat him as a good leaver and therefore the following treatments apply to his variable remuneration:

- Entitlement to a pro-rata bonus for the proportion of the year worked, with partial deferral into shares;
- All outstanding LTIP awards continue to vest at their normal dates, with pro-rating to reflect time served as an Executive Director and subject to performance assessment;
- All other share awards, including deferred bonus shares and LTIP awards that have met their performance conditions but remaining subject to a holding period, are retained and vest at their normal dates.

No other payments were made to Paul.

Alex Russo joined the Board as CFO on 16 November 2020. His package comprises a base salary of £475,000 plus the same terms as the previous CFO except that his pension has been set at the lower rate of 3% of base salary to align with the workforce. In addition, he was eligible for transitional travel and accommodation allowances and relocation benefits, as detailed in this report.

As reported in last year's Remuneration Report, it was agreed that Alex would be eligible for a payment of up to £450,000 as compensation for the loss of bonuses and long-term incentive awards forfeited on leaving his previous employer.

Under the terms of the buyout, payments of £150,000 each may be made in three instalments subject to satisfactory personal performance in the period to 28 February 2021, 30 April 2022 and 30 April 2023. The first instalment is subject to clawback in the event of ceasing employment for any reason prior to 31 March 2022 and the second and third instalments are subject to continued employment to the date of payment.

In assessing the appropriate terms of the buyout, the Committee has taken account of the cash form and timing of payout of the awards being forfeited. The Committee received satisfactory evidence that the value of the awards being forfeited was in excess of the buyout provided, taking into account performance to date against the targets of the awards being forfeited.

Remuneration Policy review

The current remuneration policy is due for renewal this year in line with the usual three year timescales for UK listed companies and the Committee has undertaken a full review. The review has taken into account developments in corporate governance and market practice the growth of the business since IPO to a constituent of the FTSE 100 index, and remuneration benchmarking of the senior team including the Executive Directors.

B&M has seen a step change in size, scale and complexity since IPO in 2014 including a tripling of store numbers and sales, a doubling of the number of employees and a fivefold increase in EBITDA. During this period, B&M has delivered strong shareholder returns of 167% compared to 34% for the FTSE All Share.

Following the formulation of a set of initial proposals, we conducted an extensive consultation exercise with shareholders engaging with 22 shareholders representing around 50% of the share capital. The feedback we gathered was invaluable in shaping our plans and amendments were made to the proposed policy to take into account the feedback we received, namely removing a planned increase to LTIP quantum and aligning the CEO's pension with that of the workforce immediately rather than at the end of 2022.

In summary, we are not proposing any change to the core remuneration structure, which we believe remains fit for purpose and aligned with the strategy to grow earnings and deliver superior shareholder returns. However, we are introducing a number of features into the policy to bring it fully in line with the requirements of the 2018 UK Corporate Governance Code and to align it with current best practice. The remuneration of our CEO has been largely unchanged since IPO, and we are also proposing a correction to his package (as summarised in the implementation of remuneration table for 2021/22 below) to reflect the growth of the business during this time and the additional complexity of his role.

The Committee considers that the adjustments to the CEO's package below are appropriate to bring his remuneration into line with (but slightly below) the median for other FTSE retailers and companies of similar market capitalisation. The CEO has played a pivotal role in driving the growth of the business to date and it is important he remains motivated in the future to continue driving superior performance for the business by a fair remuneration package.

Further details of the review process, the resulting changes to the policy and their rationale is provided in the Directors' Remuneration Policy section of this report.

Implementation of remuneration policy for 2021/22

The Committee intends to operate the policy in the following way for 2021/22, incorporating the changes as a result of the proposed policy:

Element	Implementation for 2021/22
Base salary	• CEO: £810,000 (currently £656,722) • CFO: £475,000 (no change)
AIP	• Maximum opportunity of 200% of salary for CEO (currently 150% of salary) and 125% of salary for CFO (no change) • 75% based on Adjusted EBITDA and 25% based on personal objectives • 50% of any bonus earned will be deferred in shares for three years (currently 33% deferral)
LTIP	• Award of 200% of salary for CEO (no change) and 175% of salary for CFO (no change) • 50% based on Adjusted EPS and 50% based on Relative TSR vs FTSE 350 retailers
Pension	• CEO: 3% of salary less Employer's NIC (currently 20% of salary) • CFO: 3% of salary less Employer's NIC (no change)

It should be noted that setting the AIP and LTIP targets this year has been very challenging given the exceptional growth in 2020/21 and the difficulty in predicting the impact of the easing of lockdown restrictions on trading patterns. The LTIP targets have been set taking into account the management 3 year plan and analysts' consensus forecasts at the time of setting the targets. The range has been stretched given the high degree of uncertainty currently faced by the business with a performance significantly above plan required to achieve maximum payout.

Conclusion

I hope that you can support the decisions we have made this year in relation to the implementation of our remuneration policy for 2020/21 and how we intend to operate our proposed policy for 2021/22. As a Committee we believe the proposed policy changes provide a balance between a policy that motivates our executives and CEO in particular, whilst maintaining our strong ethos around corporate governance.

We remain committed to an open and transparent dialogue with our shareholders and welcome any feedback which shareholders may have in relation to this report. I will also be available at the AGM to take any questions in relation to this report.

Tiffany Hall
Chair of the Remuneration Committee
2 June 2021

Directors' remuneration report

continued

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 were reviewed during the year and a number of minor amendments and clarifications were made.

The Committee does not consult directly with employees when reviewing levels of Executive Directors' remuneration but it takes account of pay policies for the broader salaried workforce when undertaking annual salary reviews for the Executive Directors, as well as reviewing policy and practices for employees when determining remuneration policy for Executive Directors.

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 policy being put forward for shareholder approval in this report has been structured to adhere to relevant Luxembourg and UK regulations, the principles of good corporate governance and has regard to pay across the wider workforce and appropriate risk management.

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

Corporate Governance Code

The Committee is conscious of the Code's references to remuneration arrangements being clear, simple, predictable, proportionate and to take adequate account of risk while being aligned to culture. These factors have been considered and are felt to be satisfied through:

- **Clarity** – the Company's remuneration policy and implementation of policy are clearly disclosed each year in this report. The Committee proactively engages with shareholders and their representative bodies as part of the triennial policy renewal process and is available to discuss matters at any other time;
- **Simplicity** – the Company operates a simple pay model which typically pays at no more than median while encouraging superior performance, and only rewarding sustained success achieved in a manner consistent with the Board's overall objectives to deliver superior returns for our shareholders. This is set by the operation of a mix of absolute profit targets and relative total shareholder return assessed alongside stretching personal objectives which recognise delivery against defined goals;
- **Risk** – the overall policy offers reward at no more than a median level and is subject to the operation of suitably stretching targets, which is consistent with our business model as a value retailer. Payments of variable pay are subject to the Committee being satisfied that the outcome is appropriate, and all our variable pay plans include the ability to operate malus and clawback where necessary;
- **Predictability** – the policy set out in this report includes a scenario chart showing potential pay levels on various assumptions and all awards are subject to maximum grant levels as set out in the policy;
- **Proportionality** – the out-turn in respect of variable pay is clearly set out in this report and payments are contingent on the strategic pillars of EBITDA, EPS, relative total shareholder return and personal objectives pre-set by the Board. As indicated under Risk above, the out-turn can be reduced as appropriate; and
- **Alignment to culture** – the variable pay plans are consistent with our focus on performance and incentivisation down to store and deputy store manager levels.

Luxembourg law

The Luxembourg Law of 24 May 2011 on certain rights of shareholders at general meetings of listed companies (as amended by the law of 1 August 2019) which adopts the EU Shareholders' Directive 2017/828 on directors' remuneration requires that the remuneration policy of the Company be put to shareholders to vote at least once every four years. However in accordance with the Company's voluntary policy since the IPO of putting the remuneration policy to shareholders for voting on every 3 years, that practice will continue to be followed, which will comply with the recent changes in the Luxembourg Law.

The Annual Remuneration Report has been prepared to comply with the reporting requirements of the Luxembourg law on directors' remuneration referred to above. The Company, as a Luxembourg registered company, is not subject to the regulations adopted in the UK in 2013 (and as amended) for the reporting of executive remuneration. However, in addition to the Luxembourg law reporting requirements, the Committee considers the UK regulations to also be reflective of best practice and helpful to shareholders to maintain consistency with the Company's reporting in previous years while also complying with the requirements of the Luxembourg law. The report has therefore been prepared by the Company to follow the practice (as in the case in previous years) of also voluntarily adopting the UK reporting regime where practical and while maintaining the Company's status as a Luxembourg registered company.

Directors' Remuneration policy

The Remuneration Committee presents the Directors' Remuneration Policy which will be put to an advisory vote at the Annual General Meeting on 29 July 2021. The revised policy, if approved by shareholders, will take effect from the 2021 AGM and is expected to remain in force until the conclusion of the 2024 AGM.

The Committee has undertaken a thorough review of the Directors' Remuneration Policy, with input from external advisers and management (with no Director being present when decisions relating to their own remuneration were being made) entailing:

- A market practice review, including consideration of current best practice, emerging trends and a total remuneration benchmarking exercise for the senior management team;
- A review of the current structure and incentive metrics in the context of alignment with the business strategy.

Business context to review of Directors' Remuneration policy

Since the IPO:

- the Company's share price has increased from £2.70 at IPO to £5.39 (being a 100% increase) as at the end of the 2020/21 financial year. In addition, each shareholder has received dividends of 111.2p in respect of this period generating a total shareholder return of 167% compared to the FTSE All Share at 34%;
- revenue has increased in the period FY14 to FY21 by 277%[1];
- Adjusted EBITDA[2] has increased in the period from FY14 to FY21 by 380%[1];
- the number of stores in the period FY14 to FY21 has increased by 192% (both organically and following the acquisition of Heron Foods and Babou); and
- the balance sheet remains strong with net debt to Adjusted EBITDA[1] of 0.8 times being well within the Group's 2.25 times ceiling.

1 For FY14 this is for the 52 week period ended 29 March 2014 which is comparable with the FY21 52 week period to 27 March 2021.
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.

As well as the significant rate of growth of the business, since the IPO it has also become a more complex business. Product design and development is more sophisticated with extensive in-house development across general merchandise ranges and development of our direct to retail brand licensing model. There is also increased operational complexity with the acquisition of Heron Foods in 2017 and Babou in 2018. A more matrix structure has been introduced to drive synergies across fascias and borders and a broader senior management team has been introduced to support the future growth of the business.

These results have been achieved through the strong leadership of the senior team, and in particular the Chief Executive Officer who has been, and continues to be, instrumental to the success of the business in terms of his experience and knowledge of the sector.

Proposed changes to remuneration

The Committee's conclusion from the review is that the overall structure of remuneration for Executive Directors continues to be appropriate for driving the short and long term performance of the business to realise its growth ambitions over the coming years. Therefore, the core elements of the policy are unchanged being salary, pension and benefits, annual bonus with deferral into shares and performance share plan with a holding period.

Although the structure is proposed to be unchanged, the Committee has determined that the following changes are required:

- Adjustments to the fixed and variable elements of the CEO's remuneration package (as set below and in the tables on pages 71 to 73), to reflect the responsibilities of the role, the step change in the size, scale and complexity of the business and the performance of the business and the CEO;
- Amendments to more closely reflect emerging good practice and the provisions of the UK Corporate Governance Code.

The changes to the policy and the rationale for those changes are set out below:

Element of policy	Changes to policy	Rationale
Base salary	• Removal of specific wording in relation to paying at a discount to reflect North west location and to paying at market median or below and the cap	• Reflects the national market for executive level talent • Recognises market pressures and provides additional flexibility for the Committee to position salary appropriately aligned with typical market practice
Pension	• Reduction in incumbent CEO's pension to 3% with effect from 1 April 2021, in line with the average workforce level	• Aligned with requirement of UK Corporate Governance Code • Fairness with broader employee base • Reduction for 2021/22 aligns pension to workforce levels
Bonus quantum	• Increase maximum bonus for CEO from 150% to 200% of salary and for CFO from 125% to 150% of salary • Increase maximum bonus opportunity under the policy for CFO from 125% to 150% of salary, although the maximum bonus for 2021/22 will remain at 125% of salary	• Reflects role, responsibility and contribution of Directors • Reflects growth of business to date and incentivisation of further short and long growth • Aligned with practice in similarly sized retailers
Bonus deferral	• Increase bonus deferral in shares from one third to at least half of the bonus earned	• Increases alignment of Executives' remuneration with long term shareholder value • In line with leading market practice
Post-vesting holding period	• Formalisation of the two year post vesting holding period for LTIP awards	• Aligned with requirements of the UK Corporate Governance Code • Further aligns Executives with shareholders over the longer term
In-employment shareholding requirement	• Allow half of deferred shares and LTIP awards to be sold while building up the in-employment shareholding requirement or 200% of salary (previously all deferred shares and LTIP awards had to be retained)	• More closely aligned with normal market practice • Allows Executives to realise some (but not all of) the value from awards that have been earned
Post-employment shareholding requirement	• Introduction of a post-employment shareholding requirement equal to the lesser of the shareholding on cessation and 200% of salary (the in-employment requirement), to be held for two years	• Aligned with UK Corporate Governance Code requirements • Requirement is aligned with best practice
Joiner arrangements	• Introduction of the ability to grant a one-off LTIP award with performance conditions of up to 200% of salary in addition to normal policy LTIP award in exceptional recruitment circumstances • No current intention to use this discretion	• Provides flexibility to give recruits an early stake in the Company • Facilitates recruitment of an exceptional candidate
Termination arrangements	• Revision of policy in relation to leavers, including confirmation that any bonuses for good leavers will be subject to time pro-rating and LTIP awards for good leavers will be subject to time pro-rating and performance assessment	• Brings policy into line with investor expectations • Reinforces pay for performance philosophy

Benchmarking context

The review of our remuneration policy has been informed by examining benchmarking data for a comparable group of FTSE retailers with B&M sitting broadly in the middle when ranked by market capitalisation.

The comparator companies considered were as follows:

- Dunelm
- Howden Joinery
- Kingfisher
- Marks and Spencer
- Morrisons
- Next
- Ocado
- Pets at Home
- Sainsbury
- Tesco

In addition, a cross check against a broader group of comparators of similar sized companies by reference to their market capitalisation (excluding those in the financial services and oil and gas sectors) was also undertaken.

How the views of shareholders are taken into account

The Committee recognises that developing a dialogue with shareholders is important, constructive and informative in developing and applying the remuneration policy. The Committee undertook extensive consultation with shareholders in developing the Directors' Remuneration Policy. This consultation exercise included 24 shareholders representing around 50% of the total issued share capital of the Company.

The Committee made a number of changes to the original proposals as a result of the feedback from this consultation exercise, including removal of an originally proposed LTIP increase for the CEO from 200% to 250% of salary and the immediate acceleration of the reduction of the CEO's pension to align with that of the wider workforce to 2021/22 (previously planned to take effect from 1 January 2023) to form the Directors' Remuneration Policy presented in this report.

The Committee also welcomes feedback generally at any time which will be considered as part of its continued assessment of remuneration policy and practices.

Policy Table

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

Element and purpose	Policy and opportunity	Operation and performance conditions
Base salary This is the basic pay and reflects the individual's role, responsibility and contribution to the Group.	Base salaries are reviewed annually. Changes typically take effect from the beginning of the relevant financial year. 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. Base salaries are targeted at market levels, with reference to companies with a comparable market capitalisation. Annual salary increases will not exceed the general level of increase awarded to other salaried staff, save for a change in the roles or responsibilities of an Executive Director or when there are changes to the size and complexity of the business.	Base salary is typically paid 4 weekly in cash. Base salaries are reviewed annually with changes usually taking effect from 1 April.
Benefits To provide benefits which are valued by the individual and assist them in carrying out their duties.	Provide market competitive benefits. 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. The cost of benefits paid to an Executive in any one year is capped at £75,000, but this may be exceeded in exceptional circumstances if the cost of a benefit were to increase significantly. 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.	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. Business travel and associated hospitality are provided in the normal course of business and authorised by the Committee on a standing basis.
Pension To provide an appropriate level of contribution to retirement planning.	Current CEO and CFO: 3% of salary New recruits: 3% of salary The pension contributions for the existing Executive Directors are 3% of salary, aligned with the wider workforce contribution rate.	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). 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.

Policy Table continued

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 maximum annual bonus is 200% of base salary for the CEO and 150% of base salary for other Executive Directors. It is proposed that the maximum bonus for Executive Directors other than the CEO will be 125% of salary for the first year of operation of the policy. The threshold bonus will be no higher than 25% of the maximum. The target bonus is 50% of maximum. Bonuses are paid up to one-half in cash and at least one-half 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. The Committee has discretion to make adjustments to performance targets during any performance period to reflect any events arising which were unforeseen when the performance conditions were originally set by the Committee. The Committee has discretion to adjust the outcomes of the annual bonus upwards or downwards (including to nil) to reflect any fact or circumstance which the Committee considers to be relevant. Any adjustments will be disclosed in the relevant Annual Report on Remuneration. Clawback provisions apply to the cash element of bonus under the annual bonus plan for a period of 3 years post payment and to the deferred share element for a period of 3 years post vesting.
Long-term incentives To incentivise the delivery of strategic objectives over the longer term, the Group operates the Long-Term Incentive Plan ("LTIP").	Awards of shares with maximum face value on grant for the CEO of 200% of base salary and for other Executive Directors of 175% of base salary each year under the LTIP, save for exceptional circumstances such as recruitment where the grant may be in excess of this. Clawback and malus provisions apply to awards made under the LTIP. LTIP awards from the date of the 2021 AGM onward will be subject to a two-year holding period post the end of the performance period. Participants' awards attract dividend rights from grant to the end of the holding period.	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. The Committee has discretion to make adjustments to targets 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.
In-employment shareholding requirement To encourage share ownership and create alignment of interests of Executive Directors and shareholders.	Executive Directors are expected to retain at least 50% of all shares which vest under the deferred bonus and 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.

Element and purpose	Policy and opportunity	Operation and performance conditions
Post-employment shareholding requirement	Shares must be held for two years post-employment at 100% of the in-employment shareholding requirement (or actual shareholding on departure if lower). Shares completing their performance period during this two year period will remain subject to the two year holding period. Only shares relating to awards which are granted after the date of the 2021 AGM will be included for the purposes of this requirement. Shares purchased by the Executive Director (including those from all employee share plans), will not be included.	Shares counting towards this requirement will not be released during the period in which the post-employment shareholding requirement applies, to support enforceability. Acceptance of the post-employment shareholding requirement will be a condition of participation in all share awards granted after the 2020 AGM and will be included in the grant documentation for awards.
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.

Existing awards

The Company will honour any annual bonus and long term incentive commitments already entered into with Executive Directors and/or any other pre-existing annual bonus and long term incentive commitments on any person joining the Board.

Operation of variable pay

Annual Incentive Plan

The Committee will set the performance targets annually under the annual incentive plan to take account of the Company's 3 year management plan and consensus. The metrics adopted by the Committee and the weighting of them may vary in relation to the Company's strategy each year.

The performance conditions in the first year of the operation of the policy are as follows:

- 75% EBITDA, which is a primary measure of the Company's growth and indicator of potential returns for shareholders; and
- 25% linked to personal measures (which may be financial in nature), which incentivise management to achieve results aligned to the broader business strategy.

The Committee has retained discretion to reduce the out-turn under any non-financial elements if it does not consider the assessment to be reflective of the overall performance of the business.

Long Term Incentive Plan

The Committee sets the performance targets in relation to the LTIP to take account of the Company's strategic plan. In the first year of operation of the policy, the measures are as follows:

- 50% relative TSR, which measures the Company's ability to generate value in excess of that created by similar businesses; and
- 50% adjusted EPS growth, which measures the Company's ability to grow earnings which are an indicator of returns for shareholders.

Malus and clawback

The rules of the Company's share plans include the following malus and clawback provisions:

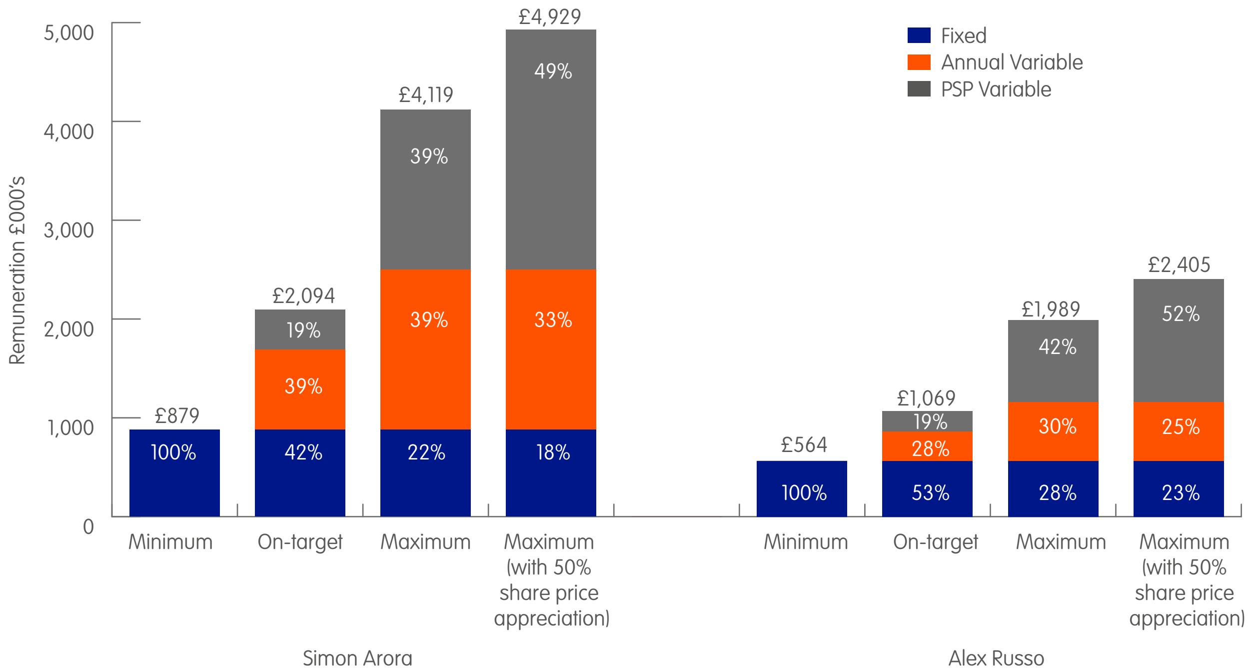
- The Annual Incentive Plan rules include provision for clawback within a three year period following payment;
- The deferred share plan rules include provision for malus prior to exercise and clawback within a three year period following vesting; and
- The LTIP rules include provision for malus between grant and the expiration of the holding period and clawback within a three year period following determination of the extent to which the performance conditions have been met.

The trigger events for malus and clawback are as follows:

- A material misstatement of financial results; or
- There are circumstances which would have warranted summary dismissal of the participant; or
- There are circumstances having an impact on the reputation of the Company or the Group which justify clawback being operated; or
- Where the Committee discovers information from which it concludes that a bonus or award was paid or vested to a greater extent than it should have been.

Illustrations of potential remuneration

The graphs below show an indication of the potential total remuneration of the Executive Directors' remuneration packages under the policy for the 2021/22 financial year.



Assumptions:

Scenario	Assumptions
Minimum	• Fixed remuneration only i.e. base salary, pension and benefits
On-target	• Fixed remuneration • On-target bonus, being 50% of maximum for 2021/22 (i.e. 100% of salary for the CEO and 62.5% of salary for the CFO) • Threshold LTIP, being 25% of maximum (i.e. 50% of salary for CEO and 43.75% of salary for CFO)
Maximum	• Fixed remuneration • Maximum bonus for 2021/22 (i.e. 200% of salary for the CEO and 125% of salary for the CFO) • Maximum LTIP (i.e. 200% of salary for CEO and 175% of salary for CFO)
Maximum + 50% share price growth	• As per maximum scenario with 50% share price appreciation for the LTIP (equivalent to 1.5x the face value)

Recruitment and promotions

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's remuneration policy at the time of the appointment.

