



The UK's leading variety goods value retailer

B&M European Value Retail S.A.
Annual Report and Accounts 2022

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**

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Financial highlights

Excellent operational execution consolidates two-year growth in sales and profit.

Group revenues
£4,673m
 (2.7)%

2022	4,673
2021	4,801
2020	3,813

Profit before tax
£525m
 (0.1)%

2022	525
2021	525
2020	252

Cash generated from operations
£598m
 (36.7)%

2022	598
2021	944
2020	540

Adjusted EBITDA¹
£619m
 (1.2)%

2022	619
2021	626
2020	342

Diluted earnings per share
42.1p
 (1.4)%

2022	42.1
2021	42.7
2020	19.5

Ordinary dividend per share
16.5p
 (4.6)%

2022	16.5
2021	17.3
2020	8.1

Operational highlights

Retention of new customers



In FY22, the **B&M UK business** retained many of the new customers who discovered the brand during the prior year. With **two-year like-for-like sales growth of 13.0%** compared to FY20, sales densities remain significantly higher than pre-pandemic levels.

➔ See **Feature** on **page 14** for more information

Excellent progress in France



Our **French business** made significant progress in FY22, with all stores now under the B&M fascia, a strong customer response to new product ranges and a 9.2% adjusted EBITDA¹ margin for the year.

➔ See **Chief Executive Officer's review** on **page 16** for more information

Resilient supply chain



The **B&M business model** of directly sourcing a limited assortment within each product range proved **highly resilient** to the global supply chain disruption in FY22. This helped the business to deliver highly successful seasonal ranges in Gardening and Christmas.

➔ See **Feature** on **page 12** for more information

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. Underlying performance has been determined so as to align with how the Group financial performance is monitored on an ongoing basis by management. In particular, this reflects certain adjustments being made to consider an adjusted EBITDA measure of performance. Adjusted EBITDA is a non-IFRS measure and therefore we provide a reconciliation from the statement of comprehensive income on page 21.

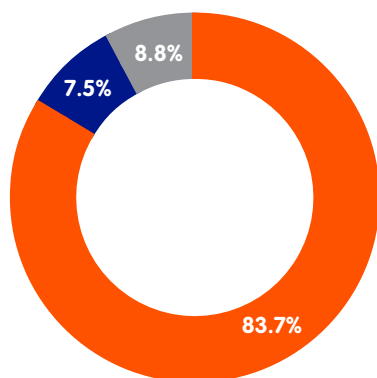
Company overview

We are the UK's leading variety goods value retailer, providing customers with a limited assortment of the best-selling items at bargain prices

Our fascias

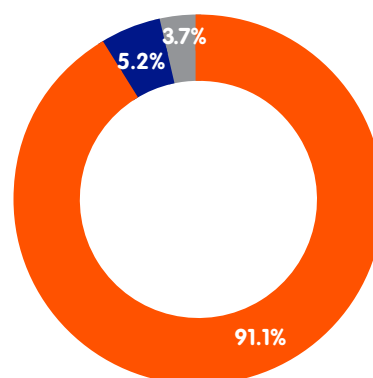


FY22 performance by fascia



Revenue by fascia

B&M UK	£3,909m
B&M France	£353m
Heron Foods	£411m
Group	£4,673m



Adjusted EBITDA³ by fascia

B&M UK	£564m
B&M France	£32m
Heron Foods	£23m
Group	£619m

1. Includes the corporate segment.

2. Includes colleagues at the French support centre, and those working in stores operated directly by the Group. Those colleagues working in stores operated under the Mandated Manager model are employed directly by the Manager of each store, and are therefore not employees of the Group and so 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 as described in Note 1. The B&M UK adjusted EBITDA shown above includes an adjusted profit of £1m in FY22 (FY21: loss of £12m) relating to the corporate segment as referred to in Note 2 of the financial statements. The corporate segment also has a further £13m (FY21: £13m) of adjusting items which are excluded from the definition of adjusted EBITDA. For further detail, see Note 3 of the financial statements and the reconciliation on page 21.

Long term strategy

Our four strategic pillars aim to deliver sustainable growth

1

**Deliver
great value
to our customers**

2

**Invest in
new stores**

3

**Develop our
international
business**

4

**Invest in our
people and
infrastructure**

Progress in FY22

Our business model of sourcing a limited range of the best-selling products at everyday low prices has continued to prove a compelling proposition for customers. In the core B&M UK business, the two-year like-for-like sales performance compared to pre-pandemic levels of FY20 suggests that we have been successful in retaining a large number of the new customers who discovered B&M during FY21.

The pandemic has continued to influence consumer spending patterns, with ranges such as Homewares and Furniture remaining strong. Seasonal categories such as Gardening and Christmas were also particularly successful and saw very strong levels of sell-through.

The B&M UK business opened 34 gross new stores and ended the financial year with a total of 701 stores. We continue to target larger premises in convenient out of town retail parks, ideally with space for a garden centre, and also take the opportunity to relocate older existing stores to a more attractive location in the same catchment area where possible.

In Heron Foods, we opened 16 gross new convenience stores. In France, although the priority has been to re-brand the existing estate from the legacy "Babou" fascia, we also opened 4 gross new stores during the year.

FY22 was a year of significant progress in France as we look to create a platform for further growth. Evolution of the product range has seen a further reduction in Clothing and increase in General Merchandise, with a very encouraging response from the French consumer.

The fascia re-branding programme is also complete, with all stores now branded "B&M", and this has complemented a change in the internal layout of the stores to help deliver a better customer experience. These strategic changes, together with a clear focus on improved operational execution, helped to deliver a strong financial performance in FY22.

We made targeted investments in Transport & Distribution colleague pay rates this year, to ensure we remain competitive in a tight supply market.

Developing our colleagues remains an integral part of the Group's success, for example through the well-established "Step Up" programme for store managers and a new "Warehouse to Wheels" initiative aimed at training new HGV drivers.

The rolling programme of upgrading our existing store estate continued, and there has been investment in IT infrastructure to underpin the ongoing growth of the Group.

➔ See page 15
for more information

➔ See page 18
for more information

➔ See page 18
for more information

➔ See page 19
for more information

Performance in FY22

Group total revenue growth

(2.7)%

B&M UK two-year LFL¹
revenue growth

13.0%

➔ See Principal risks numbers
2 and 3 on pages 28 and 29

B&M UK gross new stores

34

Heron Foods
gross new stores

16

➔ See Principal risks numbers
1 and 11 on pages 27 and 34

B&M France revenue growth

14.2%

B&M France adjusted
EBITDA² margin

9.2%

➔ See Principal risks numbers
1, 3 and 6 on pages 27, 29
and 31

Kickstart programme intake

3,000

New retail jobs created
in the UK

>650

➔ See Principal risks numbers
1 and 3 on pages 27 and 29

Looking ahead

The rising cost of living is likely to place additional strain on household budgets and make value for money even more important when consumers are deciding where to shop.

We will retain our relentless focus on providing the right products at disruptive prices, whilst remaining well-attuned to changing customer preferences.

We expect to open approximately 40 gross new B&M UK stores in FY23, and remain committed to our long term target of at least 950. However, this rollout potential is looking increasingly conservative given recent performance.

In Heron Foods, we expect to open approximately 15 gross new stores, with a similarly paced rollout in future years.

The progress of the French business in FY22 has given us the confidence to begin a store rollout programme. The pace of this rollout will be very considered, with approximately 6 new stores added in FY23. We are also exploring what a company-operated store model could look like, with further trials of this format planned for FY23 alongside the existing mandated manager model.

By opening new stores, we continue to have a positive impact on local communities through job creation.

We will continue supporting colleague development to help attract and retain colleagues across the Group.

The existing Transport & Distribution infrastructure remains well-invested with no large scale capital expenditure required in the near term.

- Two-year like-for-like revenues relate to the B&M UK estate only, and includes each store's revenue for that part of the current period that falls at least 26 months after it opened compared with its revenue for the corresponding part of FY20.
- The Directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. EBITDA, adjusted EBITDA and Adjusted Profit are non-IFRS measures and therefore we provide a reconciliation from the statement of comprehensive income. See the reconciliation of adjusted measures to statutory measures on page 21 for further details. EBITDA represents profit on ordinary activities before net finance costs, taxation, depreciation and amortisation.

Well positioned for sustainable long term growth

The B&M Group is a variety goods
value retailer with attractive
investment characteristics.



1. Favourable market positioning

The B&M Group has 701 B&M variety goods stores and 311 Heron Foods value convenience stores located across the UK, plus a further 107 variety goods stores in France. Our stores are typically located in convenient locations that are easily accessible by customers.