Additionally, on the appointment of any new Executive Director (whether by external recruitment or internal promotion) the following applies:

- if a new executive's salary is set on appointment below the appropriate market rates, phased increases (as a percentage of salary) above those granted generally to other employees may be awarded subject to the individual's performance and development;
- the Company may compensate a new Executive Director for amounts foregone from the individual's former employer (as permitted under the Listing Rules) taking account of the amount forfeited, the extent of any performance conditions, the nature of the award and the time period to vesting. Such awards would normally be granted in the form of shares rather than cash;
- the annual incentive plan would operate with maximum award equal to 200% of salary in accordance with its terms, pro-rated for the period of employment and, dependent on the appointment and timing, different performance targets might be set as the Committee considers appropriate;
- a long term incentive award over shares of face value up to a maximum of 200% of salary in accordance with the policy table above;
- on an internal appointment, any variable pay element awarded in respect of the individual's former role would be allowed to pay out according to its terms, with any relevant adjustment to take account of the appointment. Any other ongoing remuneration obligations existing prior to the appointment would also continue;
- on an external appointment, the Committee may consider it necessary to make a grant of additional shares under the LTIP, of up to 200% of salary, in order to secure an exceptional candidate and provide early alignment with the shareholders of the Company. For the avoidance of doubt, the Committee has no current intentions to use this provision and any award would be in addition to the normal maximum set out in the policy table; and
- on any appointments, the Committee may agree that the Company will meet appropriate relocation expenses.

Service contracts and payments for loss of office

The service contract for the CEO is terminable by either the Company or the CEO on twelve months' notice and the service contract for the CFO by either party on six months' notice. The service contracts are dated 29 May 2014 in relation to the CEO and 3 March 2020 in relation to the CFO. Both contracts are rolling contracts with no fixed termination date.

An Executive Director's contract can also be terminated without notice or payment of compensation except for pay accrued up to the termination date on the occurrence of certain events such as gross misconduct.

Payment in lieu of notice equal to base salary only for the unexpired period of notice can be paid under the CEO's service contract. The payment in lieu of notice would be paid on termination.

Payment in lieu of notice equal to base salary, pension and benefits for the unexpired period of notice can be paid under the CFO's service contract. The payment in lieu of notice would be paid in monthly instalments, subject to mitigation in the event that the departing CFO becomes engaged in other employment.

There are no enhanced provisions on a change of control under the Executive Directors' service contracts.

Any new contracts will be on similar terms to the CFO's contract.

The service contracts of the Executive Directors are available for inspection at the registered office of the Company.

Treatment of incentives on termination and change of control

The Committee's treatment of incentives on termination is set out in the following table. The Committee will seek to minimise the cost to the Company, and will have due regard for the circumstances when applying discretion in relation to termination payments.

Termination circumstances	Annual bonus treatment	Deferred bonus treatment	Unvested LTIP treatment
Good leavers: Including such circumstances as death, retirement, ill-health, disability and any other reason determined by the Committee	Subject to Committee discretion, a pro-rata bonus may be paid subject to full or part year performance. Bonus will be paid at the normal payment date, unless in exceptional circumstances the Committee determines it should be paid on cessation.	For all leavers except those leaving due to resignation or dismissal for cause, Awards will vest at the usual vesting date, unless the Committee applies discretion to permit the awards to vest on cessation.	Awards will vest at the usual vesting date, unless the Committee applies discretion to permit the awards to vest on cessation, for example in the case of death. Awards will be subject to performance and time pro-rating. The post-vesting holding period will normally apply, unless in exceptional circumstances apply e.g. in the case of death.
All other leavers including resignation and dismissal for cause	No eligibility for bonus.	Awards will be forfeited.	Awards will be forfeited.
Change of control	Normally good leaver treatment applies. Performance can be tested sooner and payment made sooner.	Awards vest on a change of control.	Good leaver treatment applies. Performance can be tested sooner and payment made sooner.

Awards which have vested before giving or receiving notice of termination of employment remain exercisable for a period of twelve months after leaving or (if later) the expiry of any holding period which the award was subject to.

Chairman and Non-Executive Directors

The table below describes the elements of remuneration paid to the Chairman and the Non-Executive Directors:

Element and purpose	Operation
Fees Paid to reflect the time commitment and level of responsibility of each of the roles.	The fee levels and structure of the Non-Executive Directors was set by the Board from Admission. The fees of the Non-Executive Directors are set by the Board (excluding the Non-Executive Directors). The Committee has responsibility for determining fees paid to the Chairman of the Board. The fees are paid in cash. All fees are subject to the aggregate fee cap of £1,000,000 per annum, effective from 30 July 2018, for Directors in the Articles of Association of the Company. In addition, expenses may be reimbursed.

Letters of appointment

All the Non-Executive Directors of the Company have letters of appointment dated 1 June 2021 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.

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.

Consideration of employment conditions elsewhere in the Company when setting Directors' pay

The Committee does not consult directly with employees when reviewing Executive Directors' remuneration. However, in forming the Directors' Remuneration Policy, the Committee has taken account of:

- The pay and conditions of the broader workforce pay and conditions, including base salaries, the general increase in salaries for employees and the appropriateness and fairness of the policy in this context; and
- The remuneration arrangements for the rest of the senior management team over which the Committee has responsibility for, including salary, pensions, benefits and incentive arrangements.

Broader workforce

As part of the Committee's extended remit under the UK Corporate Governance Code, the Committee will continue to review the pay policies for the wider employee population to ensure that they are appropriate, reflect the Company's remuneration principles and support the strategic objectives of the business.

The remuneration policy for senior executives is more weighted toward variable pay than for other employees. However, there are a number of ways in which employees are rewarded in addition to base salary, pension and benefits:

- the Company is committed to widespread share ownership. The Company operates an All-employee UK Share Incentive Plan ("SIP"). Under the SIP, Executive Directors are eligible to participate on a consistent basis to all other employees;
- our workforce in the B&M UK business will also have the opportunity going forward to share in the Company's success on an annual basis with cash bonuses being paid where internal targets for the business are met or exceeded;
- in retail operations, annual cash bonuses are paid in the B&M UK business based on individual performance from Deputy Store Managers and upwards;
- in our distribution operations, annual cash bonuses are paid in the B&M UK business based on individual performance from Team and Shift Managers upwards; and
- in our central business support teams including central operations, buying, finance, IT, HR and Payroll, annual cash bonuses are paid in the B&M UK business based on individual performance from manager level colleagues upwards.

The Committee reviewed the latest available gender pay gap data as well as the ratio of CEO to employee remuneration. It was satisfied that the structure and quantum of the Executive Directors' remuneration within this policy was appropriate, taking into account their contribution to the business and typical market practices within the retail sector. As referred to on pages 67 and 69 above the Committee also undertook a remuneration benchmarking exercise examining pay in retail comparators as well as the broader market as part of the policy review process, and took this into account as an external measure of the competitiveness of the packages for the Executive Directors.

Senior management team

As part of the review of the remuneration policy, the review of the Executive Directors' remuneration also included a review of the remuneration of other members of the executive committee of the Group which included a benchmarking exercise of their pay against FTSE retailers and the broader market. Their base salaries have also been reviewed with effect from 1 April 2021.

As well as the Executive Directors, other members of the executive committee of the Group also participate in the performance based Annual Incentive Plan. Around 70 colleagues including members of the executive committee of the Group and a group of managers and other senior staff have also participated in restricted stock awards on an annual basis since 2017, in the form of shares which vest after three years without performance conditions.

Advice on Directors' Remuneration Policy

The Committee has taken advice from PwC, its independent remuneration consultants, on the benchmarking and structure of remuneration packages for Executive Directors and other members of the senior management team. PwC is a member of the Remuneration Consultants Group and a signatory to its Code of Conduct. In addition, the Committee has satisfied itself that the advice it receives is objective and independent as PwC has confirmed there are no conflicts of interest.

Directors' remuneration report

continued

Annual Report on Remuneration

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 2020/21 and how the new policy proposed for shareholder approval at the 2021 AGM will be applied in the financial year 2021/22.

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 2020/21.

Executive Directors	Year[1]	Salary £	Benefits[2] £	Pension[3] £	Bonus[4] £	Long term incentives[5,6] £	Other £	Total £	Total fixed pay £	Total variable pay £
Simon Arora (CEO)	2019/20	643,845	44,733	113,313	411,303	–	–	1,213,194	801,891	411,303
	2020/21	**654,741**	**45,095**	**115,227**	**972,770**	**1,834,986**	–	**3,622,819**	**815,063**	**2,807,756**
Paul McDonald (Ex-CFO[7])	2019/20	324,722	8,647	42,961	114,011	221,798	–	712,139	376,330	335,809
	2020/21	**209,196**	**4,628**	**27,751**	**217,807**	**604,377**	–	**1,063,759**	**241,575**	**822,184**
Alex Russo (CFO[8])	2019/20	–	–	–	–	–	–	–	–	–
	2020/21	**173,558**	**28,227**	**4,575**	**186,462**	–	**150,000**	**542,822**	**206,360**	**336,462**

1. The 2019/20 year is for the 52 weeks ended 28 March 2020 and the 2020/21 year is for the 52 weeks ended 27 March 2021.
2. Benefits 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 Paul McDonald and Alex Russo only, permanent healthcare insurance. Alex Russo also received £14,937 in respect of assistance with travel and living costs given he travels from home to his place of work on a weekly basis.
3. Pensions include auto-enrolment pension employer contributions and a cash equivalent allowance to pension contribution entitlement less employers' NICs.
4. One third of the annual bonuses of the Executive Directors for 2020/21 being £324,257 for Simon Arora, £72,602 for Paul McDonald and £82,081 for Alex Russo, are payable in shares which are to be deferred for a period of three years from the date of grant.
5. The 2018/19 LTIP has completed its performance period and is included in the 2020/21 LTIP figure. It will vest on the expiry of the holding period on 20 August 2023. The value is estimated based on a vesting of 89.5%, the three-month average share price to the year end of £5.423 and the accrued dividends to the year end. Share price appreciation accounts for £380,725 of the value for Simon Arora and £125,398 for Paul McDonald. Paul McDonald's award has been pro-rated to reflect the proportion of the vesting period completed to the point of stepping down from the Board.
6. The value of Paul McDonald's 2017/18 LTIP whose performance period ended in 2019/20 has been restated to reflect the share price on the third anniversary of grant at which point it was no longer subject to continued service, being £4.861 on 7 August 2020. The amount derived from share price appreciation is £50,282.
7. Paul McDonald stepped down from the Board on 15 November 2020.
8. Alex Russo was appointed to the Board and to the position of Chief Financial Officer on 16 November 2020.
9. The remuneration of the Executive Directors is paid by B&M Retail Limited, other than their long-term incentives. The reported figures include all such amounts.

Base salaries

The Executive Directors received a 2% increase in their base salaries with effect from 25 May 2020, being the same percentage rate of increase given to the B&M UK salaried staff.

Pension

The pension amounts paid in the year represent amounts contributed to pension plans and cash supplements, adjusted for the cost of employers' NICs to the extent that provision is made as a cash supplement.

The pension benefits of the Executive Directors for 2020/21 were paid as salary supplements as follows:

- 20% of base salary (less Employer's NICs) for Simon Arora;
- 15% of base salary for Paul McDonald (less Employer's NICs), until the date he stepped down from the Board; and
- 3% of base salary for Alex Russo (less Employer's NICs), which is in line with the pension provision for UK salaried employees of the Group.

For any new Executive Directors their pension benefits would be capped at the same percentage of base salary applied generally to UK salaried employees of the Group.

In order to align pensions provision for Executive Directors with the pensions for the workforce, it has been agreed that Simon Arora's pension will be reduced from 20% to 3% of salary for 2021/22 which is the rate available to the UK salaried employees of the Group.

Bonus outcomes

Executive Directors bonus payments for 2020/21 are in line with the remuneration policy and the terms of the Annual Incentive Plan ("AIP"). The Committee reviewed the AIP during the year and remains satisfied that it continues to be appropriate for the Company.

75% of the maximum AIP opportunity related to the achievement of financial targets for 2020/21. The targets were based on adjusted Group EBITDA performance as follows:

	Adjusted Group EBITDA target*	% maximum overall Bonus opportunity
Threshold	£335.0m	18.75%
Target	£372.2m	37.5%
Max	£390.8m	75%
Actual	£626.4m	75%

* There is a straight-line payout for achievement between threshold, target and maximum levels.

The remaining 25% of the AIP related to personal objectives. These objectives focused on a number of key performance indicators ranging from strategic, operational and investor relations matters. The Committee assessed each objective against those criteria as explained below.

Simon Arora

Objectives	Performance	Overall outcome
Building a high performance leadership team with enhanced breadth and depth	This was achieved with the recruitments in the year of the new CFO of the Group, the B&M UK Supply Chain Director (following retirements) the new CEO in France and appointments in other leadership rules in IT, Internal Audit, IR, Digital and Grocery Buying.	23.75 out of 25
Delivering strategic and operational progress in France	This was achieved with recruitment of a new CEO, leasing a further warehouse facility and progress on the two strategic priorities of refining the product mix and the rebranding and reformatting of c.50% of the stores during the year.	
Like-for-like ("LFL") sales performance	This was achieved with the very strong LFL performance for the year, particularly the B&M UK business at +23.8%.	
Delivery of improvements to distribution and logistics including uptick in stores serviced by Bedford	This was partly met. Significant progress has been achieved with Bedford now servicing c.250 stores out of the B&M UK store estate, but further cost efficiencies remain to be achieved.	
Investor Relations	This was achieved, having maintained a diverse and balanced investor base and ensured that communication expectations of investors and analysts were maintained notwithstanding the challenges in relation to Covid-19.	

Paul McDonald

Objectives	Performance	Overall outcome
Bond and debt refinancing	This was achieved with the Bond issuance and bank debt refinancing being successfully executed in the year.	8.125 out of 25
Cost control reductions	This was not met against targeted levels.	
Strategic developments in relation to IT and European integration	Some progress was achieved in relation to reporting across the Group's fascias, but no score was given in relation to IT strategic initiatives.	
Reductions in insurance costs and outlays	This was partially achieved against targets set in relation to certain overheads with a 25% score being achieved.	
Team development and succession	This was not met during the year.	
Investor Relations	This was achieved, having maintained a diverse and balanced investor base and ensured that communication expectations of investors and analysts were maintained notwithstanding the challenges in relation to Covid-19.	

Directors’ remuneration report

continued

Bonus outcomes continued

Alex Russo

Objectives	Performance	Overall outcome
Strategic initiatives	Progress was made in relation to developments in strategy and growth initiatives of the Group.	12.50 out of 25
European integration	Significant improvements have been made in relation to reporting across the Group’s fascias.	
IT strategy	IT strategy development was commenced during the second half of the year.	
Operational controls, process enhancements, loss prevention and compliance	Progress was made with the delivery of enhancements in controls in collaboration with the Internal Audit function in a number of areas.	
Team development and succession	This was partially achieved with plans being developed in the year.	

The table below sets out the resulting bonuses earned, including the amounts deferred into shares for a three year period:

Executive Director	Bonus maximum as % salary	Bonus earned as % maximum	Bonus earned[1]	Of which paid in cash (two-thirds)	Of which deferred in shares (one-third)
Simon Arora	150%	98.75%	972,770	648,513	324,257
Paul McDonald	125%	83.13%	217,807	145,205	72,602
Alex Russo	125%	87.50%	186,462	124,308	62,154

1. The bonuses earned by Paul McDonald and Alex Russo have been pro-rated to reflect the proportion of the year served as an Executive Director.

The Committee considered that overall performance had been very strong during 2020/21 and that the AIP outcomes appropriately reflected individual and business outcomes. No discretion was used in assessing the outcomes as set out above.

Long term incentive outcome

The LTIP award granted on 20 August 2018 had a combination of EPS and Relative TSR conditions with equal weighting. The performance period ended on 27 March 2021 and the outcomes are provided below.

Performance condition	Weighting	Performance for threshold vesting (25%)	Performance for maximum vesting	Actual performance	Vesting
Adjusted EPS	50%	23p	28p	43.4p	100%
Relative TSR vs FTSE 350 retailers	50%	Median	Upper quartile	Between 6th and 7th rank within 17 comparators	79.0%
Total					**89.5%**

The resulting awards due to vest are as follows:

Executive Director	Number of awards granted	Number of awards due to vest due to meeting performance conditions[1]	Dividend shares earned to year end	Total shares due to vest	Total value £[2]
Simon Arora	312,099	279,328	59,043	338,371	1,834,986
Paul McDonald	137,730	92,001	19,446	111,447	604,377

1. As a good leaver, Paul McDonald’s award has been pro-rated to reflect time served as an Executive Director.
2. Based on average share price of £5.423 during the three month period to 27 March 2021.

The awards are due to vest following the expiry of the holding period being on 20 August 2023.

LTIP awards granted during the financial year – audited

LTIP awards in the form of nil-cost options were granted to Simon Arora on 30 July 2020 as follows:

Executive Director	Award size	Number of awards granted [1]	Face value of awards £
Simon Arora	200%	283,436	1,313,442

1. The number of awards granted was based on a share price of £4.634, being the share price prior to the date of grant.

Awards vest after five years from grant following the expiry of a two year holding period. Dividends accrue in respect of the awards over the period from grant to vesting.

The performance conditions are measured over the three year period to the end of 2023/24, and the targets were determined in the following way:

- The Adjusted EPS targets were set by the Committee in July 2021 when the LTIP awards were granted, based on the management 3 year plan. The range was set around the 3 year plan, with achievement of the plan resulting in below 50% vesting. There had been a slight softening of the growth in EPS to FY20 and with Covid-19 expected to have an overall negative impact on the business at the time of setting the targets, it was deemed appropriate to set a target range that was slightly lower than the range for the 2019 award.
- The relative TSR condition follows a market-standard approach, with no vesting below median performance and with maximum vesting for upper quartile performance or above. This approach is consistent with the approach used for previous awards.

The resulting performance conditions and targets are as follows:

Performance condition	Weighting	Performance for threshold vesting (25%)	Performance for maximum vesting
Adjusted EPS	50%	25p	30p
Relative TSR vs FTSE 350 retailers[1]	50%	Median	Upper quartile

1. Comparator group is Dixons Carphone, Dunelm, Greggs, Howden Joinery, JD Sports Fashion, Kingfisher, Marks & Spencer, Morrison (WM), Next, Ocado, Pets At Home, Sainsbury J, Tesco and WH Smith.

A one month average applies prior to the beginning and at the end of the performance period for the TSR condition.

Straight line vesting occurs between threshold and maximum levels of performance.

Deferred bonus awards granted during the financial year – audited

A proportion of bonus earned by Executive Directors in respect of performance during 2019/20 was deferred into shares for a period of three years on 17 June 2020 as follows:

Executive Director	Value of deferred bonus	Number of awards granted[1]
Simon Arora	137,101	35,768
Paul McDonald	38,004	9,914

1. The number of awards granted was based on a share price of £3.833, being the share price prior to the date of grant.

The awards are subject to continued service only. As a good leaver, Paul McDonald was permitted by the Committee to retain deferred bonus awards.

Loss of office payments – audited

Paul McDonald stepped down from the Board and his position as CFO on 15 November 2020. He was entitled to salary, pension and benefits for the remainder of his notice period to 8 January 2021 as follows:

Salary: £50,956
Pension: £6,741
Benefits: £994

In addition, he was entitled to a payment in respect of accrued but unpaid holiday pay at his basic rate of salary of £25,478 and a payment of £500 in respect of confidentiality and restrictive covenants.

Given Paul McDonald had worked for the company for over ten years and that he was retiring from the Board, the Committee deemed it appropriate to treat him as a good leaver and therefore the following treatments apply to his variable remuneration:

- Entitlement to a pro-rata bonus for the proportion of the year worked (£217,807), with one-third of this being deferred into shares for three years (with value £72,602), as described in the Bonus outcomes section;
- All outstanding LTIP awards continue to vest at their normal dates, with pro-rating to reflect time served as an Executive Director and subject to performance assessment; and
- All other share awards, including deferred bonus shares and LTIP awards that have met their performance conditions but remain subject to a holding period, are retained and vest at their normal dates.

The resulting share awards remaining outstanding are as follows:

Award	Date of grant	Awards outstanding at date of stepping down from Board	Pro-rated number of awards	Vesting date
2016 LTIP	18 August 2016	86,143	86,143	18 August 2021
2017 LTIP	7 August 2017	45,628	45,628	7 August 2022
2018 LTIP[1]	20 August 2018	137,730	92,001	20 August 2023
2019 LTIP[2]	2 August 2019	156,546	67,275	2 August 2024
Deferred shares in respect of 2018/19 bonus	4 June 2019	15,198	15,198	4 June 2022
Deferred shares in respect of 2019/20 bonus	17 June 2020	9,914	9,914	17 June 2023

1. Award due to vest at 89.5% of maximum as a result of achievement against performance conditions to the end of 2020/21. An additional 18,033 dividend shares had been earned as at the end of 2020/21.
2. Award remains subject to performance conditions to the end of 2021/22.

No other payments were made to Paul McDonald.

Payments to past Directors – audited

There were no payments to past Directors during the year.

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 Committees and the time and responsibility of the roles of each of them.

The fees paid for 2020/21 to the Chairman of the Board and each of the Non-Executive Directors were as follows:

Director	2020/21 Fee £	2020/21 Benefits £[1]	2020/21 Total £	2019/20 Fee £	2019/20 Benefits £[1]	2019/20 Total £
Peter Bamford	300,000	14,041	314,041	300,000	34,971	334,971
Ron McMillan	90,671	–	90,671	85,155	–	85,155
Tiffany Hall	74,171	–	74,171	61,000	–	61,000
Carolyn Bradley	68,840	–	68,840	58,000	–	58,000
Gilles Petit (appointed to the Board on 2 May 2019)	59,668	–	59,668	53,114	–	53,144

1. The benefits for the Chairman relate to reimbursement of an additional social security fund levy payable on his fees in Luxembourg (grossed-up) for which credit cannot be claimed against UK income tax. The figures in the 2019/10 column represent the amount payable from his original appointment on 1 March 2018 to the end of the 2019/20 financial year, broadly representing 2 years' worth of reimbursement. The figure for 2020/21 is an estimate and will be restated in next year's Remuneration Report to the extent that the actual levy differs.
2. The Non-Executive Directors are not eligible to receive any variable pay and therefore the totals provided above reflect total fixed remuneration.

The annual rates of fees paid during the year with effect from 1 June 2020 were as follows:

Role	Fee £
Chairman of the Board	300,000
Non-Executive Director base fee	60,000
Additional fee for chairing Audit Committee	15,000
Additional fee for chairing Remuneration Committee	15,000
Additional fee for Senior Independent Director	16,500
Additional fee for Director responsible for Workforce Engagement	5,000

Directors' shareholding and share interests – audited

Under the remuneration policy which operated during the year, the shareholding guideline for Executive Directors is for a shareholding to be built up and maintained of 200% of base salary. Where an Executive Director does not meet the shareholding guideline, they were expected to retain all shares which vest under the LTIP (or any other share plans in the future) after allowing for tax. They are 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 Simon Arora, while Alex Russo joined the Board during the year and is therefore working towards his shareholding requirement.

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 2020/21 (or the date of their retirement from the Board if earlier).

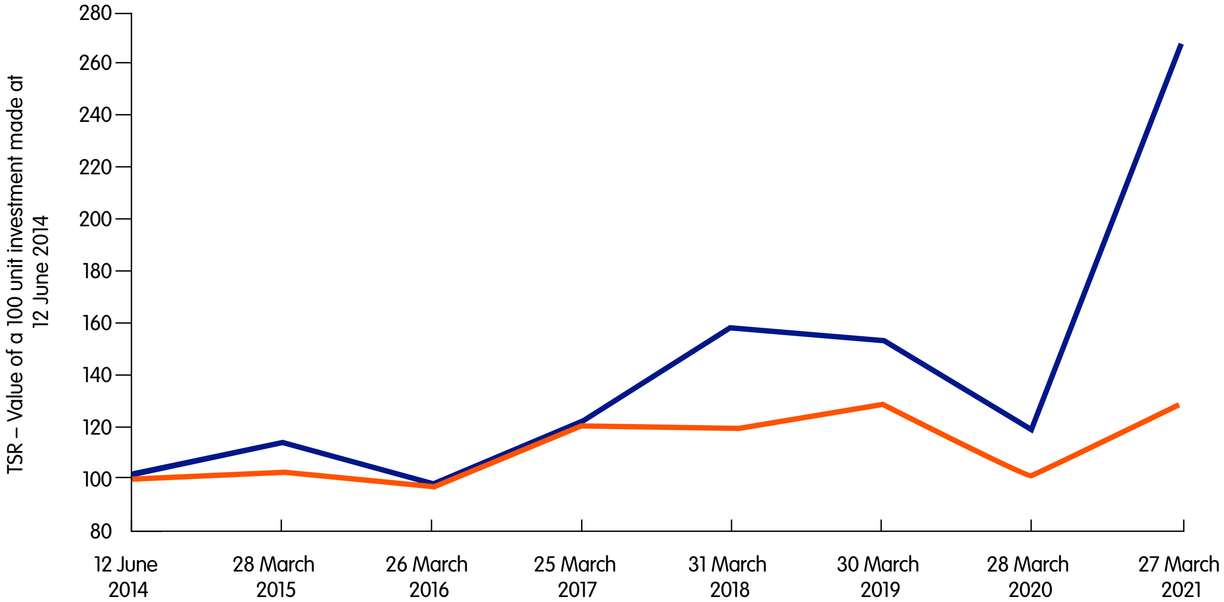
Director	Shares held beneficially[1]	Unvested options with performance conditions[2]	Unvested options not subject to performance	Vested but unexercised awards
Peter Bamford	5,000	–	–	–
Simon Arora	109,880,828	950,270	77,082	–
Paul McDonald[3]	39,171	294,276	156,883	72,093
Alex Russo	–	–	–	–
Ron McMillan	37,037	–	–	–
Tiffany Hall	3,050	–	–	–
Carolyn Bradley	12,192	–	–	–
Gilles Petit	2,440	–	–	–

1. Includes any shares held by connected persons or related parties.
2. Nil cost options.
3. Stepped down from the Board on 15 November 2020.