We have a modest c1.5% share of a very large UK market in relation to the range of products we sell, but have continued to perform strongly across our chosen categories in both Grocery and General Merchandise. In particular, our two-year like-for-like performance versus pre-pandemic levels of FY20 suggests that we have retained much of the market share gains made during the Covid-19 pandemic.

By providing customers with everyday great value on the products they want, we believe they will keep returning to our stores. The structural shift towards value retailing in the UK, and the potential for this to become increasingly relevant given current macroeconomic inflationary pressures, means that we remain well positioned to grow sustainably over the long term.

➔ See **Market overview** on page 10 for more information

2. Disruptive, agile and low-cost business model

The B&M business model is based around only offering a limited assortment of products, sourcing directly from brands and manufacturers, and keeping our operations simple to maintain a low cost base. This discipline allows us to pass savings on to customers through our value pricing.

Our stores provide a range of best selling products across a number of Grocery and General Merchandise categories, with a constant stream of new items every week encouraging a “treasure hunt” shopping experience which customers find attractive.

The combination of value, convenience and variety is a distinctive proposition which resonates well with customers who either need or just enjoy a bargain, and often leads to impulse purchases. By offering great products at great prices in both everyday and seasonal categories, this keeps customers returning to our stores throughout the year.

➔ See **Business model** on page 6 for more information

3. Attractive financial returns

The Group has a track record of consistently growing revenues through new store rollout and like-for-like¹ sales growth. In FY22, the core B&M UK business has maintained sales and profit significantly above pre-pandemic levels of FY20, with sales up 13.0% on a two-year basis and adjusted EBITDA² up some 80.8% over that time.

New store openings continue to produce strong returns. With a short capital investment payback period and profit contribution that typically exceeds the company average, the ongoing rollout programme is accretive to Group adjusted EBITDA² margins.

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 2.25x³. The Group has remained very cash generative, enabling it to make additional cash returns to shareholders in recent years. A special dividend payment of 25.0p per share was made in FY22, following 45.0p of special dividends paid in FY21. Over the period since IPO in June 2014 to March 2022 the Group has generated a total shareholder return of over 197%.

➔ See **Financial Review** on page 20 for more information

4. Significant growth potential

Our target of at least 950 B&M stores in the UK means that we have a substantial runway for further expansion from our current base of 701 stores. This long term target looks increasingly conservative given the increase in sales densities over the past two financial years, plus potential space opportunities in the future created by other retailers exiting the market or downsizing their bricks and mortar store estates.

As the appeal of B&M continues to broaden, there is potential to increase sales densities in our existing estate further by cementing our position as a destination retailer for General Merchandise alongside our core value credentials in Grocery.

Elsewhere in the UK, Heron Foods provides a platform for growth in the value convenience sector whilst in France, we have made excellent progress in developing the B&M proposition during FY22 and are increasingly confident that we can realise the significant potential which exists in that market.

➔ See **CEO's review** on page 16 for more information

1. Like-for-like revenues relate to the B&M UK estate only (excluding wholesale revenues) and include each store's revenue for that part of the current period that falls at least 14 months after it opened compared with its revenue for the corresponding part of FY21. 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 21 for further details. EBITDA represents profit on ordinary activities before net finance costs, taxation, depreciation and amortisation.
3. Group net debt to adjusted EBITDA is stated on a pre-IFRS 16 basis.

Business model

A disruptive, agile and low-cost business model capable of responding to changing conditions

Business strengths

Stakeholder outputs



Our business model is underpinned by:

Corporate social responsibility

➔ See **CSR report** on **page 36** for more information

Risk management

➔ See **Principal risks** on **page 26** for more information

Financial performance

➔ See **Financial review** on **page 20** for more information

Business strengths

- **Scale & convenience**

Our network of over 1,100 stores across the UK and France are found in convenient locations in modern retail parks, popular town centres and on high streets. They are located in places close to where people live and work, 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 a further 1 million sq ft of warehouse capacity to complement the existing B&M UK warehouses. In addition, Heron Foods and B&M France also have their own dedicated warehouses, meaning the Group is well positioned to continue our store rollout programme across all fascias and territories.

- **Strong brand reputation**

The B&M and Heron Foods names are established brands in the UK, having a strong reputation for delivering consistently

great value on the products people regularly buy for their homes and families. In a recent external customer survey, B&M was rated as the 9th most loved retail brand in the UK¹. In France, there is growing awareness of the B&M brand and the customer response to recent product changes has been very positive. With discount shopping continuing to become more socially accepted, there are opportunities to attract new customers whilst 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 across different teams and with an entrepreneurial flair in keeping with the B&M culture, we are able to provide customers with the products they want at value prices all year round.

- **Strong supplier relationships**

Maintaining our competitive value-led price model is also about developing strong long-term supplier relationships, who we regard very much as partners. Many of our suppliers have grown alongside us over several years, and they value our simple, transparent pricing and efficient way of working. With our focus on only stocking the best selling products, and constant newness an important feature of the proposition, this creates opportunities to welcome new suppliers in to our business.

- **Governance & risk management**

Our corporate governance and risk management approach is geared toward ensuring we have effective and robust structures and processes in place. Our Non-Executive Directors have many years of experience in retail and consumer product businesses. They provide constructive challenge to our management team to help ensure we operate our businesses and manage risk appropriately and in the interests of all stakeholders.

Stakeholder outputs

- **Value to customers**

Our purpose is about delivering great value to customers so they keep returning to our stores time and time again. Helping customers to 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. Given ongoing macroeconomic uncertainties and as society gradually recovers from the Covid-19 pandemic, value for money is likely to become increasingly important for many consumers in the years ahead, making the B&M proposition highly relevant.

- **Colleague progression**

Our colleagues are crucial to the ongoing success of the business, be that in our central support teams, those working in our logistics network, or store colleagues providing great customer service every day. 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. Our continued growth creates new job opportunities in the communities where we trade, and there are always progression opportunities for colleagues throughout the business to build long-term, successful careers.

- **Suppliers as partners**

The continued growth of B&M also benefits our suppliers. We have long-standing trading relationships with a number of the leading household brands across food and FMCG. We also have a number of exclusive brands and other branded General Merchandise product ranges. We are proud to partner with these brand names for the mutual success of our respective businesses. We are always interested in adding new brands to our ranges, and our continued growth gives potential for suppliers to grow alongside us, further strengthening these relationships.

- **Investment in communities**

Our store opening programmes target areas where we are under-represented or not represented at all, using our flexible store formats to suit the relevant locality. Each time we open a new store, we create new jobs in the local community whilst at the same time providing convenient access to our value-for-money offer. In doing so, we are proud to contribute to the revitalisation of communities where other retailers may have retrenched.

- **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 contribute to the sustainability of our business model, which enhances our ability to provide continued growth and attractive returns to investors.

Underpinned by our ESG strategy

1. Source: BrandVue 'Most Loved Retail Brands' Report 2022.

All-round progress and excellent execution in another unusual year



Peter Bamford
Chairman

A year ago I used words such as 'exceptional' and 'extraordinary' to describe the year which had just ended. At that time the vaccination programme was in full flow and many Covid restrictions were being lifted. We thought that life was returning to normal, but that was not the case and we are again reporting on a very unusual year with the pandemic and its after effects, together with other world events also continuing to impact on our customers, suppliers, and colleagues.

B&M has delivered another very strong financial performance. The underlying strength of our customer proposition – great products and prices at convenient store locations – has been consistently delivered by our robust supply chain. Although certain categories have continued to benefit from the side effects of lockdown measures (such as Homewares and Seasonal), the category performance has been broadly based across most departments. Sell through rates on our seasonal ranges have been exceptional and this has boosted gross

margin performance due to low markdowns. Whilst, as expected, like-for-like sales and Group profit have seen a slight decline versus FY21, they have shown major growth compared to pre-pandemic levels of FY20.

Once again, our people in every part of B&M have responded magnificently to the continually changing restrictions and challenges so that our customers have received the best value and service throughout the period.

The outlook remains very uncertain. The pattern of consumer spending and behaviour post-pandemic is yet to become clear, while world events are having wide implications on the availability and cost of key commodities. For the first time in decades we face rising inflation which may have a variety of implications. However, B&M's business model and proposition are robust and well-positioned. Our customers are facing rising prices and we will continue to do our best to provide exceptional value.

“Once again, our people in every part of B&M have responded magnificently to the continually changing restrictions and challenges.”

Strategic progress

In the UK we have continued to open new stores successfully and we continue to see the opportunity for at least 950 stores. For a variety of reasons the roll-out has slowed somewhat, but the performance of the newly opened stores continues to be strong, with stores opened over the past three financial years typically contributing a higher profit margin than the estate average. The optimum B&M format of a c20,000 sq ft store with a garden centre continues to deliver the strongest returns of all, providing a blueprint for future expansion.