There have been no changes in the Directors' interests in shares in the Company between the end of the 2020/21 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 350 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)



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

	Total remuneration	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	76.8%	N/A
2017/18	1,376,482	68.6%	N/A
2018/19	1,204,983	46.0%	N/A
2019/20	1,213,194	42.6%	N/A
2020/21	3,622,819	98.8%	89.5%

Change in Remuneration of the Directors
Luxembourg law imposes an obligation relating to the reporting of changes in total remuneration of the Company's employees (but not its subsidiaries), the total shareholder return ("TSR") and total remuneration of each of the individual directors of the Company. As the law only refers to the Company's employees and not those in other companies in the Group, consequently the changes reported for employees are restricted to a nominal number of staff, being just 3 in 2020/21.

The relevant data, as determined under the provisions of the Luxembourg remuneration reporting law, are as follows:

	Total shareholder return performance				
	FY17	FY18	FY19	FY20	FY21
Total Shareholder Return (year-on-year)	19.0%	33.0%	-2.6%	-20.3%	123.7%
3-year Total Shareholder Return ranking[4]	7th out of 17	4th out of 17	4th out of 17	9th out of 17	7th out of 15

	Percentage change in total remuneration in the year stated compared with the prior financial year[1]				
	FY17	FY18	FY19	FY20	FY21
Company only (excluding all of the other Group subsidiaries in the UK and France) on full-time equivalent basis (average)	9.42%	26.90%	15.49%	-16.38%[2]	-8.44%[3]
Executive Directors:					
Simon Arora (CEO)	133.32%[5]	-1.94%	-12.55%	0.68%	198.62%
Paul McDonald (Ex-CFO)	135.24%[6]	8.87%	-3.26%	-20.85%	49.38%
Alex Russo (CFO)	n/a	n/a	n/a	n/a	n/a[7]
Non-Executive Directors:					
Peter Bamford	n/a	n/a	nil	11.66%[8]	-6.25%[11]
Ron McMillan	nil	6.06%	nil	21.65%[9]	6.48%[12]
Tiffany Hall	n/a	n/a	n/a	5.17%[10]	5.17%[13]
Carolyn Bradley	n/a	n/a	n/a	nil	10.07%[14]
Gilles Petit	n/a	n/a	n/a	n/a	2.88%[15]

1. The pay of each director has been calculated using the single figure totals. The average pay of staff is calculated on a full-time equivalent basis for each year (excluding overtime hours) and compares the average for each year with that for the prior year. Joining and departing employees and directors have been grossed-up to a 12-month equivalent.
2. Excluding leavers and joiners, base salaries of the employees increased in the year on average by 3.40%.
3. Excluding leavers and joiners, base salaries of the employees increased in the year on average by 0.62%.
4. The TSR figures are based on (i) a spot to spot absolute measurement for the Company over the financial year and (ii) a relative spot to spot measurement over three years compared with the current TSR comparator group (FTSE 350 retail sector and food retailers and wholesalers subsector as at the beginning of the financial year). For the 2020/21 figures the companies used are Dixons Carphone, Dunelm, Greggs, Howden Joinery, JD Sports Fashion, Kingfisher, Marks & Spencer, Morrison (WM), Next, Ocado, Pets At Home, Sainsbury J, Tesco and WH Smith. The available TSR data from IPO in June 2014 to March 2017 has been used for 2017 (i.e. not a full three years).
5. This principally reflects the increase in base salary and annual bonus package awards from 2015/16 and 2016/17 respectively, from the pre-IPO levels to median market level.
6. This principally reflects the increase in base salary and annual bonus package awards from 2016/17 from the pre-IPO levels to median market level.
7. Alex Russo was appointed to the Board and to the position of Chief Financial Officer on 15 November 2020, and therefore received no remuneration in 2019/20.
8. The increase in the year represents approximately two years' worth of reimbursement, since his original appointment on 1 March 2018, of an additional social security fund levy payable on his base fees in Luxembourg (grossed-up) for which credit cannot be claimed against UK income tax.
9. The increase represents the director being appointed on 2 May 2019 as the Senior Independent Director ("SID") and receiving the SID supplement to his base fees from that date.
10. The increase represents the director being appointed on 2 January 2020 as the Chair of the Remuneration Committee and receiving the Committee Chair supplement to her base fees from that date.
11. The reduction is due to the 2019/20 fees including two years' worth of reimbursement of the social security levy on his fees in Luxembourg. The base fee has remained at £300,000 in both years.
12. Increase is a result of an increase to the fee level with effect from June 2020 as detailed on page 86 and as a result of 12 months' of the additional fee for the role of Senior Independent Director being paid in 2020/21 relative to 11 months in the prior year.
13. Increase is a result of an increase to the fee level with effect from June 2020 as detailed on page 86 and as a result of 12 months' of the additional fee for the role of Chair of the Remuneration Committee being paid in 2020/21 relative to 3 months in the prior year.
14. Increase is a result of an increase to the fee level with effect from June 2020 as detailed on page 86 and as a result of 12 months' of the additional fee for the role of Director responsible for Workforce Engagement, being payable from 2020/21 onwards only.
15. Increase is a result of an increase to the fee level with effect from June 2020 as detailed on page 86.

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 28 March 2020 and 27 March 2021.

£'000	2019/20	2020/21	% change
Total pay for employees	421,644	552,213	31.0%
Distributions to shareholders[1]	76,042	697,484	817.2%

1. There have not been any buy-backs of shares during either year.

CEO Pay ratio

In line with new UK reporting requirements which the Company has adopted on a voluntary basis, set out below are ratios which compare the total remuneration of the CEO (as included in the single total figure of remuneration table) to the remuneration of the 25th, 50th and 75th percentile of the Group's UK employees. The disclosure will build up over time to cover a rolling 10-year period.

Year	Method	25th percentile pay ratio	50th percentile (median) pay ratio	75th percentile pay ratio
2019/20	Option A	72:1	72:1	69:1
2020/21	Option A	191:1	196:1	207:1

We have used Option A as this is the statistically most accurate method and the preferred approach of most institutional shareholders.

CEO Pay ratio continued

The base salary and total remuneration received during the financial year by the indicative employees on a full-time equivalent basis used in the above analysis are set out below:

	25th percentile	50th percentile (median)	75th percentile
Base salary	18,138	17,684	16,853
Total remuneration	18,951	18,490	17,514

The ratios disclosed above are affected by the following factors of our UK workforce. Over 98% of this population work in our retail stores and warehouses where, in line with the retail sector more generally, rates of pay are lower than those for management grades and those employees based at our head offices in more technical roles. The three employees used in the calculations are warehouse and retail sales colleagues and consequently the ratios for each are not significantly different. In addition, while warehouse and retail sales colleagues are eligible to participate in Group-wide share plans and annual opportunities to share in success and recognise outperformance, the CEO's higher bonus and LTIP opportunities are comparable with those which reflect the nature and complexity of his role as well as the remuneration levels in retail businesses of similar size. In this context, the Committee is satisfied that the ratios are appropriate and fair.

There has been an increase in the ratios for 2020/21, which is driven primarily by the inclusion of the first LTIP granted to the CEO in 2018, as well as particularly strong performance during 2020/21. It is to be expected that the ratio will vary from year to year, primarily as the CEO's package consists of a much higher level of variable pay that is dependent on performance, whereas the warehouse and retail sales colleagues' remuneration is predominantly fixed in nature, which is normal practice for these roles.

The Company has taken the following actions for the workforce during the year to recognise their additional work during 2020/21 and going forward:

- during April and May 2020 in recognition of the considerable efforts of the workforce dealing with the challenge of keep essential goods flowing from our warehouses to our stores during the onset of the pandemic, we gave our B&M UK and Heron Foods workforce an additional 10% to their pay;
- in January 2021 we gave our B&M colleagues an extra week's pay as a bonus for their hard work and commitment during the year; and
- our workforce in the B&M UK business will also have the opportunity going forward to share in the Company's success on an annual basis with cash bonuses being paid where internal targets for the business are met or exceeded.

Malus and clawback

The Annual Incentive Plan and LTIP rules include provision for clawback (and malus during any holding period under the LTIP) within a three year period following payment or vesting if the Committee concludes that there has been material misstatement of financial results, or there are circumstances which would have warranted summary dismissal of the participant, or there are circumstances having an impact on the reputation of the Company or the Group which justify clawback being operated, or where the Committee discovers information from which it concludes that a bonus or award was paid or vested to a greater extent than it should have been.

In addition, all variable pay plans include discretion to reduce the indicative formulaic out-turn in appropriate cases.

Fees for Chairman and Non-Executive Directors in 2021/22

The rates of the fees for the Chairman and Non-Executive Directors were reviewed during the year, with reference to market data for fees within companies of a similar size and complexity.

While 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, adjustments to fee levels were agreed. While the majority of the fees are subject to modest increases, the Chairman's current fee is deemed to be below the appropriate level, taking into account the increased complexity of the business (as detailed on page 69), and the additional time commitment and responsibilities of the role, and therefore a larger adjustment was approved by the Remuneration Committee. The resulting annual fees are as follows:

Role	Fee from 29 March 2020 £	Fee from 1 June 2020 £	Fee from 1 April 2021 £
Chairman of the Board	300,000	300,000	380,000
Non-Executive Director base fee	58,000	60,000	63,000
Additional fee for chairing Audit Committee	12,000	15,000	17,500
Additional fee for chairing Remuneration Committee	12,000	15,000	17,500
Additional fee for Senior Independent Director	16,500	16,500	18,500
Additional fee for Director responsible for Workforce Engagement	N/A	5,000	5,000

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.

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 letter of Ron McMillan is 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. Peter Bamford's appointment letter is dated 13 November 2017.

Executive Directors remuneration for 2021/22

Base salary

As described in the Chair's statement, the base salaries for the Executive Directors were reviewed during the year. The resulting rates of salary are as follows:

Executive Director	Base salary from 29 March 2020 £	Base salary as at 1 June 2020 £	Base salary from 1 April 2021 £
Simon Arora	643,845	656,722	810,000
Alex Russo[1]	N/A	475,000	475,000

1. Alex Russo's salary is effective from 16 November 2020, the date on which he joined the Board as CFO.

Benefits and pension

There are no planned changes to the provision of benefits for 2021/22.

Simon Arora's pension provision will be reduced from 20% to 3% of salary, less Employer's NIC (to the extent that it is paid as a salary supplement), in line with the rate available to UK salaried employees of the Group.

Alex Russo will continue to receive pension provision equal to 3% of salary, less Employer's NIC (to the extent that it is paid as a salary supplement).

Annual bonus

As set out in the Directors' Remuneration Policy in this report, the maximum bonus opportunity for Simon Arora will increase to 200% from 150% of salary. The maximum bonus opportunity for Alex Russo will remain at 125% of base salary for 2021/22.

Under the awards for 2021/22, 75% of the maximum bonus opportunity is again based on the achievement of an Adjusted EBITDA target and 25% on achievement of personal objectives. In relation to each award, one-half of any bonus achieved (increased from one-third) 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 or personal targets in advance as they are commercially sensitive. Suitable disclosure of the targets together with details of achievement against them will again be included in next year's remuneration report.

LTIP

The Committee proposes that LTIP awards will again be made to Executive Directors during 2021/22, subject to stretching financial performance conditions over a three year period, with vesting after the completion of a further two year holding period.

As set out in the policy, the 2021/22 award for Simon Arora will be 200% of salary while an award of 175% of salary will be granted to Alex Russo.

- We have set this year's Adjusted EPS targets taking into account the Management 3 Year Plan and the latest analysts' consensus forecasts at the time of setting targets. The range has been stretched given the high degree of uncertainty currently faced by the business with significant performance above plan required to achieve maximum payout.
- The relative TSR condition follows a market-standard approach, with no vesting below median performance and with maximum vesting for upper quartile performance or above. This approach is consistent with the approach used for previous awards.

LTIP continued

The resulting performance conditions and the targets for the awards are as follows:

Performance condition	Weighting	Performance for threshold vesting (25%)	Performance for maximum vesting
Adjusted EPS	50%	37p	45p
Relative TSR vs FTSE 350 retailers[1]	50%	Median	Upper quartile

1. Consists of the constituents of the FTSE General Retailers Index and the FTSE Food and Drug Retailers Index. A one month average applies prior to the beginning and at the end of the performance period for the TSR condition.

Remuneration Committee composition and meetings in 2020/21

The members of the Committee during the year consisted solely of independent Non-Executive Directors being Tiffany Hall (Committee Chair), Ron McMillan, and Carolyn Bradley.

The responsibilities of the Committee are set out in the Corporate Governance section of the Annual Report on page 52.

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.

Details of Committee video conferences and attendances during the year were as follows:

Director	Role	Video conferences attended
Tiffany Hall	Committee Chair	5 out of 5
Ron McMillan	Committee Member	5 out of 5
Carolyn Bradley	Committee Member	5 out of 5

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 page 56. 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 at the 2018 AGM and the Annual Report on Remuneration at the 2020 AGM were passed as follows:

Resolution	Votes for	% for	Votes against	% against	Total votes cast	% of shares on register	Votes withheld
To approve the Directors' Remuneration Policy (2018)	766,109,391	98.88	8,714,552	1.12	774,823,943	77.44	0
To approve the Annual Report on Remuneration (2020)	754,659,735	99.58	3,148,072	0.42	757,807,807	75.73	2,126,359

Advisors to the Committee

The adviser to the Committee during the year was FIT Remuneration Consultants LLP ("FIT") until the appointment of PricewaterhouseCoopers LLP ("PwC") in November 2020 following a tender process carried out during the year. PwC was chosen due to their experience of advising business of similar size and complexity.

FIT did not provide any other services to the Group during their tenure as advisers. From time to time the Group engages PwC to provide valuation, taxation and related advice on specific matters. The Committee will continue to monitor such engagements in order to be satisfied that they do not affect PwC's independence as an adviser to the Committee.

Both FIT and PwC are members 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 2020/21 FIT's total fees were £43,020 excluding VAT and PwC's total fees in respect of advice to the Remuneration Committee were £42,063 excluding VAT.

Fees were determined partially under a fixed fee agreement to provide a core set of services, with additional items being determined on a time and materials basis.

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

Tiffany Hall
Chair of the Remuneration Committee
2 June 2021

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 27 and 31 March 2021 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 47, 48 to 65 and 66 to 89 respectively form part of this report and are incorporated into this Directors' report by reference. Also, the following information in particular within those reports can be found as follows:

- future developments in the business – pages 12 to 17;
- workforce engagement – pages 34, 44 and 45;
- viability statement – page 32;
- energy and carbon reporting – page 43;
- directors' service contracts and appointment letters – pages 75 to 76;
- directors' share interests – page 83;
- conflicts of interest – page 55; and
- stakeholders and section 172 statement – pages 44 to 47.

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 and France. The Company has a corporate office in Luxembourg.

Business review

This report together with the Strategic Report on pages 1 to 47, sets out the review of the Group's business during the financial year ended 27 March 2021, 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 27 March 2021 of GBP £428.1m is reported in the consolidated statement of comprehensive income on page 101.

The Board is recommending a final dividend of 13.0p per ordinary share, which together with the interim dividend of 4.3p per ordinary share paid in November 2020 (but not including the special dividends of 25.0p and 20.0p per share paid in November and December 2020 respectively) is a total ordinary dividend for the year of 17.3p which reflects the upper end of the dividend policy of paying 30-40% of normalised post-IPO earnings[1].

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 33 to 43.

Employee engagement and involvement

The Group is committed to employee involvement, consultation and participation. At key points throughout the year colleagues are kept informed about the performance and strategy of the Group through internal business update meetings, conference calls, company newsletters and notice boards and CEO email bulletins. They include information on the financial and trading performance of the Group. Further details of workforce engagement, feedback and actions during the year are also set out on pages 34, 44 and 45 above, which is incorporated in this report by reference.

B&M has a share incentive plan which is open to all B&M UK employees after 12 months service. Certain employees in the Group are also eligible to participate in other share incentive schemes of the Company.

Equal opportunities

The Group is an equal opportunity employer. It is the Group's policy not to discriminate on the basis of gender, race, colour, religion, disability or sexual orientation, in its recruitment, training and promotion programmes.

Disabled persons

The Group seeks to ensure that disabled people, whether applying for a vacancy or already in employment, receive equal opportunities in respect of job vacancies which they are able to fulfil. They 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. Where an existing colleague suffers a disability it is our policy to retain them in the workforce where that is practicable.

Directors

The Directors of the Company as at 31 March 2021 and their interests in shares and share awards made to them under share incentive schemes in the Company are shown on pages 82 to 83. There have been no changes to the Board of the Company between 31 March 2021 and the date of this report.

In accordance with the Articles of Association of the Company, all the Directors will retire at the Annual General Meeting ("AGM") on 29 July 2021. All the retiring Directors, being eligible, will stand for re-election as Directors at that meeting, except for Gilles Petit who is not standing for re-election to the Board.

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 26 to the consolidated financial accounts on pages 144 to 146 which forms parts of this report.

Share capital

The Company's share capital and changes to it in the financial year, are set out on page 93 below and in note 23 to the consolidated financial statements on page 142 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 disapply 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 29 July 2021 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 2021 and since that date up to the date of this report, the ESOT did not hold any shares in the Company. Also with effect from 22 April 2021 the Company and the trustees have now terminated the ESOT trust.

Shareholders

As at 2 June 2021, the following shareholders have notified the Company of their interest in 5% or more of the Company's issued ordinary shares (including interests in shares held through financial instruments):

Shareholder	No of ordinary shares	% share Capital
SSA Investments S.à.r.l.*	109,880,828	10.98
The Capital Group Companies Inc.	50,796,789	5.08
Wellington Management Company LLP	50,437,064	5.04

* 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 £155m revolving credit facility. The SFA provides 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 on not less than 10 Business Days' notice to the Company.

The Company has £400m 3.625% senior secured notes due 2025, of which all £400m 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 sixth Annual General Meeting ("AGM") to be held on 29 July 2021, 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 24 to 32, the Corporate Governance report on pages 48 to 65 and the Directors' Remuneration Report on pages 66 to 89, 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 95, 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 29 July 2021 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.

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:

a. conduct all transactions and relationships with the Company at arm's length and on normal commercial terms;
b. not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
c. 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 2020/21, two leases of new stores were entered into by the Group in the UK with Arora Family related parties including their associates as landlords of those new stores, representing 4.7% of the total number of 43 gross B&M new store openings of the Group in the UK in that period. Both of these leases had been conditionally exchanged in the financial year 2017/18, as referred to in the Group's Annual Report in 2018.

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 67 store leases, representing 9.8% of a total number of 681 UK B&M stores of the Group with all landlords, and 11.0% of the overall rent roll of all UK B&M stores as at the year end.

In the financial year 2020/21 the Group also acquired two freehold store premises from Arora Family related parties. Both of those store premises are currently occupied by other retailers. As B&M carries on a trading business, it will be entitled to exercise rights under the law as the landlord to take possession of those premises for its own use when the existing leases with the current tenants expire in approximately five years' time (or earlier if the tenants agree to vacate sooner), without the current tenants being entitled to apply to court for new leases. In the meantime B&M as the landlord of those stores receives the benefit of the commercial rents being paid under the existing leases from the tenants.

During the financial year 2020/21 the Group's joint venture sourcing company, Multi-lines International Company Ltd ("Multi-lines"), surrendered its leases of offices and product showroom premises in Kowloon Bay Hong Kong back to the Arora Family related party landlords. Those leases were of a mixed industrial and office use premises which was built in the 1970s. At the same time, Multi-lines entered into new leases of office and showroom premises with Arora Family related party landlords in a more suitable modern tower block location close to the main MTR commuter sub-way access to the Kowloon Bay district. Multi-lines business has grown significantly over the last few years alongside the growth of B&M's business. That had driven the need for Multi-lines to upgrade to a better quality premises and working environment near the waterfront where commuters come in and out of the district, to ensure it can continue to attract and retain experienced colleagues while its business continues to grow.

In the financial year under review, no new blocks of hours of flights for business travel by executives and colleagues were purchased by the Group from the third party operator of the private jet owned by Arora family interests. 10.8 unused hours were carried forward from the last block purchased in the 2019/20 financial year. Out of that 3.4 hours were used in July 2020, leaving a balance of 7.4 unused hours which have been carried forward to the 2021/22 financial year.

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 55 of the Corporate Governance Report.

Further details of related party transactions are included also in note 27 of the Financial Statements on pages 147 and 148.

The Board confirms that during the financial year 2020/21:
i. the Company has complied with the Independence Provisions included in the Relationship Agreement;
ii. 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; and
iii. 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.

Details of other related party transactions with associated companies of the Group are set out in note 27 to the consolidated financial accounts on pages 147 and 148 which forms part of this report.

Those transactions relate to the following matters:
i. product sourcing and supplies to the Group from Multi-lines International Company Limited ("Multi-lines");
ii. wholesale supplies of products by the Group to each of Home Focus Group Limited and Centz Retail Holdings Limited; and
iii. lease rental payments made by Multi-lines for its office, product testing and showroom premises in Hong Kong with Arora Family related party landlords.

In accordance with Article 13.10 of the Articles of Association of the Company a report will be made at the 2021 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) and all other related party transactions (including those with associated companies) entered into in the financial year 2020/21 referred to above and in note 27 of the Financial Statements on pages 147 and 148, together with any other such transactions entered into after the financial year end on 31 March 2021 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 relation to Article 11 of the Luxembourg Law on Takeovers of 19 May 2006 ("the Luxembourg Takeover Law"), as subsequently amended, and form part of this Directors' Report. Following the UK's exit from the EU, the Luxembourg Takeover Law no longer applies to the Company as its shares are listed solely on the London Stock Exchange which is no longer a Member State regulated market of the EU. However, as a Luxembourg incorporated company these disclosures are made voluntarily, which the Company considers to be best practice to continue to provide to shareholders.

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 2021 amounts to GBP £100,081,968.80 represented by 1,000,819,688 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 £297,140,253.40. 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 Article 8 of the Articles of Association of the Company which adopts the provisions of the Luxembourg law on transparency obligations of securities issuers dated 11 January 2008 as amended ("the Luxembourg Transparency Law") are set out on page 91.

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 Takeover Law, 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 24.6.11 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 Transparency Law, which is adopted by the Company under Article 8.1.5 of its Articles of Association, 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 under Article 8 of the Company's Articles of Association in relation to 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 24.6.3). 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 proportion of 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.

In common with other Luxembourg public companies, the authority of the Board to issue ordinary shares on a non-preemptive basis is set out in the Articles of Association of the Company. The Articles of Association authorise the Directors to disapply 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 18 September 2020, 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 29 July 2021. 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 £155m revolving credit facility. The SFA provides 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 on not less than 10 Business Days' notice to the Company; (b) the Company has £400m 3.625% senior secured notes due 2025, of which all £400m 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 pages 66 to 89.

Approved by order of the Board.

Simon Arora
Chief Executive Officer
2 June 2021

Alex Russo
Chief Financial Officer

Corporate Governance

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"). In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").

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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operation, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with company law. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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; and
- 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.

We consider 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 Group's position, performance, business model and strategy.

Approved by order of the Board.