In France we have generated EBITDA of £32m and our confidence that the B&M proposition can be successful continues to grow. We are now developing a plan for accelerating the roll-out of new stores from FY24 onwards.

We have continued to strengthen the overall operational capability across the Group with a number of appointments to middle and senior management and on-going investments in financial systems, IT and Supply Chain.

Environmental, Social and Governance (ESG)

The Board has also agreed our Environmental, Social and Governance strategy which is outlined on page 36 of this report, and discussed in more detail in our inaugural standalone report. This includes the appointment of the company's first Sustainability Manager and commitment to targets which comply with the Science Based Targets Initiative, as well as reporting under the Task Force on Climate-related Financial Disclosures for the first time.

Board Changes and Development

Our Board has continued to develop over the last year. Paula MacKenzie joined as a Non-Executive Director in November following the retirement of Giles Petit in July. Paula brings the additional perspective and experience of having been a recent leader of a large scale service business through her role as Managing Director of Kentucky Fried Chicken (Great Britain) Ltd. In addition, following his appointment as Chief Financial Officer, Alex Russo has brought a new dimension to that role as well as taking on additional responsibilities with the Group.

The Board has adapted well to the limitations resulting from the pandemic and has remained

effective over the last two years without the opportunity to have many physical meetings.

Our Annual Board Evaluation has given a very positive review of how the Board and its committees operate. While several areas for further discussion and focus were highlighted, no major items of concern were identified.

We note the publication by the Financial Conduct Authority of rules to require reporting of the representation of women and ethnic minorities on their boards, to allow investors to see the diversity of their senior leadership teams. The company is well placed to meet those requirements.

Subsequent to the year end, we have announced that Simon Arora intends to retire from his role as Chief Executive Officer in April 2023. I would like to thank Simon for his leadership over the past seventeen years. The remarkable growth of the business from its humble beginnings to where it is today reflects his exceptional passion, determination and ability. Over the last 3 years the management team has been strengthened significantly and the Group will continue to deliver its successful growth strategy and great value for its customers.

We have subsequently announced that Alex Russo, currently Chief Financial Officer, will succeed Simon as Chief Executive. Following an intensive process of assessment and external benchmarking during late April and May we concluded that Alex is the best person to lead B&M in the next phase of its development. In his 20 months as CFO Alex has brought new skills to the CFO role as well as added value more broadly with his commercial insight and operational management capability. He also has a deep understanding of the B&M model and the company's unique model. The exact timing of the handover process will be confirmed in due course. I will miss working with Simon when he steps down but I am also very much looking forward to working more closely with Alex.

Our Colleagues

As I commented above, everyone at B&M has contributed to the success of the last two years. Continually changing Covid restrictions and work practices, shifting customer behaviour, and a variety of pressures on supply chains all demanded flexibility, rapid responses and

additional workloads on an on-going basis. In recognition of these considerable efforts, we rewarded over 24,000 UK store and distribution colleagues with an extra weeks pay in January 2022.

Finally, I would like to thank all B&M's stakeholders for their engagement and support.

Peter Bamford

Chairman

30 May 2022

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

Taking share in a large and diverse store-based retail market

General trends

The structural shift towards value retailing over the last decade is an established feature of the market for both Grocery and General Merchandise goods in the UK and in France.



We believe this pattern of consumer behaviour will continue for the foreseeable future, driven initially by increasing awareness and social acceptance of discount shopping. As retailers, consumers and economies all emerge from the lasting effects of the pandemic, it is likely that the value retail market will become increasingly attractive to shoppers at a time when there are a number of macroeconomic inflationary pressures facing most consumers.

Whether people 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 for money prices and convenient store locations. This is particularly true of stores located in out of town retail parks, which are increasingly being regarded as “destination” visits in their own right and where overall footfall patterns have proved to be more robust during the pandemic.

Market position

At B&M, our purpose is to provide great value for money across a wide range of Grocery and General Merchandise products so that customers return to our stores time and time again. As such, we aim to take a small amount of market share in each of the categories in which we operate. We constantly monitor our price position versus competitors to ensure that we are always offering customers a compelling proposition.

By focusing only on the best selling products and adjusting ranges to meet changing demands, we offer customers the products they want at the best possible prices all year round. With a relentless approach to providing everyday low prices, and very limited promotional activity, customers trust our value for money credentials each time they visit a store.

In spanning many different categories, customers are able to shop a broad range of products in one store visit. Although customers are typically looking for specific purchases, be that everyday essentials or seasonal products, they will often also make impulse purchases as they browse around a store. This “treasure hunting” behaviour is encouraged by introducing around 100 new products to our stores every week, creating a fun and exciting shopping experience.

The B&M brand is becoming increasingly well known and loved. In a recent external customer survey, we were ranked the 9th most loved retail brand in the UK¹.



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.£295 billion in 2021². Even though we have attracted and retained a number of new customers over the past two years, our share of this market remains small at c.1.5%³, 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 would appear to be increasingly conservative given performance in FY22, where despite a return to more normalised trading conditions, we delivered significantly higher sales densities in our stores versus pre-pandemic levels. With a current estate of 701 B&M stores in the UK, there remains a long runway for further space expansion ahead of us, particularly in the south of England where we are currently under-penetrated.

Convenience food stores represent an important sub-sector of the UK retail market, worth c.£180 billion in 2021². Through Heron Foods, we are able to take advantage of this opportunity by providing consumers with easy local access to chilled, frozen and ambient food items at value prices. It has an attractive value proposition in a market which has been primarily dominated by the premium pricing models of other larger convenience store chains, with stores conveniently located in neighbourhoods, high streets and town centres close to where customers live.

Heron Foods has the potential to become significantly larger over the longer term as we continue to roll out new stores both within and beyond the north of England heartland where most are currently located.

Number of B&M UK stores

701

B&M UK stores target

950

B&M UK two-year LFL⁴ revenue growth

+13.0%

Share of UK store based market³

c1.5%

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.

FY22 has been a year of considerable progress in the French business. In particular, ongoing refinement of the product mix has delivered strong results, having reduced exposure to Clothing and Apparel whilst enhancing General Merchandise ranges such as Homewares. We also completed the fascia re-branding programme as planned, with all 107 stores in France now under the "B&M" banner.

Customer response to these changes has been extremely positive, with both financial and non-financial indicators suggesting that the B&M proposition can be successful in France.

Given both the size of the French market and the small market share which we currently have, there is a significant long term opportunity for the B&M store estate in France to become multiple times larger than it is today. Such expansion opportunity exists nationwide, and we aim to achieve it through careful organic growth over the coming years.



Competitive landscape

As a variety goods retailer, B&M has a wide range of competitors:

Supermarkets

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 specific categories such as DIY, Gardening, Furniture, Homewares, Electricals and Petcare, often representing a more premium price positioning.

Variety goods discounters

Retailers similar to B&M who sell a wide selection of Grocery and General Merchandise products at value prices.

The B&M customer proposition has an emphasis on household brands. We stock a targeted range of branded Grocery products, many of which are sourced directly from global food and FMCG suppliers, and also offer branded products within certain General Merchandise categories where those names are an important customer requirement.

In addition to our branded offering, we also carefully curate ranges of own label products in specific categories such as Homewares, Furniture and seasonal products. By leveraging our direct relationships with manufacturers in Asia, we are able to design and bring to market a wide selection of on-trend products quickly and cost effectively.

Competitive advantages

B&M's business model underpins our purpose of delivering great value to customers, and delivers the following competitive advantages:

SKU discipline

We maintain a strict approach to our limited assortment model, only offering the best selling products in any given category. This keeps our operations simple and agile, meaning we can respond quickly to changes in demand and customer trends.

Direct sourcing model

By sourcing direct from producers and manufacturers, we operate a short supply chain and are able to adapt quickly to changing circumstances, such as the global supply chain disruption seen in FY22. This complements our limited assortment model, making us an attractive partner for suppliers looking for growth.



Entrepreneurial culture

Simplicity, cost discipline and speed of decision making are all features of the business that help us to respond decisively to changes in our operating environment and continue being successful. Such culture has been an important factor behind our ability to navigate the challenges brought on by the pandemic over the past two years.

1. Source: BrandVue 'Most Loved Retail Brands' Report 2022.

2. Figures are based on external market research on the size of the relevant market in 2021. Market share is calculated by reference to UK revenues in FY22, whilst the market size estimate will include spend on categories where B&M and Heron Foods do not participate, but is presented here for illustrative purposes.