Simon Arora
Chief Executive Officer
2 June 2021

Alex Russo
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of B&M European Value Retail S.A.
68-70, Boulevard de la Pétrusse L-2320 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 27 March 2021, and the 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 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 27 March 2021 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 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 the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("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.

Risk of error in Revenue recognition

Why the matter was considered to be one of the most significant in our audit of the consolidated financial statements of the current period	How the matter was addressed in our audit
The Group's Revenue amounts to £4.8 billion as per the Consolidated Statement of Comprehensive Income and note 2 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 straightforward on a transactional level, the high volume of transactions makes it more susceptible to error. As a result of this large volume of transactions, 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 by inquiries with the relevant process owners and performing a walkthrough of the process which includes observing the control and inspecting supporting evidence for the various controls; • Reconciling cash and receipts from the legacy credit card provider which are related to revenue from sales made in stores and investigating outliers identified in this process; • Performing a substantive analytical procedure over receipts from the new credit card provider which are related to revenue from sales made in stores; • Assessing revenue trends throughout the period and investigating any unusual variances; • Analysing sales by store for the days pre- and post-period-end to assess whether sales were recorded in the correct period; • Analysing post period-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; and • Journal entry testing focused on revenue entries with an unexpected contra-account.

Valuation of Inventory

Why the matter was considered to be one of the most significant in our audit of the consolidated financial statements of the current period

The Group has significant levels of inventory due to its retail operations. As per the Consolidated Statement of Financial Position and note 16, the balance is £605 million at the year end.

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

The risk that net realisable value may be lower than cost for some categories of inventory is increased in the current period due to COVID 19. This relates mainly to Babou due to the restrictions on trading imposed by the French Government during the year.

Per the Financial Instruments policy in note 1, the Group adopts hedge accounting for a high proportion of its foreign currency inventory purchases. In order to apply hedge accounting it is necessary to demonstrate hedge effectiveness which requires, amongst other things, matching the hedging instrument to the hedged item and ensuring that the appropriate exchange rate is applied to each hedged item included in the inventory balance.

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 in relation to the net realisable value inventory provision, and the risk of error inherent in the process of adjusting inventory to the appropriate hedged rate.

How the matter was addressed in our audit

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 by inquiries with the relevant process owners and performing a walkthrough of the process which includes observing the control and inspecting supporting evidence for the various controls;
- 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 measured at lower of cost or net realisable value, through comparison to sales receipts and latest purchase invoice;
  - Understanding the inventory provisioning policy with specific consideration to net realisable value and slow-moving stock;
  - Testing the accuracy of the net realisable value inventory provision by performing a recalculation of and testing a sample of the underlying inputs of the provision calculation to supporting documentation;
  - Analysing the period-end stock value against total sales during the period 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;
  - Evaluating the adequacy of the additional NRV provision established to cater for the increased risk presented by COVID-19 and local lockdown restrictions on trading implemented around the year end. Testing was focused on the seasonal categories most likely to be affected;
  - Inspecting and corroborating the Group's hedging strategy, and reviewing the documentation in place for derivatives, including assessing whether it is in accordance with IFRS9; and
  - Reviewing management's calculations to adjust the valuation of inventories based on hedged effectiveness in order to assess whether the valuation has been appropriately adjusted.

Valuation of Babou goodwill

Why the matter was considered to be one of the most significant in our audit of the consolidated financial statements of the current period	How the matter was addressed in our audit
As per note 13, the Goodwill balance held in relation to Babou is £25.7m. There has been uncertainty around how Babou's trade will be impacted by COVID-19. All stores were closed in the Spring and Autumn of 2020 for a total of 10 weeks. Trading restrictions have continued into 2021 for all stores, therefore the impairment risk has remained significant to reflect the risk of further store closures and any potential impairment required. Given there is inherent uncertainty involved in forecasting and discounting future cash flows which are the basis of the assessment of the recoverable amount of the cash generating unit, together with the circumstances created by COVID-19, we have identified the carrying value of the goodwill as a key audit matter.	Our procedures over the carrying value of the Babou goodwill included, but were not limited to: • Obtaining the value in use model used for the impairment review and checking it for mathematical accuracy; • Assessing management's forecasting accuracy by comparing actual results for the period to those that had been forecast; • Assessing the reasonableness of future cashflow forecasts with reference to historic performance; • Challenging the assumptions applied in the value in use model, including the like for like sales increases, margin and discount rate; • Performing sensitivity testing over the key assumptions applied by management; • Engaging our Corporate Finance specialists to perform a review of the discount rate methodology applied; • Forming an expectation of the Babou's WACC using market observable data of risk-free rates and cost of equity for comparable companies; and • Reviewing management disclosures on estimates and judgements in the consolidated financial statements in relation to the requirements of IAS36.

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 consolidated management report but does not include the consolidated financial statements and our report of the "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 and Those Charged with Governance 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 overseeing the Group's financial reporting process.

Independent Auditor's Report

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 the "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 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 Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism 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 the 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 the "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 our report of the "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, actions taken to eliminate threats or safeguards applied.

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

The consolidated management report on pages 90 to 95 of the annual report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 2 June 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé
Thierry Ravasio

Financial Statements

Consolidated statement of comprehensive income

Period ended	Note	52 weeks ended 27 March 2021 £'000	52 weeks ended 28 March 2020 £'000
Continuing operations			
Revenue	2	**4,801,425**	3,813,387
Cost of sales		**(3,031,455)**	(2,530,579)
Gross profit		**1,769,970**	1,282,808
Gain on sale and leaseback of the Bedford warehouse	15	**–**	16,932
Administrative expenses – other		**(1,156,556)**	(966,928)
Operating profit	4	**613,414**	332,812
Share of profits in associates	12	**1,795**	879
Profit on ordinary activities before net finance costs and tax		**615,209**	333,691
Finance costs on lease liabilities	5	**(61,411)**	(57,206)
Other finance costs	5	**(28,654)**	(24,809)
Finance income	5	**295**	213
Gain on revaluation of financial instruments	5	**–**	134
Profit on ordinary activities before tax		**525,439**	252,023
Income tax expense	10	**(97,335)**	(57,246)
Profit for the period from continuing operations	2	**428,104**	194,777
Attributable to owners of the parent		**428,104**	194,777
Discontinued operations			
Loss from discontinued operations	6	**–**	(113,922)
Profit for the period		**428,104**	80,855
Attributable to non-controlling interests		**–**	(9,172)
Attributable to owners of the parent		**428,104**	90,027
Other comprehensive income for the period			
Items which may be reclassified to profit and loss:			
Exchange differences on retranslation of subsidiary and associate investments		**(1,222)**	1,661
Fair value movement as recorded in the hedging reserve		**(20,393)**	8,679
Tax effect of other comprehensive income	10	**4,509**	(1,383)
Total comprehensive income for the period		**410,998**	89,812
Attributable to non-controlling interests		**–**	(9,753)
Attributable to owners of the parent		**410,998**	99,565
Earnings per share from continuing operations			
Basic earnings per share attributable to ordinary equity holders (pence)	11	**42.8**	19.5
Diluted earnings per share attributable to ordinary equity holders (pence)	11	**42.7**	19.5
Earnings per share from all operations			
Basic earnings per share attributable to ordinary equity holders (pence)	11	**42.8**	9.0
Diluted earnings per share attributable to ordinary equity holders (pence)	11	**42.7**	9.0

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

Consolidated statement of financial position

As at	Note	27 March 2021 £'000	28 March 2020 £'000
Assets			
Non-current			
Goodwill	13	**920,729**	921,911
Intangible assets	13	**118,240**	119,696
Property, plant and equipment	14	**336,364**	312,198
Right of use assets	15	**1,070,581**	1,086,618
Investments in associates	12	**4,479**	5,700
Other receivables	17	**7,084**	7,517
Deferred tax asset	10	**32,242**	22,988
		2,489,719	2,476,628
Current assets			
Cash at bank and in hand	18	**217,682**	428,205
Inventories	16	**605,126**	588,000
Trade and other receivables	17	**42,160**	60,588
Other financial assets	20	**3,767**	16,702
		868,735	1,093,495
Total assets		**3,358,454**	3,570,123
Equity			
Share capital	23	**(100,082)**	(100,058)
Share premium		**(2,475,108)**	(2,474,318)
Retained earnings		**(127,585)**	(244,829)
Hedging reserve		**7,499**	(9,280)
Legal reserve		**(10,010)**	(10,010)
Merger reserve		**1,979,131**	1,979,131
Foreign exchange reserve		**(6,813)**	(8,035)
		(732,968)	(867,399)
Non-current liabilities			
Interest bearing loans and borrowings	21	**(723,736)**	(561,418)
Lease liabilities	15	**(1,138,634)**	(1,146,233)
Other liabilities	19	**–**	(171)
Deferred tax liabilities	10	**(27,476)**	(29,008)
Provisions	22	**(4,511)**	(766)
		(1,894,357)	(1,737,596)
Current liabilities			
Interest bearing loans and borrowings	21	**(6,875)**	(211,062)
Overdrafts	18	**–**	(928)
Trade and other payables	19	**(524,260)**	(419,999)
Lease liabilities	15	**(162,735)**	(149,011)
Other financial liabilities	20	**(16,141)**	(1,847)
Income tax payable		**(12,511)**	(26,115)
Dividends payable	30	**–**	(150,087)
Provisions	22	**(8,607)**	(6,079)
		(731,129)	(965,128)
Total liabilities		**(2,625,486)**	(2,702,724)
Total equity and liabilities		**(3,358,454)**	(3,570,123)

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 2 June 2021 and signed on their behalf by:

Simon Arora
Chief Executive Officer

Financial Statements

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 Share-holders' equity £'000
Balance at 31 March 2019	100,056	2,474,249	393,375	1,984	10,010	(1,979,131)	5,793	(13,855)	9,753	1,002,234
Ordinary dividends declared	–	–	(76,042)	–	–	–	–	–	–	(76,042)
Special dividends declared	–	–	(150,087)	–	–	–	–	–	–	(150,087)
Effect of share options	2	69	1,411	–	–	–	–	–	–	1,482
Total transactions with owners	2	69	(224,718)	–	–	–	–	–	–	(224,647)
Profit for the period relating to continuing operations	–	–	194,777	–	–	–	–	–	–	194,777
Loss for the period relating to discontinued operations	–	–	(104,750)	–	–	–	–	–	(9,172)	(113,922)
Other comprehensive income	–	–	–	7,296	–	–	2,242	–	(581)	8,957
Total comprehensive income for the period	–	–	90,027	7,296	–	–	2,242	–	(9,753)	89,812
Disposal of Jawoll	–	–	(13,855)	–	–	–	–	13,855	–	–
Balance at 28 March 2020	100,058	2,474,318	244,829	9,280	10,010	(1,979,131)	8,035	–	–	867,399
Ordinary dividends declared	**–**	**–**	**(97,067)**	**–**	**–**	**–**	**–**	**–**	**–**	**(97,067)**
Special dividends declared	**–**	**–**	**(450,330)**	**–**	**–**	**–**	**–**	**–**	**–**	**(450,330)**
Effect of share options	**24**	**790**	**1,154**	**–**	**–**	**–**	**–**	**-**	**-**	**1,968**
Total transactions with owners	**24**	**790**	**(546,243)**	**–**	**–**	**–**	**–**	**–**	**–**	**(545,429)**
Profit for the period relating to continuing operations	**–**	**–**	**428,104**	**–**	**–**	**–**	**–**	**–**	**–**	**428,104**
Other comprehensive income	**–**	**–**	**895**	**(16,779)**	**–**	**–**	**(1,222)**	**–**	**–**	**(17,106)**
Total comprehensive income for the period	**–**	**–**	**428,999**	**(16,779)**	**–**	**–**	**(1,222)**	**–**	**–**	**410,998**
Balance at 27 March 2021	**100,082**	**2,475,108**	**127,585**	**(7,499)**	**10,010**	**(1,979,131)**	**6,813**	**–**	**–**	**732,968**

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 27 March 2021 £'000	Restated* 52 weeks ended 28 March 2020 £'000
Cash flows from operating activities			
Cash generated from operations	24	**944,048**	539,483
Non cash write off from discontinued operations		**–**	68,036
Income tax paid		**(117,422)**	(57,924)
Net cash flows from operating activities		**826,626**	549,595
Cash flows from investing activities			
Purchase of property, plant and equipment	14	**(86,606)**	(123,270)
Purchase of intangible assets	13	**(1,312)**	(1,361)
Deferred consideration in respect of business acquisitions		**–**	(11,950)
Business disposal net of cash disposed	6	**9,074**	2,964
Disposal of interest in associate company	12	**316**	–
Proceeds from sale of property, plant and equipment		**6,448**	160,518
Finance income received		**295**	214
Dividends received from associates	12	**2,186**	2,580
Net cash flows from investing activities		**(69,599)**	29,695
Cash flows from financing activities			
Receipt of newly issued corporate bonds	21	**400,000**	–
Repayment of previously issued corporate bonds	21	**(250,000)**	–
Receipt of term loan facilities	21	**300,000**	–
Repayment of term loan facilities	21	**(300,000)**	–
Repayment of acquisition loan facility	21	**(82,121)**	–
Net (repayment)/receipt of Group revolving bank loans	21	**(120,000)**	80,000
Net repayment of Heron facilities	21	**(5,150)**	(2,030)
Net receipt of government backed loan in France	21	**22,762**	–
Net (repayment)/receipt of other French facilities	21	**(1,164)**	1,587
Repayment of the principal in relation to lease liabilities		**(140,790)**	(149,491)
Payment of interest in relation to lease liabilities		**(61,411)**	(63,790)
Fees on refinancing	21	**(10,797)**	(119)
Other finance costs paid		**(23,186)**	(23,957)
Receipt from exercise of employee share options	9	**30**	60
Dividends paid to owners of the parent	30	**(697,485)**	(76,042)
Net cash flows from financing activities		**(969,312)**	(233,782)
Effects of exchange rate changes on cash and cash equivalents		**2,690**	1,213
Net (decrease)/increase in cash and cash equivalents		**(209,595)**	346,721
Cash and cash equivalents at the beginning of the period		**427,277**	80,556
Cash and cash equivalents at the end of the period		**217,682**	427,277
Cash and cash equivalents comprise:			
Cash at bank and in hand	18	**217,682**	428,205
Overdrafts		**–**	(928)
		217,682	427,277

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

* This statement has been restated in respect of reclassifying a non-cash movement (see notes 1, 24).

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 EU IFRS.

The Group's trade is general retail, with continuing trading taking place in the UK and France. 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 29 March 2020 to 27 March 2021 which is a different period to the parent company stand alone accounts (from 1 April 2020 to 31 March 2021). This exception is permitted under article 1712-12 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 rephase 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.

Restatement of the consolidated statement of cashflows

A presentational restatement has been made to the prior year consolidated statement of cashflows and note 24 such that the non-cash movement related to the impairment of right of use assets (note 15) has been included as a reconciling figure in calculating the cash flows from operating activities as required by IAS 1.

Previously this had netted against the cash outflow recorded in the caption 'Repayment of the principal in relation to lease liabilities'. The restatement has resulted in an increase in the cash flows from operating activities in the prior year of £6.8m with the corresponding decrease recorded in cash flows from financing activities.

There is no impact in the consolidated statement of comprehensive income or consolidated statement of financial position due to the restatement.

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 29 March 2020 to 27 March 2021. 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 prior year, on 27 March 2020, the Group disposed of J.A.Woll Handels GmbH ("Jawoll"). Jawoll has only been consolidated until this date, as a discontinued operation. See note 6 for more details.

During the prior year, on 6 March 2020, and as part of a sale and leaseback transaction involving the warehouse at Bedford, the Group disposed of Bedford DC Investment Ltd ("Bedford Ltd"). Bedford Ltd has only been consolidated until this date, see note 6 for more details.

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.

Notes to the consolidated financial statements

continued

1 General information and basis of preparation continued

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.

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.

After making enquiries, including preparing cash flow forecasts for at least 12 months from the date of approval of these financial statements, 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.

The Covid-19 pandemic has not had a material impact on this assessment, with our UK stores remaining open and able to continue to trade profitably. Whilst the French stores have had to close due to national and regional lockdowns, when open they have traded successfully and that segment, which is also supported in the form of loans guaranteed by the French government (see note 21), has returned a positive result for the year and is expected to continue to grow successfully. The French stores do not make up a significant proportion of the Group (see note 2).

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 parties rights regarding the goods to be transferred;
- the Group can identify the payment terms;
- the contract has commercial substance; and
- 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 sells a small quantity of gift vouchers for use in the future and, as such, a small amount of deferred revenue is recognised. At year end the value held on the balance sheet was £0.3m (2020: £nil).

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. See note 2 for the split of wholesale sales to store sales.

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. The cash-generating units are individual stores and the groups of cash-generating units are the store portfolios in each operational segment.

Goodwill is tested for impairment at least once per year end specifically 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

Both IFRS 16 and non-IFRS 16 versions of these alternative performance measures have been calculated and presented in order to aide comparability with the non-IFRS 16 figures presented in previous years.

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 include 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 directors believe that EBITDA provides users of the account with a measure of performance which is appropriate to the retail industry and presented by peers and competitors. Adjusted values are considered to be appropriate to exclude unusual, non-trading and/or non-recurring impacts on performance which therefore provides the user of the accounts an additional metric to compare periods of account.

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, which may include contingent consideration at net present 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.

Assets and liabilities are recognised at their acquisition date fair value, with the difference between the consideration and the net assets recognised as goodwill on the statement of financial position or as a gain in administrative expenses.

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 impaired accordingly with the impairment charged to administration expenses.

1 General information and basis of preparation continued

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

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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 statement of comprehensive income.

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.

Depreciation
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:

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.

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

Leases
The Group applies the leasing standard, IFRS 16, to all contracts identified as leases at their inception, unless they are considered a short-term lease (with a term less than a year) or where the asset is of a low underlying value (under £5k). Assets which may fall into this categorisations include printers, vending machines and security cameras, and the lease expense is within administrative expenses.

The Group has lease contracts in relation to property, equipment, fixtures & fittings and vehicles. A contract is classified as a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When a lease contract is recognised, the business assesses the term for which we are reasonably certain to hold that lease, and the minimum lease payments over that term are discounted to give the initial lease liability. The initial right-of-use asset is then recognised at the same value, adjusted for incentives or payments made on the day that the lease was acquired. Any variable lease costs are expensed to administrative costs when incurred.

The date that the lease is brought into the accounts is the date from which the lease has been effectively agreed by both parties as evidenced by the Group's ability to use that property.

The right-of-use asset is subsequently depreciated on a straight-line basis over the term of that lease, or useful life (whichever is shorter) with the charge being made to administrative costs. The lease liability attracts interest which is charged to finance costs, and is measured at amortised cost using the effective interest method.

Right-of-use assets may be impaired if, for instance, a lease becomes onerous. Impairment costs are charged to administrative costs.

On a significant event, such as the lease reaching its expiry date or the likely exercise of a previously unrecognised break clause, the lease term is re-assessed by management as to how long we can be reasonably certain to stay in that property, and a new lease agreement or modification (if the change is made before the expiry date) is recognised for the re-assessed term.

The discount rate used is individual to each lease. Where a lease contract includes an implicit interest rate, that rate is used. In the majority of leases this is not the case and the discount rate is taken to be the incremental borrowing rate as related to that specific asset. This is a calculation based upon the external market rate of borrowing for the Group, as well as several factors specific to the asset to be discounted.

The Group separates lease payments between lease and non-lease components (such as service charges on property) at the point at which the lease is recognised. Non-lease components are charged through administrative expenses.

Sale and leaseback transactions
The Group recognises a sale and leaseback transaction when the Group sells an asset that has been previously recognised in property, plant and equipment, and subsequently leases it back as part of the same or a linked transaction.

Management use the provisions of IFRS 15 to assess if a sale has taken place, and the provisions of IFRS 16 to recognise the resulting lease, with the liability and discount rate calculated in line with our lease policy and the asset subject to an adjustment based upon the net book value of the disposed asset, the opening lease liability, the consideration received and the fair value of the asset on the date it was sold.

Resulting gains or losses are recognised in administrative expenses.

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

When a lease is classified as onerous, the right-of-use asset associated with the lease is impaired to £nil value and non-rental costs that are likely to accrue before the end of the contract are provided against.

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.

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, including a reduction in the carrying amount equal to any dividend received. Changes resulting from the profit or loss generated by the associate are reported in "share of profits of associates" in the consolidated statement of comprehensive income 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.

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 decrease in 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.

1 General information and basis of preparation continued

Impairment of non-financial assets continued

Impairment losses of continuing operations, are recognised in the statement of comprehensive income 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 statement of comprehensive income, except for impairment of goodwill which is not reversed.

Inventories

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

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 several equity settled share option schemes.

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 statement of comprehensive income 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 9 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 statement of comprehensive income, 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 highly probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

Financial 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 other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the statement of comprehensive income. 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 reclassified in the statement of other comprehensive income immediately.

Financial assets
Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost, fair value through profit or loss or fair value though other comprehensive income.

A financial asset is measured at amortised cost using the effective interest rate 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 includes 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 other comprehensive income
Financial assets at fair value through other comprehensive income comprise derivative financial instruments entered into by the Group that are designated as hedging instruments in hedge relationships as defined by IFRS 9. Financial assets at fair value through other comprehensive income are carried in the statement of financial position at fair value with changes in fair value recognised in other comprehensive income.

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.

1 General information and basis of preparation continued

Financial assets continued

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

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 statement of comprehensive income 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 to the extent the group has the right to offset and settle these balances net.

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; and
- "Retained earnings reserve" represents retained profits.

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)
- 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)
- SAS Babou
- Babou Relationship Partners – BRP SAS
- B&M European Value Retail Germany GmbH (Germany Holdco)

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.

The property provision also contains expected dilapidation costs. Following a review carried out in the current year this provision covers expected dilapidation costs for any lease considered onerous, any related to stores recently closed, any stores which are planned or at risk of closure and those stores occupied but not under contract. We also provide against the terminal dilapidation expense on our major warehouses, which is built up over the term of the leases that we hold over those warehouses.

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.

1 General information and basis of preparation continued

Critical judgments

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.

Carried forward tax loss

Our French entity carried forward a significant historical tax loss in prior years which the Group had not recognised as a deferred tax asset due to the uncertainty that we would be able to utilise the tax loss against future profits.

However, prudent budgets and forecasts made by management reflect that the tax loss is highly likely be realisable in the foreseeable future. Management have therefore made the judgment that these tax losses should be recognised and as such a €7.4m deferred tax credit has been recognised.

This assessment has not been affected by the closure of the French stores due to the Covid-19 pandemic.

Management will continue to monitor forecasts and budgets prepared on a regular basis to ensure that this assessment remains correct in their judgement until the deferred tax asset has been utilised in full.

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 13 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 in current stores is 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.

Inventory valuation
Under IAS 2 ("Inventories") inventory is required to be recognised at the lower of cost and net realisable value.

Management have exercised significant judgment in relation to the net realisable value of stock affected by the Covid-19 pandemic within both presented periods.

Specifically, in France an additional provision has been made of €4.5m in respect to seasonal stock which may be specifically impacted by the uncertainty over the phasing of the reopening of the store estate. This compares to a €7.3m provision made at the prior year end. The gross stock balance in France at the year end was €95.1m (2020: €103.5).

Whilst great uncertainty exists in the region, management considers that a smaller provision is appropriate due to the outturn of the prior year provision where the majority was released through profit and loss as the stock was sold through once the stores reopened.

Lease discount rates
Where a rate implicit to the lease is not available, the selection of a discount rate for a lease is based upon the marginal cost of borrowing to the business in relation to the funding for a similar asset.

Management calculates appropriate discount rates based upon the marginal cost of borrowing currently available to the business as adjusted for several factors including, the term of the lease, the location and type of asset and how often payments are made.

Management consider that these are the key details in determining the appropriate marginal cost of borrowing for each of these assets.

Lease term
The lease term is a key input into calculating the initial lease liability under IFRS 16.

Management consider it appropriate, unless there is a good reason to act otherwise, to initially set a lease term equal to the longest possible contractual term of that lease, reflecting our intention to operate profitable locations on acquisition without requiring break clauses, but taking extension clauses where available.

Upon termination of a lease, where there does not exist a new agreement for the property but we remain in occupation, a new 'Holding over' lease is created with a term based upon management's expectations of how long the group is reasonably certain to stay in that property based upon recent trading patterns and the pipeline of existing or potential new opportunities.

Management consider that this is appropriate as it more fairly reflects the Group's intention to continue to occupy and trade from these properties.