3. UK market share is calculated based on the reported revenues of B&M UK and Heron Foods.

4. Two-year like-for-like ("LFL") revenues relate to the B&M UK estate only, and includes each store's revenue for FY22 that falls at least 26 months after it opened compared with its revenue for FY20. Refer to footnote 3 of the Financial Review on page 23 for further details.



Overcoming supply chain challenges to deliver our best-ever Golden Quarter

“The business responded at speed to the well documented supply chain challenges throughout FY22, with our business model proving highly resilient.”

Simon Arora, CEO



A challenging year for retailers

The disruption seen in global supply chains throughout large parts of 2021 impacted all retailers, particularly those such as ourselves who import large volumes of product from Asia.

We were not immune to these challenges, but the business responded well to ensure that our stores remained stocked with the right products, in the right quantities and at the right time. In doing so, we demonstrated a number of strengths and proved that the B&M business model is extremely adaptable and capable of reacting at speed.

Direct sourcing model

By working directly with our suppliers, rather than through wholesalers or distributors, we are able to maintain a short and responsive supply chain. We regularly engage with our people on the ground in Asia, helping us to find out first-hand and quickly when local conditions are changing, for example with regards to shipping bottlenecks and production capacity constraints.

Strong supplier relationships

We regard all of our suppliers as partners, be that the large household brands or our supplier base in Asia who manufacture our private label General Merchandise goods, most of whom we have grown alongside for a number of years. In addition to our product suppliers, we also have a long-standing relationship with our shipping

line who transport large volumes of containerised stock for us each year. When conditions become more challenging, these strong relationships come to the fore and act as an important differentiator versus competitors.

Speed & simplicity

Complementing features of the business model such as those above is the culture of our business. The combination of skilled and empowered buying teams alongside speed of decision making means that we can respond rapidly and effectively when needed. This allows B&M to turn a challenge into an opportunity, maximising sales potential and accelerating our growth.

Putting it all together: Christmas 2021

Notwithstanding the additional challenges posed by the Omicron wave of Covid-19 in the winter of 2021, the B&M business had already taken decisive action with regards to ensuring our seasonal stock arrived in the UK in time for our "Golden Quarter" trading period of October to December.

By leveraging all of these business strengths, we pro-actively took receipt of our Christmas ranges earlier than usual in 2021. This meant we were very well positioned to offer customers great products at great prices, as our shelves were fully stocked early in the quarter at a time when many competitors who had not been quite so responsive were experiencing poor availability.

Having designed a wide selection of on-trend seasonal products, we delivered our best-ever Christmas decorations sales performance. This built on the success of our Gardening ranges earlier in the year, and so is likely to have further cemented our position as a destination visit for seasonal products in the minds of our customers, increasing their propensity to return to B&M in the future. This provides an opportunity to further grow our market share over the coming years.



The B&M customer proposition remains highly relevant in such challenging times

Strong customer engagement, both online and offline

In FY22, colleagues in the B&M UK business served over 252 million customer baskets across 701 stores. Such popularity represents the ongoing relevance of bricks and mortar retailing, despite the impact of the pandemic on shopping behaviour and the ongoing shift to online.

Although our website has not historically been transactional, we also enjoyed over 84 million website sessions over the course of last year. We have a very strong presence across social media platforms, in particular Instagram where we have over 1.4 million followers and where 'influencers' often independently promote products available to buy at B&M without any involvement by us. This number of followers compares very favourably with much larger retailers.



Great products at great prices

B&M remains all about the products that we sell and the prices we sell them at. By regularly refreshing our ranges, particularly in General Merchandise categories, we create a 'treasure hunting' shopping experience that customers enjoy.

This may mean customers buy something they have previously seen on our website, or often represents an impulse purchase made in the store where they are unable to resist the great value for money on offer.

Retention of new customers

During the height of the pandemic in FY21, the B&M UK business saw a number of new customers discover the brand. By continuing to offer excellent value for money, we have been able to retain the loyalty of many of those shoppers in FY22. Approximately 78%¹ of the new customers identified during FY21 returned to shop with us again in the period to the end of March 2022.

Those customers who have demonstrated the greatest propensity to visit repeatedly are those from low and middle-income families. This should underpin the attractiveness of our value-for-money proposition given this demographic are most likely to be impacted by the rising cost of living.

An award winning proposition

The combination of strong customer engagement and a product range that is highly attractive and represents great value for money has led to a number of external recognitions over the past year.