Standards and Interpretations not yet applied by the Group
The following amendments to accounting standards and interpretations, issued by the International Accounting Standards Board (IASB), have not yet been applied by the Group in the period. None of these are expected to have a significant impact on the Group's consolidated results or financial position:

Notes to the consolidated financial statements
continued

1 General information and basis of preparation continued

IASB effective for annual periods beginning on or after 1 June 2020

Standard	Summary of changes	EU Endorsement status	UK Endorsement status
Amendment to IFRS 16 Leases	Amendments to IFRS 16 Leases to add a practical expedient which would allow lessees to not account for rent concessions as lease modifications if they arise as a direct consequence of Covid-19. Instead a one-off reduction in rent could be treated as a variable lease payment and be recognised in profit or loss.	Endorsed (9th October 2020). **EU effective date 1 June 2020.**	Given these amendments were endorsed by the EU before 31 December 2020 they are part of the EU-IFRS as it stands at 31 December 2020 and therefore are UK endorsed. **UK effective date 1 June 2020.**

IASB effective for annual periods beginning on or after 1 January 2021

Standard	Summary of changes	EU Endorsement status	UK Endorsement status
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	Phase two of the amendments introduce a practical expedient in IFRS 9 to update the effective interest rate instead of recognising a gain or loss when a modification of a financial contract occurs as a result of the IBOR reform, a similar practical expedient will apply for IFRS 16, and for companies applying IAS 39. The amendments to IFRS 7 requires additional disclosures about the nature and exposure to risks from the interest rate benchmark reform, how they manage such risks and the progress to transition to alternative benchmark rates.	Endorsed (14th January 2021). **EU effective date 1 January 2021.**	Endorsed (5th January 2021). **UK effective date 1 January 2021**

IASB effective for annual periods beginning on or after 1 January 2022

Standard	Summary of changes	EU Endorsement status	UK Endorsement status
Amendments to IFRS 3 Business combinations	The amendments updated a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the requirements for a business combination accounting.	Not yet endorsed.	Not yet endorsed
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.	Not yet endorsed	Not yet endorsed
Annual improvements – cycle 2018-2020	This cycle of improvements contains amendments to the following standards: • *IFRS 1 First-time adoption of International Financial Reporting Standards:* where a subsidiary adopts IFRS later than its parent and elects to apply para D16(a) of IFRS 1, the subsidiary can elect to measure cumulative translation differences using the amounts reported in the consolidated accounts of the parent, based on the parent's date of transition to IFRS. • *IFRS 9 Financial Instruments:* clarifies the fees to be included in the '10 per cent' test for derecognition of financial liabilities. • *Illustrative Examples accompanying IFRS 16 Leases:* to remove the illustration of payments from the lessor relating to leasehold improvements. • *IAS 41 Agriculture:* to remove the requirement for entities to exclude cash flows for taxation when measuring fair value.	Not yet endorsed	Not yet endorsed

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 three operating segments, UK B&M, UK Heron and France Babou segments comprising the three separately operated business units within the Group. Previously the Group consolidated the Germany Jawoll segment, until disposal in March 2020.

Items that fall into the corporate category, which is not a separate segment but is presented to reconcile the balances to those presented in the main statements, 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 €1.1203 /£ during the year, with the year end rate being €1.1691 /£ (2020: €1.1441/£ and €1.1176/£ respectively).

52 week period to 27 March 2021	**UK B&M £'000**	**UK Heron £'000**	**France Babou £'000**	**Corporate £'000**	**Total £'000**
Revenue	**4,077,564**	**414,777**	**309,084**	**–**	**4,801,425**
EBITDA (note 3)	**592,186**	**24,567**	**11,111**	**(4,954)**	**622,910**
EBITDA (IFRS 16) (note 3)	**758,082**	**35,014**	**42,314**	**(4,954)**	**830,456**
Depreciation and amortisation	**(160,710)**	**(20,386)**	**(34,151)**	**–**	**(215,247)**
Net finance expense	**(48,411)**	**(2,527)**	**(12,668)**	**(26,164)**	**(89,770)**
Income tax (expense)/credit	**(106,896)**	**(1,890)**	**1,239**	**10,212**	**(97,335)**
Segment profit/(loss)	**442,065**	**10,211**	**(3,266)**	**(20,906)**	**428,104**
Total assets	**2,687,274**	**282,204**	**347,927**	**41,049**	**3,358,454**
Total liabilities	**(1,476,745)**	**(117,425)**	**(239,863)**	**(791,453)**	**(2,625,486)**
Capital expenditure*	**(65,203)**	**(13,174)**	**(9,541)**	**–**	**(87,918)**

52 week period to 28 March 2020	UK B&M £'000	UK Heron £'000	France Babou £'000	Corporate £'000	Total £'000
Revenue	3,140,144	389,867	283,376	–	3,813,387
EBITDA (note 3)	321,590	25,551	(3,003)	38,839	382,977
EBITDA (IFRS 16) (note 3)	467,155	34,956	28,212	6,787	537,110
Depreciation and amortisation	(148,946)	(19,109)	(35,357)	(7)	(203,419)
Net finance expense	(42,722)	(2,809)	(10,538)	(25,599)	(81,668)
Income tax (expense)/credit	(48,921)	(2,444)	5,629	(11,510)	(57,246)
Segment profit/(loss)	226,566	10,594	(12,054)	(30,329)	194,777
Total assets	2,874,747	290,742	345,222	59,412	3,570,123
Total liabilities	(1,342,935)	(127,191)	(249,816)	(982,782)	(2,702,724)
Capital expenditure*	(69,908)	(13,220)	(8,198)	(30,276)	(121,602)

* Capital expenditure includes both tangible and intangible capital. The reconciling figure between the total and the figure given in the statement of cash flows in respect of the prior year is the capital expenditure at Jawoll. See note 6.

2 Segmental information continued

Revenue is disaggregated geographically as follows:

Period to	52 weeks ended 27 March 2021 £'000	52 weeks ended 28 March 2020 £'000
Continuing operations		
Revenue due to UK operations	**4,492,341**	3,530,011
Revenue due to French operations	**309,084**	283,376
Overall revenue	**4,801,425**	3,813,387

The Group operates a small wholesale operation, with the relevant disaggregation of revenue as follows:

Period to	52 weeks ended 27 March 2021 £'000	52 weeks ended 28 March 2020 £'000
Continuing operations		
Revenue due to sales made in stores	**4,754,031**	3,777,238
Revenue due to wholesale activities	**47,394**	36,149
Overall revenue	**4,801,425**	3,813,387

3 Reconciliation of non-IFRS measures from the statement of comprehensive income

The Group reports as election of alternative performance measures as detailed below. The Directors believe that these measures provide additional information that is useful to the users of the accounts.

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 27 March 2021 £'000	52 weeks ended 28 March 2020 £'000
Continuing operations		
Profit on ordinary activities before interest and tax	**615,209**	333,691
Add back depreciation and amortisation	**215,247**	203,419
EBITDA (IFRS 16)	**830,456**	537,110
Exclude effects of IFRS 16 on administrative costs	**(207,546)**	(154,133)
EBITDA	**622,910**	382,977
Reverse the fair value effect of ineffective derivatives	**6,775**	(641)
Foreign exchange on intercompany balances	**3,219**	(3,694)
Foreign exchange on acquisition facility	**–**	3,334
Gain on sale and leaseback of the Bedford warehouse	**–**	(48,984)
(Release)/recognition of exceptional French stock provision	**(6,505)**	9,315
Adjusted EBITDA	**626,399**	342,307
Pre-IFRS 16 depreciation and amortisation	**(62,413)**	(57,684)
Net adjusted finance costs (see note 5)	**(23,841)**	(24,596)
Adjusted profit before tax	**540,145**	260,027
Adjusted tax	**(105,644)**	(57,048)
Adjusted profit for the period	**434,501**	202,979
Attributable to owners of the parent	**434,501**	202,979

Adjusted EBITDA (IFRS 16) and Adjusted Profit (IFRS 16) are calculated as follows. These are the statements of adjusted profit that includes the effects of IFRS 16.

Period to	**52 weeks ended 27 March 2021 £'000**	52 weeks ended 28 March 2020 £'000
Continuing operations		
Adjusted EBITDA (above)	**626,399**	342,307
Include other effects of IFRS 16 on EBITDA	**207,546**	154,133
Exclude the effect of IFRS 16 on the gain on the Bedford transaction	**–**	32,052
Adjusted EBITDA (IFRS 16)	**833,945**	528,492
Depreciation and amortisation	**(215,247)**	(203,419)
Interest costs related to lease liabilities (note 5)	**(61,411)**	(57,206)
Net adjusted other finance costs	**(23,841)**	(24,596)
Adjusted profit before tax (IFRS 16)	**533,446**	243,271
Adjusted tax	**(106,617)**	(56,372)
Adjusted profit for the period (IFRS 16)	**426,829**	186,899

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.

Significant project costs or gains or losses arising from unusual circumstances or transactions may also be included if incurred, such as in the prior year with the gain on the sale and leaseback of the Bedford warehouse.

The exceptional French stock provision was recognised in the prior year when the first French lockdown was put into place, resulting in the closure of the French store estate, and there was significant uncertainty regarding when stores would be able to reopen. In the prior year the balance also included the additional specific losses made by the French segment in those early weeks of the pandemic. Ultimately the stock provision was largely released during the current year, as the stock was sold through once the stores were reopened and this release has been treated as adjusting to match the prior year treatment when recognising the provision. No new adjusting items have been recognised in respect of the pandemic in the current year.

Adjusted gross profit reconciles as follows:

Period to	**52 weeks ended 27 March 2021 £'000**	52 weeks ended 28 March 2020 £'000
Continuing operations		
Statutory gross profit	**1,769,970**	1,282,808
Impact on cost of sales of exceptional French stock provision	**(6,505)**	6,369
Adjusted gross profit	**1,763,465**	1,289,177

Adjusted tax represents the tax charge per the statement of comprehensive income as adjusted only for the effects of the adjusting items detailed above and the one off deferred tax gain on recognition of the deferred tax asset in France.

The segmental split in EBITDA (IFRS 16) and Adjusted EBITDA (IFRS 16) reconciles as follows:

52 week period to 27 March 2021	**UK B&M £'000**	**UK Heron £'000**	**France Babou £'000**	**Corporate £'000**	**Total £'000**
Continuing operations					
Profit/(loss) before interest and tax	**597,372**	**14,628**	**8,163**	**(4,954)**	**615,209**
Add back depreciation and amortisation	**160,710**	**20,386**	**34,151**	**–**	**215,247**
EBITDA (IFRS 16)	**758,082**	**35,014**	**42,314**	**(4,954)**	**830,456**
Adjusting items detailed above	**–**	**–**	**–**	**3,489**	**3,489**
Adjusted EBITDA	**758,082**	**35,014**	**42,314**	**(1,465)**	**833,945**

Notes to the consolidated financial statements

continued

3 Reconciliation of non-IFRS measures from the statement of comprehensive income continued

52 week period to 28 March 2020	UK B&M £'000	UK Heron £'000	France Babou £'000	Corporate £'000	Total £'000
Continuing operations					
Profit/(loss) before interest and tax	318,209	15,847	(7,145)	6,780	333,691
Add back depreciation and amortisation	148,946	19,109	35,357	7	203,419
EBITDA	467,155	34,956	28,212	6,787	537,110
Adjusting items detailed above	–	–	–	(40,670)	(40,670)
IFRS 16 adjustment to gain at Bedford	–	–	–	32,052	32,052
Adjusted EBITDA	467,155	34,956	28,212	(1,831)	528,492

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.

4 Operating profit

The following items have been charged in arriving at operating profit from continuing operations:

Period ended	**52 weeks ended 27 March 2021 £'000**	52 weeks ended 28 March 2020 £'000
Auditor's remuneration	**792**	722
Payments to auditors in respect of non-audit services:		
Taxation advisory services	**–**	–
Other assurance services	**220**	10
Other professional services	**–**	–
Cost of inventories recognised as an expense (included in cost of sales)	**3,031,455**	2,530,579
Depreciation of owned property, plant and equipment	**57,157**	52,366
Amortisation (included within administration costs)	**2,571**	2,433
Depreciation of right of use assets	**155,519**	148,620
Impairment of right of use assets	**5,142**	6,838
Operating lease rentals	**(488)**	4,479
Loss/(gain) on sale of property, plant and equipment	**571**	(163)
Loss/(gain) on sale and leaseback	**142**	(16,928)
Loss on foreign exchange	**8,988**	660

5 Finance costs and finance income

Finance costs include all interest related income and expenses. The following amounts have been included in the continuing profit line for each reporting period presented:

Period ended	**52 weeks to 27 March 2021 £'000**	52 weeks to 28 March 2020 £'000
Continuing operations		
Interest on debt and borrowings	**(22,470)**	(22,732)
Ongoing amortisation of finance fees	**(1,666)**	(2,077)
Total adjusted finance expense	**(24,136)**	(24,809)
Non capitalised fees incurred on refinancing	**(2,625)**	–
Release of remaining unamortised fees on previous facilities	**(1,893)**	–
Total other finance expense	**(28,654)**	(24,809)
Finance costs on lease liabilities	**(61,411)**	(57,206)
Total finance expense	**(90,065)**	(82,015)

The finance expense reconciles to the statement of cash flows as follows:

Period ended	**52 weeks to 27 March 2021 £'000**	52 weeks to 28 March 2020 £'000
Cash		
Finance costs paid in relation to debt and borrowings	**23,186**	23,957
Finance costs paid in relation to lease liabilities	**61,411**	63,790
Fees paid in relation to refinancing	**10,787**	–
Finance costs paid	**95,384**	87,747
Finance costs paid for debt and borrowings within discontinued operations	**–**	(1,350)
Finance costs paid for right of use assets within discontinued operations	**–**	(6,584)
Finance costs paid for within continuing operations	**95,384**	79,813
Non cash		
Movement of accruals in relation to debt and borrowings	**(826)**	125
Capitalisation of amortised fees in relation to the new facilities	**(8,052)**	–
Release of capitalised fees held in relation to previous facilities	**1,893**	–
Ongoing amortisation of finance fees	**1,666**	2,077
Total finance expense within continuing operations	**90,065**	82,015

Period ended	**52 weeks to 27 March 2021 £'000**	52 weeks to 28 March 2020 £'000
Interest income on loans and bank accounts	**295**	213
Total adjusted finance income	**295**	213
Gain on revaluing deferred consideration in respect of Heron	**–**	134
Total finance income	**295**	347

Total net adjusted finance costs are therefore:

Period ended	**52 weeks to 27 March 2021 £'000**	52 weeks to 28 March 2020 £'000
Total adjusted finance expense	**(24,136)**	(24,809)
Total adjusted finance income	**295**	213
Total net adjusted finance costs	**(23,841)**	(24,596)

6 Business disposal

In the prior year on 27 March 2020 the Group announced the disposal of J.A. Woll-Handels GmbH and their subsidiaries ("Jawoll"), therefore forming a disposal group, for a consideration of €12,501k, comprising €12,500k to repay intercompany balances and £1k for the enterprise value of the business. Jawoll has therefore not been consolidated since this date.

As such their results have been reclassified in the prior year's statement of comprehensive income as discontinued operations under the definition given in IFRS 5.

The consideration receivable breaks down as follows:

	£'000	€'000
Deferred receivable against the intercompany loan balance	8,948	10,000
Receivable immediately against the intercompany trade receivable balance	2,237	2,500
Receivable against the transfer of the share capital	1	1
Total	11,186	12,501
Deferred consideration	(8,948)	(10,000)
Overdraft released on disposal	726	811
Amount related to the disposal as disclosed in the prior year statement of cash flows	2,964	3,312

The €10m deferred receivable, less €24k of fees, was received in September 2020 (translated to £9.1m on the date of receipt).

The loss on discontinued operations disclosed in the prior year statement of comprehensive income comprised the following:

Period ended	52 weeks to 28 March 2020 £'000
Revenue	210,662
Impairment expense recognised in September 2019	(59,533)
Other expenses	(240,224)
Loss before tax	(89,095)
Income tax expense	(1,721)
Loss from discontinued operations before disposal	(90,816)
Loss on disposal	(23,106)
Loss from discontinued operations	(113,922)
Attributable to non-controlling interests	(9,172)
Attributable to owners of the parent	(104,750)

Jawoll had no other comprehensive income in the period other than to recognise the change in the foreign exchange reserve which was the release of the full amount relating to Jawoll, a charge of £3,053k.

The net cash flows of the disposed entity break down as follows:

Period ended	52 weeks to 28 March 2020 £'000
Net cash flows from operating activities	3,015
Net cash flows from investing activities	(3,033)
Net cash flows from financing activities	(2,487)
Net decrease in cash and cash equivalents	(2,505)

Specifically, Jawoll spent £3,029k on capital additions in the prior year and this is therefore the balancing number between the segment analysis cash flow in note 2, and that given on the statement of cash flows.

The equity balances held in non-controlling interests and the call/put reserve were entirely related to the Jawoll entities and have therefore been derecognised on the date of this transaction. The remaining balances have been recycled through to the retained earnings reserve, see the statement of changes in equity.

In the prior year, on 6 March 2020 the business Bedford DC Investments Ltd was disposed by the Group as part of a sale and leaseback transaction. The entity had no significant profit or loss items except those that related directly to the sale & leaseback transaction and therefore no further disclosures have been made related to the discontinued operation. Further disclosures relating to the sale and leaseback transaction are included in note 15.

In the current year, the Group disposed of an investment in the associate Home Focus Ltd, see note 12.

7 Employee remuneration

Expense recognised for employee benefits is analysed below:

Period ended	**52 weeks to 27 March 2021 £'000**	52 weeks to 28 March 2020 £'000
Continuing operations		
Wages and salaries	**515,536**	394,894
Social security costs	**30,078**	21,390
Pensions – defined contribution plans	**6,599**	5,359
	552,213	421,643

There are £591k of defined contribution pension liabilities owed by the Group at the period end (2020: £526k).

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 £1,658k (2020: £1,226k) at the year end.

The average monthly number of persons employed by the Group's continuing operations during the period was:

Period ended	**52 weeks to 27 March 2021 £'000**	52 weeks to 28 March 2020 £'000
Continuing operations		
Sales staff	**37,981**	33,437
Administration	**854**	769
	38,835	34,206

8 Key management remuneration

Key management personnel and Directors' remuneration includes the following:

Period ended	**52 weeks to 27 March 2021 £'000**	52 weeks to 28 March 2020 £'000
Directors' remuneration:		
Short term employee benefits	**3,518**	2,040
Benefits accrued under the share option scheme	**799**	298
	4,317	2,338
Key management expense (includes Directors' remuneration):		
Short term employee benefits	**8,046**	4,678
Benefits accrued under the share option scheme	**1,164**	524
Pension	**41**	38
	9,251	5,240
Amounts in respect of the highest paid director emoluments:		
Short term employee benefits	**1,783**	1,069
Benefits accrued under the share option scheme	**588**	181
	2,371	1,250

The emoluments disclosed above are of the directors and key management personnel who have served as a director within any of the continuing Group companies.

Notes to the consolidated financial statements
continued

9 Share Options
The Group operates three equity settled share option schemes 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 are 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 2021 there have been four tranches of the CSOP, details are as follows:

	Tranche 1	Tranche 4
Date of grant	1 Aug 2014	19 Aug 2016
Option price	271.5p	276.8p
Options granted	596,646	21,676
Fair value of each option at date of grant	83p	50p
Options outstanding at 30 March 2019	11,049	21,676
Exercised	–	(21,676)
Options outstanding at 28 March 2020	**11,049**	**–**
Exercised	**(11,049)**	**–**
Options outstanding at 27 March 2021	**–**	**–**

No options remained on Tranche 2 and 3 as at 30 March 2019.

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

Vesting & Exercise

The share options are subject to a set of conditions measured over a three year performance period as follows:

LTIP 2015, 2016, 2017A, 2018A, 2019A, 2020A:

- 50% of the awards are subject to a TSR performance condition, where the Group's TSR over the performance 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 a Diluted 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
LTIP 2019A	March-22	33.0p	27.0p
LTIP 2020A	March-23	30.0p	25.0p

Below the 12.5% boundary, no options vest. Diluted EPS is considered to be on frozen GAAP and so does not include the effects of IFRS 16.

- The performance period is the three years ending the year end specified in the EPS table above.
- Once the performance period concludes, the calculated number of share options remaining are then subject to a two year holding period. The share options vest at the conclusion of the holding period.

LTIP 2017/B1, 2017/B2, 2018/B1, 2018/B2, 2019/B1, 2019/B2, 2020/B1

- 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 2021 there have been several awards of the LTIP, with the details as follows.

Note that the LTIP 2015, LTIP 2016, LTIP 2017A, LTIP 2018A, LTIP 2019A and LTIP 2020A have been split into the element subject to the TSR (50%) and the element subject to the EPS (50%) since these were valued separately.

The key information used in the valuation of these tranches is as follows:

Scheme	Date of Grant	Original options granted	Fair value of each option	Risk free rate	Expected life (years)	Volatility
2015-TSR	5 Aug 15	40,616	210p	0.92%	5	24%
2015-EPS	5 Aug 15	40,616	341p	0.92%	5	24%
2016-TSR	18 Aug 16	122,385.5	164p	0.09%	5	26%
2016-EPS	18 Aug 16	122,385.5	254p	0.09%	5	26%
2017A-TSR	7 Aug 17	40,610	272p	0.52%	5	32%
2017A-EPS	7 Aug 17	40,610	351p	0.52%	5	32%
2018A-TSR	22 Aug 18	226,672.5	240p	0.97%	5	29%
2018A-EPS	22 Aug 18	226,672.5	409p	0.97%	5	29%
2019A-TSR	22 Aug 19	275,640.5	251p	0.37%	5	31%
2019A-EPS	22 Aug 19	275,640.5	361p	0.37%	5	31%
2020A-TSR	30 Jul 20	141,718	409p	-0.11%	5	48%
2020A-EPS	30 Jul 20	141,718	464p	-0.11%	5	48%
2017/B1	7 Aug 17	287,963	361p	0.25%	3	32%
2017/B2	14 Aug 17	101,654	360p	0.25%	3	32%
2018/B1	23 Jan 18	19,264	400p	0.25%	3	32%
2018/B2	20 Aug 18	236,697	406p	0.25%	3	30%
2019/B1	20 Aug 19	369,061	348p	0.47%	3	30%
2019/B2	18 Sep 19	2,678	373p	0.47%	3	30%
2020/B1	30 Jul 20	303,092	463p	-0.12%	3	39%

Notes to the consolidated financial statements
continued

9 Share Options continued

2) Long-Term Incentive Plan (LTIP) Award continued

Scheme	Options at 29 March 2020	Granted	Dividend credit	Forfeited	Exercised	Options at 27 March 2021
2015-TSR	**40,616***	**–**	**–**	**–**	**(40,616)**	**–**
2015-EPS	**31,477***	**–**	**–**	**–**	**(31,477)**	**–**
2016-TSR	**122,385.5***	**–**	**–**	**–**	**–**	**122,385.5***
2016-EPS	**70,982.5***	**–**	**–**	**–**	**–**	**70,982.5***
2017A-TSR	**40,610**	**–**	**–**	**(13,053)**	**–**	**27,557***
2017A-EPS	**40,610**	**–**	**–**	**(22,539)**	**–**	**18,071***
2018A-TSR	**244,718.5**	**–**	**27,333.5**	**(10,040)**	**–**	**262,012**
2018A-EPS	**244,718.5**	**–**	**27,333.5**	**(10,040)**	**–**	**262,012**
2019A-TSR	**271,922.5**	**–**	**28,588.5**	**(40,878)**	**–**	**259,633**
2019A-EPS	**271,922.5**	**–**	**28,588.5**	**(40,878)**	**–**	**259,633**
2020A-TSR	**–**	**141,718**	**15,720.5**	**–**	**–**	**157,438.5**
2020A-EPS	**–**	**141,718**	**15,720.5**	**–**	**–**	**157,438.5**
2017/B1	**263,855**	**–**	**–**	**(115,188)**	**(75,000)**	**73,667**
2017/B2	**93,629**	**–**	**–**	**(16,050)**	**(64,200)**	**13,379**
2018/B1	**16,856**	**–**	**–**	**(2,408)**	**(14,448)**	**–**
2018/B2	**245,397**	**–**	**25,167**	**(35,805)**	**–**	**234,759**
2019/B1	**392,521**	**–**	**40,805**	**(37,871)**	**–**	**395,455**
2019/B2	**2,847**	**–**	**316**	**–**	**–**	**3,163**
2020/B1	**–**	**303,092**	**32,366**	**(34,734)**	**–**	**300,724**

Scheme	Options at 30 March 2019	Granted	Dividend credit	Forfeited	Exercised	Options at 28 March 2020
2015-TSR	40,616*	–	–	–	–	40,616*
2015-EPS	31,477*	–	–	–	–	31,477*
2016-TSR	122,385.5	–	–	–	–	122,385.5*
2016-EPS	122,385.5	–	–	(51,403)	–	70,982.5*
2017A-TSR	40,610	–	–	–	–	40,610
2017A-EPS	40,610	–	–	–	–	40,610
2018A-TSR	226,672.5	–	18,046	–	–	244,718.5
2018A-EPS	226,672.5	–	18,046	–	–	244,718.5
2019A-TSR	–	255,640.5	16,282	–	–	271,922.5
2019A-EPS	–	255,640.5	16,282	–	–	271,922.5
2017/B1	263,855	–	–	–	–	263,855
2017/B2	93,629	–	–	–	–	93,629
2018/B1	16,856	–	–	–	–	16,856
2018/B2	227,304	–	18,093	–	–	245,397
2019/B1	–	369,061	23,460	–	–	392,521
2019/B2	–	2,678	169	–	–	2,847

* These share options have vested and are in a two year holding period.

3) Deferred Bonus Share Plan (DBSP) Awards

The Deferred Bonus Share Plan differs from the other awards in that there are no vesting conditions.

The scheme has been set up in order to allocate 1/3rd of the executive director's annual bonus into nil price share options which are then placed in holding for three years.

As there are no vesting conditions, these awards have been valued at the amount of the bonus to be converted into share options under the scheme.

There have been two awards under the scheme. The 2021 award will be made after this set of statutory accounts has been published, and will therefore be reported in the next annual report.

Scheme	Options at 28 March 2020	Granted	Dividend credit	Forfeited	Exercised	Options at 27 March 2021
2019 Bonus allocation	**61,008**	**–**	**6,912**	**–**	**–**	**67,920**
2020 Bonus allocation	**–**	**45,682**	**5,066**	**–**	**–**	**50,748**

Scheme	Options at 30 March 2019	Granted	Dividend Credit	Forfeited	Exercised	Options at 28 March 2020
2019 Bonus allocation	–	56,521	4,496	–	–	61,008

The 2020 scheme has a total fair value of £175k (2019 scheme: £217k).

The summary year end position is as follows:

Period ended	27 March 2021	28 March 2020
Share options outstanding at the start of the year	**2,467,125**	1,485,798
Share options granted during the year (including via dividend credit)	**886,127**	1,054,406
Share options forfeited or lapsed during the year	**(379,484)**	(51,403)
Share options exercised in the year	**(236,790)**	(21,676)
Share options outstanding at the end of the year	**2,736,978**	2,467,125
Of which:		
Share options that are not vested	**2,292,268**	2,129,607
Share options that are vested, but are not eligible for exercise (in holding)	**357,664**	326,469
Share options that are vested and eligible for exercise	**87,046**	11,049

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

In the year, £1,937k has been charged to the consolidated statement of comprehensive income in respect to the share option schemes (2020: £1,422k). At the end of the year the outstanding share options had a carrying value of £3,866k (2020: £3,155k).

10 Taxation

The relationship between the expected tax expense based on the standard rate of corporation tax in the UK of 19% (2020: 19%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

Period ended	52 weeks to 27 March 2021 £'000	52 weeks to 28 March 2020 £'000
Continuing operations		
Current tax expense	**103,981**	60,889
Deferred tax credit	**(6,646)**	(3,643)
Total tax expense recorded in continuing operations profit and loss	**97,335**	57,246
Deferred tax (credit)/charge in other comprehensive income	**(4,509)**	1,383
Total tax charge recorded in other comprehensive income	**(4,509)**	1,383
Result for the year before tax due to continuing operations	**525,439**	252,023
Expected tax charge at the standard tax rate	**99,834**	47,885
Effect of :		
Expenses not deductible for tax purposes	**4,977**	11,559
Income not taxable	**(1,587)**	(1,925)
Lease accounting	**340**	873
Foreign operations taxed at local rates	**108**	(2,495)
Changes in the rate of corporation tax	**1,137**	386
Adjustment in respect of prior years	**(7,469)**	322
Hold over gains on fixed assets	**560**	430
Other	**(565)**	211
Actual tax expense	**97,335**	57,246

Notes to the consolidated financial statements

continued

10 Taxation continued

Deferred taxation

Statement of financial position	27 March 2021 £'000	28 March 2020 £'000
Accelerated tax depreciation	(1,846)	(3,029)
Relating to intangible brand assets	(22,284)	(21,589)
Fair valuing of assets and liabilities (asset)	3,122	12
Fair valuing of assets and liabilities (liability)	(1,854)	(3,474)
Temporary differences relating to the tax accounting for leases	19,387	21,008
Movement in provision	1,556	1,349
Relating to share options	1,741	521
Held over gains on fixed assets	(1,492)	(834)
Losses carried forward	6,310	–
Other temporary differences (asset)	126	98
Other temporary differences (liability)	–	(82)
Net deferred tax asset/(liability)	4,766	(6,020)
Analysed as:		
Deferred tax asset	32,242	22,988
Deferred tax liability	(27,476)	(29,008)

Statement of comprehensive income	52 weeks to 27 March 2021 £'000	52 weeks to 28 March 2020 £'000
Accelerated tax depreciation	1,182	220
Relating to intangible brand assets	(737)	(2,057)
Fair valuing of assets and liabilities	4,717	(3,061)
Temporary differences relating to the tax accounting for leases	(1,537)	7,386
Movement in provision	277	(6)
Relating to share options	1,220	161
Held over gains on fixed assets	(659)	(384)
Brought forward losses	6,585	–
Other temporary differences	107	1
Net deferred tax credit	11,155	2,260
Analysed as:		
Total deferred tax credit in profit or loss due to continuing operations	6,646	3,643
Total deferred tax credit/(charge) in other comprehensive income	4,509	(1,383)

In March 2021 the UK government announced a planned change in the future corporation tax rate to 25% from April 2023. When granted royal assent this change in rate is expected to impact our deferred tax held in the UK, and specifically the deferred tax liability held on our brand assets and the deferred tax asset held over our IFRS 16 balances. The net impact on these two items, had the rate already been enacted, would have been a £1.9m charge to profit or loss.

During the period the Group has recognised €7.4m of brought forward losses as a deferred tax asset due to making the assessment that these losses are realisable against future profits of the French business, see note 1. There were therefore no unrecognised deferred tax assets in relation to losses carried forward within the Group at the period end (2020: £9.6m). In the above tax reconciliation the recognition of these losses is included in the caption 'Adjustment in respect of prior years'.

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.

11 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 (IFRS 16)) basic and diluted earnings per share are calculated in the same way as above, except using adjusted profit attributable to ordinary equity holders of the parent, as defined in note 3.

There are share option schemes in place (see note 9) 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	**27 March 2021 £'000**	28 March 2020 £'000
Continuing operations		
Profit for the period attributable to owners of the parent	**428,104**	194,777
Adjusted profit for the period attributable to owners of the parent	**434,501**	202,979
Adjusted (IFRS 16) profit for the period attributable to owners of the parent	**426,829**	186,899
Discontinued operations		
Loss for the period attributable to owners of the parent	**–**	(104,750)
All operations		
Profit for the period attributable to owners of the parent	**428,104**	90,027

	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	**1,000,695**	1,000,570
Dilutive effect of employee share options	**1,382**	698
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,002,077**	1,001,268

	Pence	Pence
Continuing operations		
Basic earnings per share	**42.8**	19.5
Diluted earnings per share	**42.7**	19.5
Adjusted basic earnings per share	**43.4**	20.3
Adjusted diluted earnings per share	**43.4**	20.3
Adjusted IFRS 16 basic earnings per share	**42.7**	18.7
Adjusted IFRS 16 diluted earnings per share	**42.6**	18.7

	Pence	Pence
Discontinued operations		
Basic loss per share	**0.0**	(10.5)
Diluted loss per share	**0.0**	(10.5)

	Pence	Pence
All operations		
Basic earnings per share	**42.8**	9.0
Diluted earnings per share	**42.7**	9.0

12 Investments in associates

Period ended	27 March 2021 £'000	28 March 2020 £'000
Net book value		
Carrying value at the start of the period	**5,700**	6,920
Disposal of holding in Home Focus Group Ltd	**(316)**	–
Dividends received	**(2,186)**	(2,580)
Share of profits in associates since the prior year valuation exercise	**1,795**	879
Effect of foreign exchange on translation	**(514)**	481
Carrying value at the end of the period	**4,479**	5,700

The Group has a 22.5% holding in Centz Retail Holdings Limited, "Centz", a company incorporated in Ireland. 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% interest in Multi-lines International Company Ltd, "Multi-Lines", 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 previously held 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. This holding was sold in December 2020 for €350k, which was equal to the carrying value at the prior year end. Home Focus Group is 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	27 March 2021 £'000	28 March 2020 £'000
Multi-lines		
Non-current assets	**4,964**	2,417
Current assets	**73,814**	74,702
Non-current liabilities	**–**	–
Current liabilities	**(72,207)**	(67,688)
Net assets	**6,571**	9,431
Revenue	**240,379**	221,145
Profit	**2,404**	969
Centz		
Non-current assets	**10,893**	9,941
Current assets	**24,589**	12,447
Non-current liabilities	**(10,210)**	(8,834)
Current liabilities	**(18,623)**	(9,225)
Net assets	**6,649**	4,329
Revenue	**61,184**	30,305
Profit	**3,144**	1,719

The figures for both associates show 12 months to December 2020 (prior year: 12 months to December 2019), being the period used in the valuation of the associate.

13 Intangible assets

	Goodwill £'000	Software £'000	Brands £'000	Other £'000	Total £'000
Cost or valuation					
At 30 March 2019	954,757	9,715	120,213	2,551	1,087,236
Additions	–	1,361	–	–	1,361
Disposal of Jawoll	(35,367)	(1,108)	(5,324)	(1,545)	(43,344)
Other disposals	–	(12)	–	–	(12)
Effect of retranslation	2,521	54	385	107	3,067
At 28 March 2020	**921,911**	**10,010**	**115,274**	**1,113**	**1,048,308**
Additions	**–**	**1,312**	**–**	**–**	**1,312**
Disposals	**–**	**–**	**–**	**–**	**–**
Effect of retranslation	**(1,182)**	**(12)**	**(184)**	**(49)**	**(1,427)**
At 27 March 2021	**920,729**	**11,310**	**115,090**	**1,064**	**1,048,193**
Accumulated amortisation / impairment					
At 30 March 2019	–	4,377	235	1,308	5,920
Charge for the year	–	2,187	355	26	2,568
Impairment of Jawoll	35,112	611	5,286	154	41,163
Disposal of Jawoll	(35,367)	(1,095)	(5,324)	(1,545)	(43,331)
Other disposals	–	(12)	–	–	(12)
Effect of retranslation	255	27	54	57	393
At 28 March 2020	**–**	**6,095**	**606**	**–**	**6,701**
Charge for the year	**–**	**2,170**	**401**	**–**	**2,571**
Disposals	**–**	**–**	**–**	**–**	**–**
Effect of retranslation	**–**	**(8)**	**(40)**	**–**	**(48)**
At 27 March 2021	**–**	**8,257**	**967**	**–**	**9,224**
Net book value at 27 March 2021	**920,729**	**3,053**	**114,123**	**1,064**	**1,038,969**
Net book value at 28 March 2020	921,911	3,915	114,668	1,113	1,041,607

At the year end £0.7m of software was being developed and not yet in use.

Amortisation breaks down as follows:

As at	27 March 2021 £'000	28 March 2020 £'000
Amortisation of intangible assets in continuing operations	**2,571**	2,433
Amortisation of intangible assets in discontinued operations	**–**	135
Amortisation of intangible assets	**2,571**	2,568

For more information in respect of the disposal of Jawoll, see note 6.

Impairment review of intangible assets held with indefinite life
The Group holds the following assets with indefinite life:

Segment	27 March 2021 Goodwill £'000	27 March 2021 Brand £'000	28 March 2020 Goodwill £'000	28 March 2020 Brand £'000
UK B&M	**807,496**	**95,900**	807,496	95,900
UK Heron	**87,580**	**14,178**	87,580	14,178
France Babou	**25,653**	**–**	26,834	–

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. Specifically the B&M and Heron brands represent leading brands in their sectors with significant histories and growth prospects.

The Babou goodwill is held in Euros, with an underlying balance of €30.0m (2020: €30.0m).

13 Intangible assets continued

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 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 key assumptions in assessing the value in use as at 27th March 2021 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. 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.

Due to a minor change in policy by the Group, terminal growth rates as used in impairment tests are to be capped in line with the growth of the macro economy to which each segment belongs, when non-negative. This change has been effected prospectively as it has an immaterial impact on the prior year figures.

The assumptions for the continuing entities were as follows:

As at	**27 March 2021**	28 March 2020
Discount rate (B&M)	**11.9%**	11.7%
Discount rate (Heron)	**12.3%**	12.4%
Discount rate (Babou)	**11.4%**	13.0%
Inflation rate for costs (B&M & Heron)	**1.2%**	2.6%
Inflation rate for costs (Babou)	**0.0%**	1.5%
Like for like sales growth (B&M)	**2.0%**	2.6%
Like for like sales growth (Heron)	**2.0%**	2.6%
Like for like sales growth (Babou)	**2.0%**	2.4%
Terminal growth rate (B&M)	**0.5%**	0.5%
Terminal growth rate (Heron)	**1.2%**	2.6%
Terminal growth rate (Babou)	**0.0%**	1.5%

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.

For the UK entities, the first year like for likes (LFL's) have been adjusted to reflect the impact of Covid-19 on the current year, with assumptions used of -6.9% for B&M and -0.3% for Heron.

In each case, the results of the impairment tests on the continuing operations identified that the VIU was in excess of the carrying value of assets within each group of CGUs at the period end dates. The headroom with the base case assumptions in B&M was £3,442m, Heron £142m and Babou €169m (2020: £2,071m, £143m and €23m respectively).

No indicators of impairment were noted in the segments and the impairment test was sensitised with reference to the key assumptions for reasonable possible scenarios.

These scenarios specifically included:
- A drop off in sales or gross margin, modelling flat long term like for likes and terminal growth rates.
- Sales prices failing to keep pace with inflation such that the local inflation rates exceed like for like sales by 2 percentage points.
- A deterioration of the credit environment, leading to a significantly increased cost of capital of 15%.

Further scenarios were also considered as part of our viability testing, including the potential for further lockdowns, the loss of a warehouse due to a fire and any impact on our supply chain with respect to international relations.

None of the sensitised or viability scenarios indicated that an impairment would result in any of our segments.

To further quantify the sensitivity, the below tables demonstrate the point at which each impairment test would first fail for changes in each of the key assumptions assuming each other key assumption is held level:

	27 March 2021	28 March 2020
B&M		
Discount rate	**62.6%**	29.3%
Inflation rate for expenses	**14.1%**	10.5%
Like for like sales	**(9.3)%**	(2.9)%
Terminal growth rate	**Not sensitive**	Not sensitive
Babou		
Discount rate	**39.0%**	15.9%
Inflation rate for expenses	**20.5%**	3.9%
Like for like sales	**(28.2)%**	(1.5)%
Terminal growth rate	**Not sensitive**	(2.4)%
Heron		
Discount rate	**22.9%**	22.5%
Inflation rate for expenses	**5.6%**	6.6%
Like for like sales	**(2.0)%**	(0.3)%
Terminal growth rate	**(27.0)%**	(22.0)%

14 Property, plant and equipment

	Land and buildings £'000	Motor vehicles £'000	Plant, fixtures and equipment £'000	Total £'000
Cost or valuation				
At 30 March 2019	163,267	12,943	341,721	517,931
Additions	37,041	4,575	81,654	123,270
Disposal of Jawoll	(17,777)	(478)	(24,406)	(42,661)
Other disposals	(97,602)	(1,162)	(20,762)	(119,526)
Effect of retranslation	874	22	2,225	3,121
At 28 March 2020	**85,803**	**15,900**	**380,432**	**482,135**
Additions	**17,709**	**4,597**	**64,300**	**86,606**
Disposals	**(3,733)**	**(1,087)**	**(6,002)**	**(10,822)**
Effect of retranslation	**–**	**–**	**(1,869)**	**(1,869)**
At 27 March 2021	**99,779**	**19,410**	**436,861**	**556,050**
Accumulated depreciation and impairment charges				
At 30 March 2019	20,037	3,303	116,010	139,350
Charge for the period	4,546	2,770	46,939	54,255
Impairments	1,193	32	12,757	13,982
Disposal of Jawoll	(6,220)	(167)	(21,973)	(28,360)
Other disposals	(449)	(860)	(9,103)	(10,412)
Effect of retranslation	363	7	752	1,122
At 28 March 2020	**19,470**	**5,085**	**145,382**	**169,937**
Charge for the period	**4,173**	**3,750**	**49,234**	**57,157**
Disposals	**(442)**	**(809)**	**(5,421)**	**(6,672)**
Effect of retranslation	**–**	**–**	**(736)**	**(736)**
At 27 March 2021	**23,201**	**8,026**	**188,459**	**219,686**
Net book value at 27 March 2021	**76,578**	**11,384**	**248,402**	**336,364**
Net book value at 28 March 2020	66,333	10,815	235,050	312,198

14 Property, plant and equipment continued

Depreciation breaks down as follows:

As at	27 March 2021 £'000	28 March 2020 £'000
Depreciation of property, plant and equipment in continuing operations	**57,157**	52,366
Depreciation of property, plant and equipment in discontinued operations	**–**	1,889
Depreciation of property, plant and equipment	**57,157**	54,255

For more details regarding the impairment and disposal of Jawoll, see note 6.

Under the terms of the loan and notes facilities in place at 27 March 2021, fixed and floating charges were held over £76.6m of the net book value of land and buildings, £11.9m of the net book value of motor vehicles and £223.2m of the net book value of the plant, fixtures and equipment. (2020: £66.3m, £10.8m, £210.7m respectively).

A significant sale and leaseback took place in the prior year in relation to the Bedford warehouse, which was carried at £103.7m on the date of the transaction. See note 15 for more details.

At the year end £0.2m of assets were under construction (2020: £nil).

Included within land and buildings is land with a cost of £5.8m (2020: £5.8 m) which is not depreciated.

Capital commitments

There were £12.1m of contractual capital commitments not provided within the Group financial statements as at 27 March 2021 (2020: £3.3m).

15 Right of use assets

	Land and buildings £'000	Motor vehicles £'000	Plant, fixtures and equipment £'000	Total £'000
Net book value				
As at 30 March 2019	1,010,733	20,096	6,044	1,036,873
Additions	312,880	5,390	5,402	323,672
Modifications	4,202	21	3	4,226
Disposal of Jawoll	(82,459)	(560)	(237)	(83,256)
Other disposals	(41,099)	(129)	(235)	(41,463)
Impairment	(6,838)	–	–	(6,838)
Depreciation	(146,236)	(6,985)	(3,577)	(156,798)
Foreign exchange	10,090	33	79	10,202
As at 28 March 2020	**1,061,273**	**17,866**	**7,479**	**1,086,618**
Additions	**152,685**	**2,763**	**3,027**	**158,475**
Modifications	**6,679**	**2**	**–**	**6,681**
Disposals	**(12,801)**	**(55)**	**(109)**	**(12,965)**
Impairment	**(5,142)**	**–**	**–**	**(5,142)**
Depreciation	**(145,787)**	**(6,134)**	**(3,598)**	**(155,519)**
Foreign exchange	**(7,400)**	**(12)**	**(155)**	**(7,567)**
As at 27 March 2021	**1,049,507**	**14,430**	**6,644**	**1,070,581**

Depreciation breaks down as follows:

As at	27 March 2021 £'000	28 March 2020 £'000
Right of use asset depreciation in continuing operations	**155,519**	148,620
Right of use asset depreciation in discontinued operations	**–**	8,178
Right of use asset depreciation	**155,519**	156,798

The vast majority of the Group's leases are in relation to the property comprising the store and warehouse network for the business. The other leases recognised are trucks, trailers, company cars, manual handling equipment and various fixtures and fittings. The leases are separately negotiated and no subgroup is considered to be individually significant nor to contain individually significant terms.

The Group recognises a lease term appropriate to the business expectation of the term of use for the asset which usually assumes that all extension clauses are taken, and break clauses are not, unless the business considers there is a good reason to recognise otherwise.

At the year end there was one property with a significant unrecognised extension clause for which the Group has full autonomy over exercising in 2040. On the date of recognition of the relevant right of use asset, in March 2020, the extension period liability had a net present value of £30.2m

There are no material covenants imposed by our right-of-use leases.

In the year the Group expensed £2.1m (2020: £1.8m) in relation to low value leases and £0.1m (2020: £0.3m) in relation to short term leases for which the Group applied the practical expedient under IFRS 16.

The Group has expensed £0.4m (2020: <£0.1m) in relation to variable lease payments. The agreements are on-going and future payments are expected to be in-line with those expensed recently.

The Group received £3.3m (2020: £2.2m) in relation to subletting right-of-use assets.

The impairments noted in the table above are recorded when the carrying value of a right of use asset exceeds the value in use of that asset. These arise when we exit a store before the related lease has come to an end, or as the outcome of our annual store impairment review. All impairments are in relation to store leases. No impairments have been reversed in the presented periods.

The segmental splits of the impairments were B&M £3.6m, Heron £1.2m, Babou £0.4m (2020: B&M £2.5m, Jawoll £4.3m).

The current and future cashflows for the right-of-use assets are:

	27 March 2021 £'000	Restated* 28 March 2020 £'000
This year	**202,201**	213,281
Within 1 year	**213,152**	197,842
Between 1 and 2 years	**205,262**	203,272
Between 2 and 5 years	**519,517**	513,295
More than 5 years	**672,844**	712,227
Total	**1,610,775**	1,626,636

* This table has been restated in respect of reclassifying a non-cash movement (see notes 1, 24).

The change in lease liability reconciles to the figures presented in the consolidated statement of cashflows as follows:

	27 March 2021 £'000	28 March 2020 £'000
Lease liabilities brought forward	**1,295,244**	1,206,922
Cash		
Repayment of the principal in relation to right of use assets	**(140,790)**	(142,653)
Payment of interest in relation to right of use assets	**(61,411)**	(63,790)
Non-cash		
Interest charge (continuing operations)	**61,411**	57,206
Interest charge (discontinued operations)	**–**	6,584
Disposal of Jawoll	**–**	(93,732)
Effects on lease liability relating to lease additions, modifications and disposals	**155,084**	313,727
Effects of foreign exchange	**(8,169)**	10,980
Total cash movement in the year	**(202,201)**	(206,443)
Total non-cash movement in the year	**208,326**	294,765
Movement in the year	**6,125**	88,322
Lease liabilities carried forward	**1,301,369**	1,295,244
Of which current	**162,735**	149,011
Of which non-current	**1,138,634**	1,146,233

15 Right of use assets continued

Discount rates

Where, as in most cases, a discount rate implicit to the lease is not available, discount rates are calculated for each lease with reference to the underlying cost of borrowing available to the business and several other factors specific to the asset.

The selection of discount rates is therefore a management judgement, see note 1. As this is a significant management judgement we have calculated the weighted average discount rates and sensitivity to a 50bps change in the discount rate to the interest charge as follows:

	27 March 2021	28 March 2020
Weighted average discount rate		
Property	**4.72%**	5.08%
Equipment	**3.31%**	3.31%
All right of use assets	**4.70%**	5.06%

	£'000	£'000
Effect on finance costs with a change of 50bps to the discount rate		
Property	**6,416**	6,211
Equipment	**110**	127
All right of use assets	**6,526**	6,338

Sale and Leaseback

During the year the business has undertaken one sale and leaseback (2020: two).

In the prior year, a significant sale and leaseback took place in regards to the warehouse at Bedford. The consideration for this transaction was £153.8m and a profit was recognised of £16.9m.

The details of the transactions were as follows:

	27 March 2021 £'000	28 March 2020 £'000
Consideration received	**6,080**	158,710
Net book value of the asset disposed	**(3,209)**	(106,614)
Costs of sale when specifically recognised	**–**	(1,070)
Profit per pre-IFRS 16 accounting standards	**2,871**	51,026
Opening adjustment to the right of use asset	**(3,013)**	(34,098)
(Loss)/Profit recognised in the statement of comprehensive income	**(142)**	16,928
Initial right of use asset recognised	**3,368**	69,310
Initial lease liability recognised	**(6,381)**	(103,408)

The pre-IFRS 16 profit is higher because the provisions of IFRS 16 require that a portion of the profit relating to the sale and leaseback is instead recognised as a reduction in the opening right of use asset, and therefore the benefit is released over the term of the contract.

16 Inventories

As at	27 March 2021 £'000	28 March 2020 £'000
Goods for resale	**605,126**	588,000

Included in the amount above was a net charge of £4.2m related to inventory provisions (2020: £6.7m net charge). In the period to 27 March 2021 £3,031m (2020: £2,531m) was recognised as an expense for inventories.

17 Trade and other receivables

	27 March 2021 £'000	28 March 2020 £'000
Non-current		
Other receivables	**7,084**	7,517
	7,084	7,517
Current		
Trade receivables	**3,611**	6,568
Deposits on account	**2,533**	1,478
Provision for impairment	**(410)**	(252)
Net trade receivables to non-related parties	**5,734**	7,794
Prepayments	**14,145**	19,775
Related party receivables	**7,564**	5,772
Other tax	**8,341**	2,329
Other receivables	**6,376**	24,918
	42,160	60,588

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.

In the prior year there were significant balances of £8.9m (€10m) in relation to the consideration receivable for Jawoll and £4.7m in relation to the final part of the consideration receivable in respect of the Bedford transaction. These balances were both held within the current other receivables caption above and both of which were subsequently realised during the year. There are no individually non-related significant balances held at the current year end. See note 27 in respect of balances held with related parties.

The following table sets out an analysis of provisions for impairment of trade and other receivables:

Period ended	27 March 2021 £'000	28 March 2020 £'000
Provision for impairment at the start of the period	**(252)**	(247)
Impairment during the period	**(201)**	(52)
Utilised/released during the period	**32**	56
Effect of foreign exchange	**11**	(9)
Balance at the period end	**(410)**	(252)

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

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

As at	27 March 2021 £'000	28 March 2020 £'000
Neither past due nor impaired	**2,100**	5,073
Past due less than one month	**381**	499
Past due between one and three months	**358**	15
Past due for longer than three months	**772**	981
Balance at the period end	**3,611**	6,568

18 Cash and cash equivalents

As at	27 March 2021 £'000	28 March 2020 £'000
Cash at bank and in hand	**217,682**	428,205
Overdrafts	**–**	(928)
Cash and cash equivalents	**217,682**	427,277

As at the year end the Group had available £141.5m of undrawn committed borrowing facilities (2020: £21.5m).

19 Trade and other payables

As at	27 March 2021 £'000	28 March 2020 £'000
Non-current		
Accruals	–	171
	–	171
Current		
Trade payables	343,831	315,146
Other tax and social security payments	65,701	43,715
Accruals and deferred income	99,927	45,505
Related party trade payables	8,876	11,432
Other payables	5,925	4,201
	524,260	419,999

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 27.

20 Other financial assets and liabilities

Other financial assets

As at	27 March 2021 £'000	28 March 2020 £'000
Current financial assets at fair value through profit and loss:		
Foreign exchange forward contracts	2,416	5,351
Current financial assets at fair value through other comprehensive income:		
Foreign exchange forward contracts	1,351	11,351
Total current other financial assets	3,767	16,702
Total other financial assets	3,767	16,702

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.

Other financial liabilities

As at	27 March 2021 £'000	28 March 2020 £'000
Current financial liabilities at fair value through profit and loss:		
Foreign exchange forward contracts	5,748	–
Fuel swap contracts	–	1,847
Current financial liabilities at fair value through other comprehensive income:		
Foreign exchange forward contracts	10,393	–
Total current other financial liabilities	16,141	1,847
Total other financial liabilities	16,141	1,847

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.

Fair value hierarchy continued

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
27 March 2021				
Foreign exchange contracts	**(12,374)**	**–**	**(12,374)**	**–**
28 March 2020				
Foreign exchange contracts	16,702	–	16,702	–
Fuel swap contract	(1,847)	–	(1,847)	–

The financial 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	**27 March 2021 £'000**	28 March 2020 £'000
Current		
Revolving facility bank loan	**–**	120,000
Acquisition facility	**–**	82,304
Babou loan facilities	**3,298**	3,608
Heron loan facilities	**3,577**	5,150
	6,875	211,062
Non-current		
High yield bond notes	**396,860**	248,830
Term facility bank loan	**296,257**	298,916
Babou government backed facilities	**21,810**	–
Other Babou loan facilities	**6,071**	7,357
Heron loan facilities	**2,738**	6,315
	723,736	561,418

Refinancing

On 13 July 2020 the Group refinanced their main facilities by repaying the previously existing £250m high yield bond notes, the £300m term loan and the €92m acquisition facility, and drawing down a new main facility of £300m and issuing £400m of high yield bonds. The maturity dates on the new facilities are April 2025 and July 2025 respectively.

The previously held £150m revolving loan facility has also been replaced by a £155m revolving loan facility which was not drawn on the date of the refinancing.

£100m of the high yield bonds issued were purchased by a related party. See note 27 for further details.

The carrying values given above include fees incurred on the refinancing which are to be amortised over the terms of those facilities. More details of these are given below.

The following fees were expensed through other finance costs in relation to the loans and bonds which have been repaid.

	£'000
Remaining unamortised fees associated with the repaid term loan	**845**
Remaining unamortised fees associated with the repaid acquisition loan	**65**
Remaining unamortised fees associated with the repaid high yield bonds	**983**
Early repayment charge associated with the corporate bonds	**2,578**
Breakage fees	**47**
Total fees expensed through other finance costs	**4,518**

21 Financial liabilities – borrowings continued

The following fees were incurred on refinancing and have been capitalised within the debt balance, to be amortised over the term of the debt to which it relates.

	£'000
Capitalised fees relating to the term loan facility	4,398
Capitalised fees relating to the high yield bonds	3,654
Total fees capitalised within the debt balances	**8,052**

The figure on the cashflow of £10.8m includes the above £8.1m capitalised fees, £2.6m early repayment/breakage charges and £0.1m of fees associated with an earlier extension of the acquisition facility.

French government backed loan

In April 2020 the French government mandated that our Babou stores were required to close as part of their response to the Covid-19 pandemic. As a mitigation they introduced government backed loans to assist the company's affected by this measure. As a precaution and due to the uncertainty over the progression of the virus and the impact on trade, the Group's French entity took a €51m loan under this scheme.

The loan had an initial maturity of 1 year, which is interest free but attracts a guarantor's fee of 0.5%.

The loan was refinanced in February 2021 such that €25.5m was repaid with the remainder retained in order to cover continuing uncertainty over further measures in relation to the pandemic.

The retained element has a maturity of April 2022, attracts a guarantor's fee of 1.0% with an additional average interest rate margin of 0.2%. The balances are held with a range of banks.

The loan is only for use in the French business, in respect to their working capital cash flows, and as such the cash balance remains in that entity and did not impact the Group refinancing decisions taken in the period.

Other loans

The Babou and Heron loan facilities 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.

The maturities of the loan facilities are as follows:

	Interest rate %	Maturity	27 March 2021 £'000	28 March 2020 £'000
Revolving facility loan	2.00% + LIBOR	N/A	–	120,000
Term facility bank loan A (old)	2.00% + LIBOR	N/A	–	300,000
Term facility bank loan A (new)	2.00% + LIBOR	Apr-25	300,000	–
High yield bond notes (old)	4.125%	N/A	–	250,000
High yield bond notes (new)	3.625%	Jul-25	400,000	–
Acquisition facility	3.45% (see note)	N/A	–	82,319
Heron loan facilities – Melton	2.25% + LIBOR	Jul-22	3,545	4,352
Heron loan facilities – Offset	2.45% + LIBOR	N/A	–	3,543
Heron loan facilities – Term	2.50% + LIBOR	Dec-21	2,770	3,570
Babou – Government Guaranteed	1.1%-1.34%	Apr-22	21,810	–
Babou – BNP Paribas	0.75%-0.76%	Jul 23–Sep 24	1,312	1,588
Babou – Caisse d'Épargne	0.75%-1.51%	Feb 22-Oct 24	2,470	3,228
Babou – CIC	0.71%-2.18%	Jul 21-Jun 25	1,921	2,652
Babou – Crédit Agricole	0.39-0.81%	Aug 23-Jan 28	1,952	1,334
Babou – Crédit Lyonnais	0.68%-0.74%	Nov 24-Apr 25	939	1,145
Babou – Société Générale	0.63%	Jun 23	777	1,018
			737,496	774,749

The acquisition facility, term loans A and the high yield bond notes have carrying values which include transaction fees allocated on inception.

The acquisition facility interest rate varied over the term. The rate shown in the table was the prevailing rate on the date of the refinancing.

The acquisition facility and all Babou facilities have gross values in euros, and the values above have been translated at the period end rates of €1.1691/£ (2020: €1.1176/£).

The movement in the loan liabilities during the year breaks down as follows:

As at	27 March 2021 £'000	28 March 2020 £'000
Borrowings brought forward	**772,480**	687,213
Cash		
(Payment)/receipt of revolving loan facilities	**(120,000)**	80,000
Repayment of term facility	**(300,000)**	–
Repayment of corporate bonds	**(250,000)**	–
Draw down of new term facility	**300,000**	–
Issue of new corporate bonds	**400,000**	–
Repayment of acquisition facility	**(82,121)**	–
Repayment of Heron loan facilities	**(5,150)**	(2,030)
Receipt of Babou loan guaranteed by the French government	**22,762**	–
Repayment/(receipt) of other Babou loan facilities	**(1,164)**	1,587
Capitalised fees on refinancing	**(10,797)**	(119)
Non-cash		
Foreign exchange on loan balances	**(1,583)**	3,752
Refinancing fees directly expensed	**2,625**	–
Ongoing amortisation of fees capitalised on refinancing	**1,666**	2,077
One-off fee amortisation on refinancing	**1,893**	–
Total cash movement in the year	**(46,470)**	79,438
Total non-cash movement in the year	**4,601**	5,829
Movement in the year	**(41,869)**	85,267
Borrowings carried forward	**730,611**	772,480
Of which current	**6,875**	211,062
Of which non-current	**723,736**	561,418

22 Provisions

	Property provisions £'000	Other £'000	Total £'000
At 30 March 2019	1,195	4,965	6,160
Provided in the period	1,503	2,872	4,375
Utilised during the period	(451)	(1,869)	(2,320)
Released during the period	(265)	(1,105)	(1,370)
At 28 March 2020	**1,982**	**4,863**	**6,845**
Provided in the period	**8,230**	**3,398**	**11,628**
Utilised during the period	**(1,176)**	**(2,509)**	**(3,685)**
Released during the period	**(114)**	**(1,556)**	**(1,670)**
At 27 March 2021	**8,922**	**4,196**	**13,118**
Current liabilities 2021	**4,411**	**4,196**	**8,607**
Non-current liabilities 2021	**4,511**	**–**	**4,511**
Current liabilities 2020	1,216	4,863	6,079
Non-current liabilities 2020	766	–	766

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 £10.9k per claim (£10.7k in 2020).

23 Share capital

	Shares	£'000
Allotted, called up and fully paid		
B&M European Value Retail S.A. ordinary shares of 10p each		
As at 30 March 2019	1,000,561,222	100,056
Release of shares related to employee share options	21,676	2
As at 28 March 2020	**1,000,582,898**	**100,058**
Release of shares related to employee share options	**236,790**	**24**
As at 27 March 2021	**1,000,819,688**	**100,082**

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 issue up to an additional 2,971,402,534 ordinary shares.

24 Cash generated from operations

Period ended	**52 weeks ended 27 March 2021 £'000**	Restated* 52 weeks ended 28 March 2020 £'000
Net profit	**428,104**	80,855
Tax charge on continuing operations	**97,335**	57,246
Tax charge on discontinued operations (note 6)	**–**	1,721
Profit before tax	**525,439**	139,822
Adjustments for:		
Net interest expense	**89,770**	88,588
Depreciation on property, plant and equipment	**57,157**	54,255
Depreciation on right of use assets	**155,519**	156,798
Impairment of right of use assets	**5,142**	6,838
Amortisation of intangible assets	**2,571**	2,568
Loss/(gain) on sale and leaseback	**142**	(16,928)
Loss/(profit) on disposal of property, plant and equipment	**571**	(163)
Loss on share options	**1,937**	1,422
Change in inventories	**(20,350)**	29,348
Change in trade and other receivables	**8,985**	693
Change in trade and other payables	**105,898**	77,076
Change in provisions	**6,287**	686
Share of profit from associates	**(1,795)**	(879)
Loss resulting from fair value of financial derivatives	**6,775**	(641)
Cash generated from operations	**944,048**	539,483

* This statement has been restated in respect of reclassifying a non-cash movement (see note 1).

The prior year cash flows above include the discontinued operations. The amortisation and depreciation figures have been reconciled in notes 13, 14 and 15. The interest expense reconciles as follows:

As at	**27 March 2021 £'000**	28 March 2020 £'000
Net interest charge in continuing operations	**89,770**	81,668
Net interest charge in discontinued operations	**–**	6,920
Net interest charge	**89,770**	88,588

25 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
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%	Ex-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 68-70, Boulevard de la Pétrusse, L-2320, Luxembourg since May 2021, previously these entities were registered at 9 alleé Scheffer, L-2520, Luxembourg.
- The UK entities are all registered at The Vault, Dakota Drive, Estuary Commerce Park, Speke, Liverpool, L24 8RJ.
- B&M European Value Retail Germany GmbH is registered at Am Hornberg 6, 29614, Soltau.
- SAS Babou are registered at 8 rue du Bois Joli, 63800 Cournon d'Auvergne.
- BRP SAS are registered at 7 rue Biscornet, 75012 Paris.

Associates

The Group has a 50% interest in Multi-lines International Company Limited, a company incorporated in Hong Kong, and a 22.5% interest in Centz Retail Holdings Limited, a company incorporated in the Republic of Ireland. The share of profit/loss from the associates is included in the statement of comprehensive income, see note 12.

The Group previously held a 20% interest in Home Focus Group Limited, a company incorporated in the Republic of Ireland. This interest was disposed of in full in December 2020 for €350k.

Changes during the prior year

The Group disposed of the trading entities within the German retailing group, J.A.Woll Handels GmbH and Jawoll Vertriebs GmbH I, see note 6 for further details.

The entity Bedford DC Investment Limited was disposed in relation to the sale and leaseback carried out on the Bedford warehouse, see note 15.

The French entities have restructured such that the former French holding company Paminvest SAS has been directly incorporated into the main training entity, SAS Babou, resulting in the disposal of the former.

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.

26 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. None of these contracts were outstanding at the year end date.

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

As at	Change in fuel price	**27 March 2021 £'000**	28 March 2020 £'000
Effect on profit before tax	+5%	**–**	154
	-5%	**–**	(154)

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 and France 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 50-80%, and never more than 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 other comprehensive income would be at fair value through profit or loss.

The difference to profit before tax if none of our forwards had been hedge accounted during the year would have been a loss of £22.2m (2020: £12.4m gain) and a pre-tax gain in other comprehensive income of £20.4m (2020: £8.7m loss).

The net effective hedging loss transferred to the cost of inventories in the year was £4.7m (2020: net gain of £16.1m). At the year end the amount of outstanding US Dollar contracts covered by hedge accounting was $474m (2020: $334m).

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	27 March 2021 £'000	28 March 2020 £'000
Effect on profit before tax	+2.5%	**(5,261)**	(3,791)
	-2.5%	**5,531**	3,823
Effect on other comprehensive income	+2.5%	**(8,471)**	(6,595)
	-2.5%	**8,905**	6,934

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	27 March 2021 £'000	28 March 2020 £'000
Effect on profit before tax	+2.5%	**131**	1,008
	-2.5%	**42**	(979)
Effect on other comprehensive income	+2.5%	**490**	330
	-2.5%	**(514)**	(346)

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	27 March 2021 £'000	28 March 2020 £'000
Effect on profit before tax	+50	**(1,270)**	(1,737)
	-50	**1,270**	1,737

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, (2020: 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.

Notes to the consolidated financial statements
continued

26 Financial risk management continued

Credit risk continued

In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. Provisions against bad debts are made where appropriate.

Liquidity risk

Any impact on available cash and therefore the liquidity of the 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
27 March 2021					
Interest bearing loans	**28,044**	**48,267**	**753,413**	**226**	**829,950**
Lease liabilities	**213,152**	**205,262**	**519,517**	**672,844**	**1,610,775**
Trade payables	**352,707**	**–**	**–**	**–**	**352,707**
28 March 2020					
Interest bearing loans	231,801	571,525	6,958	–	810,284
Lease liabilities	197,842	203,272	513,295	712,227	1,626,636
Trade payables	326,578	–	–	–	326,578

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 or fair value through other comprehensive income.

As at	**27 March 2021 £'000**	28 March 2020 £'000
Financial assets		
Fair value through profit and loss		
Forward foreign exchange contracts	**2,416**	5,351
Fair value through other comprehensive income		
Forward foreign exchange contracts	**1,351**	11,351
Loans and receivables		
Cash and cash equivalents	**217,682**	428,205
Trade receivables	**13,298**	13,566
Other receivables	**6,376**	24,918

As at	**27 March 2021 £'000**	28 March 2020 £'000
Financial assets		
Fair value through profit and loss		
Forward foreign exchange contracts	**5,748**	–
Fuel price swap	**–**	1,847
Fair value through other comprehensive income		
Forward foreign exchange contracts	**10,393**	–
Amortised cost		
Overdraft	**–**	928
Lease liabilities	**1,301,369**	1,295,244
Interest-bearing loans and borrowings	**730,611**	772,480
Trade payables	**352,707**	326,578
Other payables	**5,925**	4,201

27 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 or were associates of the Group.

Ropley Properties Ltd, Triple Jersey Ltd, TJL UK Ltd, Rani Investments, Fulland Investments Limited, Golden Honest International Investments Limited, Hammond Investments Limited, Joint Sino Investments Limited, Ocean Sense Investments Limited and Multi Lines International (Properties) Ltd, all landlords of properties occupied by the Group, and Rani 1 Holdings Limited, Rani 2 Holdings Limited and SSA Investments, bondholders and 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).

As announced in July 2020, there was a significant new related party transaction in the period as SSA Investments participated in the Corporate Bonds issued by the Group by purchasing £100m of these 3.625% bonds with a five year maturity. In December 2020 and February 2021, the bonds transferred to Rani 2 Holdings Limited (£50m) and Rani 1 Holdings Limited (£50m), respectively. £2,588k of interest expense has been incurred on these bonds in the period, with £755k accrued at the year end. Further details on these bonds and the refinancing are given in note 21.

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 leases:

Period ended	**27 March 2021 £'000**	28 March 2020 £'000
Sales to associates of the Group		
Centz Retail Holdings Limited	**44,938**	25,327
Home Focus Group Limited	**1,050**	1,944
Total sales to related parties	**45,988**	27,271

Period ended	**27 March 2021 £'000**	28 March 2020 £'000
Purchases from associates of the Group		
Multi-lines International Company Ltd	**230,472**	180,721
Purchases from parties related to key management personnel		
Fulland Investments Limited	**107**	–
Golden Honest International Investments Limited	**44**	–
Hammond Investments Limited	**102**	–
Joint Sino Investments Limited	**102**	–
Multi-Lines International (Properties) Ltd	**364**	479
Ocean Sense Investments Limited	**107**	–
SSA Investments	**150**	97
Total purchases from related parties	**231,448**	181,297

The IFRS 16 Lease figures in relation to these related parties, which are all related to key management personnel, are as follows:

	Depreciation charge £'000	Interest charge £'000	Total charge £'000	Right of use asset £'000	Lease liability £'000	Net liability £'000
Period ended 27 March 2021						
Rani Investments	**86**	**61**	**147**	**610**	**(742)**	**(132)**
Ropley Properties	**1,635**	**903**	**2,538**	**9,714**	**(13,219)**	**(3,505)**
TJL UK Limited	**870**	**485**	**1,355**	**12,243**	**(13,975)**	**(1,732)**
Triple Jersey Limited	**8,823**	**4,026**	**12,849**	**63,909**	**(77,573)**	**(13,664)**
	11,414	**5,475**	**16,889**	**86,476**	**(105,509)**	**(19,033)**

	Depreciation charge £'000	Interest charge £'000	Total charge £'000	Right of use asset £'000	Lease liability £'000	Net liability £'000
Period ended 28 March 2020						
Rani Investments	76	61	137	604	(734)	(130)
Ropley Properties	1,827	1,078	2,905	12,518	(14,825)	(2,307)
TJL UK Limited	741	432	1,173	9,235	(10,656)	(1,421)
Triple Jersey Limited	9,362	4,914	14,276	72,121	(86,039)	(13,918)
	12,006	6,485	18,491	94,478	(112,254)	(17,776)

27 Related party transactions continued

Included in the current year figures above are two new leases entered into by Group companies during the current period with the Arora related parties (2020: two new and no renewals). The total expense on these leases in the period was £404k (2020: £680k). There were no conditionally exchanged leases with Arora related parties in the current period with a long stop completion date (2020: none).

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

As at	**27 March 2021 £'000**	28 March 2020 £'000
Trade receivables from associates of the Group		
Centz Retail Holdings Ltd	**7,564**	5,687
Home Focus Group Ltd	**–**	85
Total related party trade receivables	**7,564**	5,772

As at	**27 March 2021 £'000**	28 March 2020 £'000
Trade payables to associates of the Group		
Multi-lines International Company Ltd	**7,439**	9,588
Trade payables to companies owned by key management personnel		
Rani Investments	**–**	26
Ropley Properties Ltd	**371**	380
Triple Jersey Ltd	**1,066**	1,438
Total related party trade payables	**8,876**	11,432

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 27 March 2021 (2020: 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 lease commitments on the Arora related party properties are:

As at	**27 March 2021 £'000**	28 March 2020 £'000
Not later than one year	**16,444**	16,496
Later than one year and not later than two years	**15,796**	16,604
Later than two years and not later than five years	**39,730**	42,280
Later than five years	**59,264**	66,743
	131,234	142,123

See note 12 for further information on the Group's associates.

For further details on the transactions with key management personnel, see note 8 and the remuneration report.

28 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.

As at	**27 March 2021 £'000**	28 March 2020 £'000
Interest bearing loans and borrowings (note 21)	**737,496**	774,749
Less: Cash and short term deposits – overdrafts (note 18)	**(217,682)**	(427,277)
Net debt	**519,814**	347,472

29 Post balance sheet events

France imposed a new national lockdown on 3 April 2021, following a period of regional lockdowns. This has had a significant impact on our French store estate, with stores either closed or restricted as to which items they are permitted to sell. Whilst the impact on local sales is significant, the announcement was expected and the business was well prepared, maintaining healthy cash and stock positions with no additional funding required since year end.

The lockdown was lifted on 19 May 2021, and trading has been positive since this date.

The remainder of the business, representing more than 90% of our stores, is based in the UK and was unaffected by the lockdown. The overall impact to Group profit is therefore immaterial.

30 Dividends

Special dividends of 20.0 pence per share (£200.1m), 25.0 pence per share (£250.2m) and 15.0 pence per share (£150.1m) were declared in January 2021, November 2020 and March 2020 respectively. All were paid in the current year.

An interim dividend of 4.3 pence per share (£43.0m) was declared in November 2020 and has been paid.

A final dividend of 13.0 pence per share (£130.1m), giving a full year dividend of 17.3 pence per share (£173.1m), is proposed.

Relating to the prior year:
An interim dividend of 2.7 pence per share (£27.0m) was paid in December 2019 and a final dividend of 5.4 pence per share (£54.0m), giving a full year dividend of 8.1 pence per share (£81.0m), was paid in September 2020.

Notes to the consolidated financial statements

continued

31 Contingent liabilities and guarantees

As at 28 March 2020 and 27 March 2021, 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 £300m for the loans (2020: £502m), with the balance held in B&M European Value Retail Holdco 4 Ltd, and £400m (2020: £250m) for the notes, with the balance held in B&M European Value Retail S.A.

As at 28 March 2020 and 27 March 2021, 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 £6m (2020: £11m) with the balance held in Heron Foods Ltd.

32 Directors

The directors that served during the period were:

Peter Bamford (Chairman)
S Arora (CEO)
A Russo (CFO) (appointed on 16 November 2020)
R McMillan
T Hall
C Bradley
G Petit
P McDonald (CFO) (retired 15 November 2020)

All directors served for the whole period except where indicated above.

Financial Statements

Independent Auditor's Report

To the Shareholders of B&M European Value Retail S.A. 68-70, Boulevard de la Pétrusse L-2320 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 2021, and the profit and loss account for the year then ended, and 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 2021 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 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 the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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 but does not include the annual accounts and our report of the "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 and Those Charged with Governance 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 overseeing the Company's financial reporting process.

Independent Auditor's Report

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 the "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 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 Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism 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 the 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 the "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 the "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, actions taken to eliminate threats or safeguards applied.

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 Shareholders on 18 September 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is five years.

The management report on pages 90 to 95 of the Annual Report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

Luxembourg, 2 June 2021

KPMG Luxembourg
Société cooperative
Cabinet de révision agréé
Thierry Ravasio

Financial Statements

Company profit and loss account

for the financial year ended 31 March 2021

	Notes	31 March 2021 £	31 March 2020 £
Raw materials and consumables and other external expenses			
Other external expenses	8	**(4,852,505)**	(2,126,681)
Staff costs	9		
Wages and salaries		**(248,586)**	(285,286)
Social security costs			
relating to pensions		**(12,812)**	(16,434)
other social security costs		**(8,042)**	(10,231)
Value adjustments			
In respect of formation expenses and of tangible and intangible assets		**–**	(7,309)
Other operating expenses	10	**(1,470,968)**	(1,157,579)
Income from participating interests	11		
Derived from affiliated undertakings		**633,300,000**	212,145,459
Other interest receivable and similar income	12		
Derived from affiliated undertakings		**17,596,604**	10,795,788
Other interest and similar income		**1,300,441**	63,618
Interest payable and similar expenses	13		
Other interest and similar expenses		**(16,847,735)**	(10,526,476)
Tax on profit or loss	14	**–**	–
Profit or loss after taxation		**628,756,396**	208,874,868
Other taxes not included in the previous caption	14	**(2,134)**	(4,268)
Profit or loss for the financial year		**628,754,262**	208,870,600

Company balance sheet

as at 31 March, 2021

	Notes	31 March 2021 £	31 March 2020 £
Fixed assets			
Financial assets	3		
Shares in affiliated undertakings		**2,624,999,999**	2,624,999,999
Other loans		**5,467**	–
		2,625,005,467	2,624,999,999
Current assets			
Debtors			
Amounts owed by affiliated undertakings	4		
becoming due and payable within one year		**521,637,888**	433,588,268
Other debtors	5		
becoming due and payable within one year		**325,200**	4,892,539
		521,963,089	438,480,807
Cash at bank and in hand		**140,585**	60,098
Total assets		**3,147,109,140**	3,063,540,904
Equity	6		
Subscribed capital		**100,081,969**	100,058,290
Share premium account		**2,473,832,360**	2,473,803,467
Reserves			
Legal reserve		**10,010,000**	10,010,000
Profit or loss for the financial year		**628,754,262**	208,870,600
Profit or loss brought forward		**18,225,651**	40,515,885
Interim dividends		**(493,361,441)**	(177,102,880)
		2,737,542,801	2,656,155,361
Creditors	7		
Debenture loans			
Non-convertible loans			
becoming due and payable within one year		**3,020,833**	1,718,750
becoming due and payable after more than one year		**400,000,000**	250,000,000
Trade creditors			
becoming due and payable within one year		**92,602**	1,075,965
Amounts owed to affiliated undertakings			
becoming due and payable within one year		**6,266,338**	4,407,949
Other creditors			
Tax authorities		**9,284**	17,599
Social security authorities			
Dividend payable		**–**	150,087,435
Other creditors			
becoming due and payable within one year		**177,282**	77,845
		409,566,339	407,385,543
Total equity and liabilities		**3,147,109,140**	3,063,540,904

The accompanying notes form an integral part of these annual accounts

Financial Statements

Notes to the annual accounts

for the financial year ended 31 March 2021

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 the Grand-Duchy of Luxembourg, in particular the law of 10 August 1915 on commercial companies, as amended.

An extraordinary general meeting of the shareholders of the Company was held on 3 December 2020 to amend the articles of association of the Company (the "Articles") and provide for the compulsory conversion all the ordinary registered shares representing the share capital of the Company into dematerialised shares. The board of directors of the Company (the "Board of Directors"), acting on the basis of article 7 of the law of 6 April 1993 on dematerialised securities has appointed LuxCSD 42 avenue JF Kennedy, L-1855 Luxembourg as settlement organisation with effect as from 10 December 2020 and all the dematerialised shares are held in a single issuance account held with LuxCSD with interests in those shares ultimately being credited to Euroclear UK & Ireland Limited (or its nominee) as the depository for the benefit of the holders of Crest Depository Interests in respect of those shares.

The Company's shares being listed on the premium listing segment of the London Stock Exchange, the Articles were also amended in order to maintain, as far as practicable, the regulatory and legal provisions applicable to the Company in relation to Takeover Rules and Transparency Disclosures Requirements after Brexit.

The Articles of association of the Company were further amended during the financial year under review further to the issue of new shares by the Board of Directors, acting on the basis of Article 5.2 of the Articles setting an authorised share capital. The new shares were issued to employees and former Chief Financial Officer of the Group in the frame of the Company's Restricted Stock Awards Plan and Long Term Incentive Plan.

The Company is registered with the Luxembourg Trade and Companies Register under number B 187.275 and its registered office is established in Luxembourg City. The financial year starts on 1 April each year and ends on 31 March the following year. The Company also prepares consolidated financial statements.

The Company's purpose is to acquire and hold interests, directly or indirectly, in any form whatsoever, in other Luxembourg or foreign entities, by way of, among others, subscription or acquisition of (i) any securities and rights through participation, contribution, underwriting, firm purchase or option, negotiation or in any other way, or of (ii) debt instruments in any form whatsoever, and to administrate, develop and manage such holding of interests.

The Company may in particular enter into transactions to borrow money in any form or to obtain any form of credit and raise funds through, including, but not limited to, the issue of shares, bonds, notes, promissory notes, certificates and other debt instruments or debt securities, convertible or not, or the use of financial derivatives. The Company may also enter into any guarantee, pledge or any other form of security agreement.

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 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.

Notes to the annual accounts

continued

for the financial year ended 31 March 2021

2 Summary of significant accounting policies and valuation methods continued

Significant accounting policies and valuation methods

The main accounting policies and valuation rules applied by the Company are the following.

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 as 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 Great Britain 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 (the "historical exchange rate").

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 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 relevant financial 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 at 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

Bond 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.

3 Financial assets

The undertaking in which the Company holds interests is as follows:

Undertaking's name	Registered office	Percentage of holding	Net equity as at 31 March 2021 £	Net result for the financial year ended 31 March 2021 £	Net book value as at 31 March 2021 £
B&M EVR 1*	Luxembourg	100%	**646,878,136**	**633,301,104**	**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 annual accounts of B&M EVR 1 have yet to be closed by its Managers and as such the amounts are unaudited.

On 10 November 2020 an interim dividend of GBP 293 million was declared and distributed by B&M EVR 1 to the Company.

On 6 January 2021 an interim dividend of GBP 200 million was declared and distributed by B&M EVR 1 to the Company.

On 21 March 2021 an interim dividend of GBP 140 million was declared and distributed by B&M EVR 1 to the Company.

4 Amount owed by affiliated undertakings

	March 2021 £	March 2020 £
Becoming due and payable within one year:		
B&M European Value Retail Holdco 4 Ltd. ("B&M Holdco 4")	**518,464,555**	256,769,518
B&M European Value Retail 1 S.à.r.l. ("B&M EVR 1") – Dividend receivable	**–**	175,000,000
Accrued income in relation to intercompany loan agreements (interest receivable)	**3,173,333**	1,818,750
Total	**521,637,888**	433,588,269

The amounts owed by B&M Holdco 4 are interest bearing (Note 12) and payable on demand. Where interest is calculated it has been done on an arm's length basis.

5 Other debtors

	March 2021 £	March 2020 £
Becoming due and payable within one year:		
Deferred consideration in respect of the sale of Bedford DC Investment Ltd **(Note 5.1)**	**–**	4,673,860
Prepaid VAT	**38,250**	–
Prepaid income and net wealth taxes	**1,057**	11,848
Other advances	**285,893**	206,831
Total	**325,200**	4,892,539

Note 5.1 On 6 March 2020 as part of the transaction comprising the sale of the subsidiary Bedford DC Investment Ltd the Company recognised a deferred consideration in respect of a VAT receivable previously recognised in that company and for which the purchaser has agreed to pass through to the company on receipt. The final amount received was £4,645,070 in June 2020.

Notes to the annual accounts
continued

for the financial year ended 31 March 2021

6 Capital and reserves

Subscribed capital and share premium account

As at 31 March 2021, the issued share capital of the Company is set at GBP 100,081,968.80 divided into 1,000,819,688 ordinary shares with a nominal value of GBP 0.10 each and the unissued but authorised share capital is set at GBP 297,140,253.40. The Company's share capital is represented by only one class of (ordinary) shares.

During the financial year, share options reported under the annual accounts in previous years 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, 236,790 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.

Movements for the period on the reserves and profit/loss captions are as follows:

	Share premium and similar premiums £	Legal reserve £	Profit or loss brought forward £	Profit for the financial period £	Interim dividends £	Total £
As at the beginning of the financial year	2,473,803,467	10,010,000	40,515,885	208,870,600	(177,102,880)	2,556,097,071
Allocation of prior period's result	–	–	208,870,600	(208,870,600)	–	–
Allocation of legal reserve	–	–	–	–	–	–
Proceeds from share options	28,893	–	(22,574)	–	–	6,319
Allocation of dividends	–	–	(177,102,880)	–	177,102,880	–
Final dividend	–	–	(54,035,379)	–	–	(54,035,379)
Interim dividend (November 2020)	–	–	–	–	(293,214,812)	(293,214,812)
Special dividend (January 2021)	–	–	–	–	(200,146,629)	(200,146,629)
Profit for the financial year	–	–	–	628,754,262	–	628,754,262
As at the end of the financial year	2,473,832,360	10,010,000	18,225,651	628,754,262	(493,361,441)	2,637,460,832

On 11 November 2020 the Board of Directors unanimously approved the distribution of an interim dividend of 29.3 pence per ordinary share, being a total aggregate distribution of GBP 293,214,812.07 paid by the Company on 4 December 2020.

On 6 January 2021 the Board of Directors unanimously approved the distribution of a special dividend of 20.0 pence per ordinary share, being a total aggregate distribution of GBP 200,146,629.40 paid by the Company on 29 January 2021.

Legal reserve

In accordance with article 710-23 of the Luxembourg law on commercial companies 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.

7 Creditors

Amounts due and payable for the accounts shown under "Debenture loans" are as follows:

	Within one year GBP	After one year and within five years GBP	After more than five years GBP	**March 2021 GBP**	March 2020 GBP
Debenture Loans					
Non-convertible loans – Bonds interest	3,020,833	–	–	**3,020,833**	1,718,750
Non-convertible loans – Bonds principal	–	400,000,000	–	**400,000,000**	250,000,000
	3,020,833	400,000,000	–	**403,020,833**	251,718,750

On 13 July 2020, the Company issued GBP 400,000,000 3.625% Senior Secured Notes (the "Notes") which are due on 15 July 2025. Interest on the Notes is paid semi-annually in arrears on 15 January and 15 July each year, commencing on 15 January 2021. The Notes 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 2014/65/EU on markets in financial instruments. The Euro MTF Market falls within the scope of Regulation (EU) 596/2014 on market abuse and the related Directive 2014/57/EU on criminal sanctions for market abuse.

The Company may redeem the Notes in whole or in part at any time on or after 15 July 2022, in each case, at the redemption prices set out in the Offering Circular.

Prior to 15 July 2022, the Issuer will be entitled to redeem, at its option, all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, plus a "make-whole" premium, as described in this Offering Circular.

Prior to 15 July 2022, the Issuer may, at its option, and on one or more occasions, also redeem up to 40% of the original aggregate principal amount of the Notes with the net proceeds from certain equity offerings. Additionally, the Issuer may redeem the Notes 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 Issuer may be required to repurchase all or any portion of the Notes at 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of such repurchase.

The Notes are senior obligations of the Company, guaranteed on a senior basis by its various affiliated companies.

On 13 July 2020, the Company redeemed the previously issued GBP 250,000,000 4.125% Senior Secured Notes (the "Former Notes") which were due on 1 February 2022. An early redemption fee of £2,577,500 was incurred and paid at that date.

Other amounts due and payable for the accounts shown under "Creditors" are as follows:

	Within one year GBP	After one year within five GBP	After more than five years	**March 2021 GBP**	March 2020 GBP
Trade creditors					
Suppliers	13,808	–	–	**13,808**	121,286
Suppliers – Invoices not yet received **(Note 7.1)**	78,794	–	–	**78,794**	954,679
	92,602	–	–	**92,602**	1,075,965
Amounts owed to affiliated undertakings B&M EVR 2 **(Note 7.2)**	6,266,338	–	–	**6,266,338**	4,407,949
Other creditors					
Tax authorities					
Corporate income tax	2,541	–	–	**2,541**	2,541
Net wealth tax	4,103	–	–	**4,103**	12,621
Other taxes	2,640	–	–	**2,640**	2,437
	9,284	–	–	**9,284**	17,599
Dividend payable	–	–	–	**–**	150,087,435
Other creditors	177,282	–	–	**177,282**	77,845
Total	6,545,506	–	–	**6,545,506**	155,666,793

Note 7.1 The balance of suppliers' invoices not yet received during the financial year ended 31 March 2021 relates mostly to audit fees (31 March 2020: were related to the sale of Bedford and audit fees accrued.)

Note 7.2 Dividend payments in GBP received by the Company on behalf of B&M EVR 2.

Notes to the annual accounts
continued

for the financial year ended 31 March 2021

8 Other external expenses

	March 2021 £	March 2020 £
Advisory and consultancy fees	**254,522**	211,718
Fees relating to the sale of Bedford	**–**	650,000
Fees relating to refinancing of Bond debt	**3,502,988**	–
Marketing, communication and travel expenses	**115,975**	261,069
Staff recruitment expenses	**19,983**	42,777
Accounting and administrative fees	**181,006**	167,474
Audit fees	**92,173**	73,000
Government regulatory fees	**112,581**	103,509
Stock exchange fees	**164,003**	134,153
Rentals	**46,978**	45,787
Repairs and maintenance	**8,520**	8,385
Others	**353,775**	428,809
Total	**4,852,505**	2,126,681

9 Staff costs

As at 31 March 2021, the Company employed one part time employee and one full time employee. (2020: one part time and 2 full time)

10 Other operating expenses

	March 2021 £	March 2020 £
Director fees	**612,508**	652,097
Non-deductible VAT	**825,501**	505,093
Others	**32,959**	389
Total	**1,470,968**	1,157,579

11 Income from participating interests

	March 2021 £	March 2020 £
Derived from affiliated undertakings:		
Dividend income **(Note 11.1)**	**633,300,000**	175,000,000
Sale of Bedford warehouse	**–**	37,145,459
Total	**633,300,000**	212,145,459

Note 11.1 Dividend income relates to dividends distributed by B&M EVR 1.

12 Other interest receivable and similar income

	March 2021 £	March 2020 £
Derived from affiliated undertakings **(Note 12.1)**		
Interest recharge	**14,090,771**	10,795,788
Other income	**3,505,833**	–
	17,596,604	10,795,788
Other interest and similar income		
Realised foreign exchange gain	**1,300,441**	43,594
Other income	**–**	20,024
	1,300,441	63,618
Total	**18,897,045**	10,859,406

Note 12.1 The Company and its UK and Luxembourg affiliates have entered into a Management Services Agreement ("MSA"). Included in the provisions of this MSA was the right for the Company to charge or be charged with interest on any intercompany balances held with affiliates outside of Luxembourg ("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 a quarterly basis.

13 Interest payable and similar expenses

	March 2021 £	March 2020 £
Other interest and similar expenses:		
Interest expense on bonds payable **(Note 7)**	**13,301,910**	10,312,500
Realised foreign exchange loss	**968,325**	205,887
Others	**2,577,500**	8,089
Total	**16,847,735**	10,526,476

14 Taxation

The Company is subject to the general tax regulation applicable to all Luxembourg commercial companies.

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 open 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 Plan (CSOP)
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 2018B
6. The B&M European Value Retail S.A. Long Term Incentive Plan 2019, split into three; (i) LTIP 2019A (ii) LTIP 2019B1 (iii) LTIP2019B2
7. The B&M European Value Retail S.A. Deferred Benefit Share Plan 2019 (DBSP19)
8. The B&M European Value Retail S.A. Long Term Incentive Plan 2020, split into two; (i) LTIP 2020A (ii) LTIP 2020B1

Notes to the annual accounts
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15 Off balance sheet commitments and contingencies continued

CSOP

The CSOP scheme includes 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.

Scheme	Date of grant	Date of vesting	Exercise price pence	Fair value of option £	Number of options outstanding at 31 March 2020	Number of options granted/ (forfeited or lapsed) in the year	Number of options exercised in the year	**Number of options outstanding at 31 March 2021**
CSOP	1 Aug 2014	1 Aug 2017	271.5	0.83	11,049	–	(11,049)	**–**

All CSOP schemes have fully vested.

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, LTIP 2018A, LTIP 2019A and LTIP 2020A 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 all 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 schemes awarded 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.

The options were valued using a Monte Carlo method.

All LTIP options have a nil exercise price.

Scheme/Tranche	Date of grant	Date of vesting	Fair value of option £	Number of options outstanding at 31 March 2020	Number of options granted/(forfeited or lapsed) in the year	Number of options exercised in the year	**Number of options outstanding at 31 March 2021**
LTIP 2015 / EPS	5 Aug 2015	5 Aug 2018	3.41	31,477	–	(31,477)	**–**
LTIP 2015 / TSR	5 Aug 2015	5 Aug 2018	2.10	40,616	–	(40,616)	**–**
LTIP 2016 / EPS	18 Aug 2016	18 Aug 2019	2.54	70,982.5	–	–	**70,982.5**
LTIP 2016 / TSR	18 Aug 2016	18 Aug 2019	1.64	122,385.5	–	–	**122,385.5**
LTIP 2017A / EPS	7 Aug 2017	7 Aug 2020	3.51	40,610	(22,539)	–	**18,071**
LTIP 2017A / TSR	7 Aug 2017	7 Aug 2020	2.72	40,610	(13,053)	–	**27,577**
LTIP 2018A / EPS	22 Aug 2018	22 Aug 2021	4.09	244,718.5	17,293.5	–	**262,012**
LTIP 2018A / TSR	22 Aug 2018	22 Aug 2021	2.40	244,718.5	17,293.5	–	**262,012**
LTIP 2019A / EPS	2 Aug 2019	2 Aug 2022	3.61	271,922.5	(12,289.5)	–	**259,633**
LTIP 2019A / TSR	2 Aug 2019	2 Aug 2022	2.51	271,922.5	(12,289.5)	–	**259,633**
LTIP 2020A / EPS	30 Jul 20	30 Jul 2020	4.64	–	157,438.5	–	**157,438.5**
LTIP 2020A / TSR	30 Jul 20	30 Jul 2020	4.09	–	157,438.5	–	**157,438.5**
LTIP 2017B1	7 Aug 2017	7 Aug 2020	3.61	263,855	(115,188)	(75,000)	**73,667**
LTIP 2017B2	14 Aug 2017	14 Aug 2020	3.60	93,629	(16,050)	(64,200)	**13,379**
LTIP 2018B1	23 Jan 2018	23 Jan 2021	4.00	16,856	(2,408)	(14,448)	**–**
LTIP 2018B2	23 Jan 2018	23 Jan 2021	4.06	245,397	(10,638)	–	**234,759**
LTIP 2019B1	2 Aug 2019	2 Aug 2022	3.48	392,521	2,934	–	**395,455**
LTIP 2019B2	18 Sept 2019	18 Sept 2022	3.73	2,847	316	–	**3,163**
LTIP 2020B1	30 Jul 20	30 Jul 2020	4.63	–	300,724	–	**300,724**

LTIP 2015/EPS, LTIP 2015/TSR and LTIP 2018B1 have been fully exercised.
LTIP 2016 and LTIP 2017A have vested and are in a two year holding period.
LTIP 2017B1 and 2017B2 have vested and are available to exercise.

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
CSOP (1/8/14)	2.23%	6.5	N/A	0%
LTIP 2015 / EPS	0.92%	5	24%	1%
LTIP 2015 / TSR	0.92%	5	24%	1%
LTIP 2016 / EPS	0.09%	5	26%	2%
LTIP 2016 / TSR	0.09%	5	26%	2%
LTIP 2017A / EPS	0.52%	5	32%	1%
LTIP 2017A / TSR	0.52%	5	32%	1%
LTIP 2018A / EPS	0.97%	5	29%	0%
LTIP 2018A / TSR	0.97%	5	29%	0%
LTIP 2019A / EPS	0.37%	5	31%	0%
LTIP 2019A / TSR	0.37%	5	31%	0%
LTIP 2020A / EPS	-0.11%	5	48%	0%
LTIP 2020A / TSR	-0.11%	5	48%	0%
LTIP 2017B1	0.25%	3	32%	1%
LTIP 2017B2	0.25%	3	32%	1%
LTIP2018B1	0.25%	3	32%	1%
LTIP2018B	0.25%	3	30%	0%
LTIP2019B1	0.47%	3	30%	0%
LTIP2019B2	0.47%	3	30%	0%
LTIP2020B1	-0.12%	3	39%	0%

DBSP

The Defined Benefit Share Plan (DBSP) is a holding scheme where a portion of the executive directors annual bonus is deferred into a share option holding scheme where the options are held for three years before they can be exercised.

As such these are valued at the portion of the bonus which has been deferred. This scheme also attracts the additional dividend related grants as detailed above for the post 2018 LTIP schemes.

All DBSP options have a nil exercise price.

Scheme/Tranche	Date of grant	Date of vesting	Fair value of option £	Number of options outstanding at 31 March 2020	Number of options granted/(forfeited or lapsed) in the year	Number of options exercised in the year	**Number of options outstanding at 31 March 2021**
DBSP 2019	4 Jun 2019	4 Jun 2022	N/A	61,008	6,912	–	**67,920**
DBSP 2020	30 Jun 2020	30 Jun 2023	N/A	–	50,748	–	**50,748**

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) 14 July 2020, 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 2021 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).

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for the financial year ended 31 March 2021

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 2021 £	March 2020 £
Director fees paid to the non-executive directors of the Group	**602,392**	507,293
	602,392	507,293

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

The executive directors are remunerated through other Group companies.

17 Subsequent events

As per a resolution taken on 2 June 2021, the Board of Directors decided to change the registered address of the Company from 9, Allée Scheffer, L-2520, Luxembourg to 68-70 Boulevard de la Pétrusse, L-2320, Luxembourg with effect as from 31 May 2021.

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 2 June 2021 and signed on its behalf by:

Simon Arora
Chief Executive Officer

Alejandro Russo
Chief Financial Officer

Corporate directory

Registered Office & Company Number
B&M European Value Retail S.A.
68-70, Boulevard de la Pétrusse
L-2320 Luxembourg
Grand-Duchy of Luxembourg
R.C.S. Luxembourg: B 187275

Tel: +352 246 130 208
www.bandmretail.com

Registrars
Banque Internationale à Luxembourg S.A.
69, Route d'Esch
L-2953 Luxembourg

Tel: +352 4590 5000
www.bil.com

Central Securities Depositary
LuxCSD S.A.
42, Avenue J-F Kennedy
L-1855 Luxembourg
Grand-Duché de Luxembourg

www.luxcsd.com

Listing
The ordinary shares of B&M European Value Retail S.A. are listed with a premium listing on the London Stock Exchange.

Auditor
KPMG Luxembourg Société Coopérative
39, Avenue John F. Kennedy
L-1855 Luxembourg

Tel: +352 22 51 51 1
www.kpmg.com/lu

Joint Brokers
BofA Securities
2 King Edward Street
London EC1A 1HQ

Tel: +44(0)20 7628 1000
www.baml.com

Numis Securities
10 Paternoster Square
London EC4M 7LT

Tel: +44(0)270 7260 1000
www.numis.com

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L-2320 Luxembourg
Grand-Duchy of Luxembourg

R.C.S. Luxembourg: B 187275

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