These include being ranked the 9th most loved retail brand in the UK² and being voted "Multiple Toy Retailer of the Year" at the Toy Industry Awards.

Our successes also extended to the French business where, despite the B&M brand being less than 12 months old, it won the "Best Store for Home Decoration & Gifts" in the annual online survey for the "Best Store Chain in France".



1. The average of new customer cohorts identified by Barclaycard in June 2020 and March 2021.
2. Source: BrandVue 'Most Loved Retail Brands' Report, March 2022.

Becoming an even better retailer



Simon Arora
Chief Executive Officer

Over the past two years B&M has, like all businesses, had to adapt to a rapidly changing world. I am very proud of the way in which we have responded to those ongoing challenges and continued delivering against our purpose; to provide customers with great value for money so that they keep returning to our stores.

At the same time, we have maintained a very strong financial performance with both sales and profit being significantly ahead of pre-pandemic levels.

Reflecting on a remarkable period of growth for the Group, I am convinced that our experiences have made us an even better retailer than we were prior to the pandemic. In that time the core B&M UK business has acquired, and most importantly *retained*, a number of new customers, and this provides an exciting platform from which to continue taking market share across a number of product categories.

In France, the B&M brand has been well received, the financial performance is much improved and the business is unrecognisable to the one we acquired in 2018 in terms of customer proposition. For Heron Foods, what began as a more challenging period in FY22 ended with strong momentum and we continue to regard that business as being a good strategic fit, albeit of relatively modest size in the context of the overall Group.

The strength and resilience of our business model continues to be a key differentiator and has enabled us to continue offering compelling value for money to customers. In particular, our robust supply chains, simple operations and speed of decision making have all helped the Group respond decisively and effectively in FY22. This is perhaps best illustrated by the two-year like-for-like¹ sales growth of 13.0% in the core B&M UK business, which was relatively consistent throughout large parts of the year despite changing external conditions and global supply chain disruption.

The 701 B&M UK stores are mostly located in Out of Town retail parks, making them somewhat insulated from the structural footfall decline in town centres and secondary malls. Moreover, given recent successes in key seasonal categories such as Gardening and Christmas, it would appear that our larger B&M Homestores are increasingly regarded as a 'destination' visit for many customers. This is important, since it helps to reinforce customer loyalty and affection towards the B&M brand.

Looking ahead, it remains difficult to accurately predict the net impact a number of different factors could have on the business. These include, but are not limited to, the impact of rising inflation on product cost prices and consumer spending, plus the extent of further normalisation in customer behaviour as we emerge from the pandemic.

Our discounted food and FMCG products should appeal to lower-income households who are likely to be disproportionately affected by the rising cost of living, and may also benefit from increased demand as a result of new customers switching to B&M as they look for greater value for money.

In General Merchandise, which has seen consecutive years of very strong growth both in terms of sales and margin, we accept that the outlook is more uncertain. That said, the range of categories we offer are at affordable price points and the semi-essential nature of many of these products all provide reasons to believe we will continue to perform well within the overall market.

Given the positioning of the B&M UK business together with the attractive growth prospects in France, we can look to the future with a sense of cautious optimism and a clear focus on providing customers with great value for money and, as a consequence, gain further market share.

Financial performance

Due to the highly elevated sales comparatives due to prolonged periods of lockdown in FY21, the most meaningful measure of performance for the core B&M UK business this year has been the two-year like-for-like¹ ("LFL") growth versus the pre-pandemic levels of FY20. On that basis, growth of 13.0% means that store sales densities remain significantly higher than before the pandemic and suggests we have retained the loyalty of many new customers acquired last year.

Most product categories delivered double-digit LFL growth over that two-year period, with notable strength seen in General Merchandise ranges where the business ensured good stock availability and was able to meet strong customer demand. Due to this relative out-performance in General Merchandise, B&M UK gross margin benefited from another small step up this year. Strong execution from the buying teams and a limited requirement for markdown activity given the good level of sell-through on Seasonal categories contributed to gross margin expanding 52 bps year-on-year.

Diligent cost control enabled much of the operating leverage delivered last year to be retained, resulting in a strong adjusted EBITDA² margin of 14.4% on a pre-IFRS 16 basis. Whilst this represented a marginal decrease of (6) bps from the 14.5% delivered last year, it remains significantly above the EBITDA margin from FY20. In Heron Foods, LFL sales performance steadily improved throughout the year as the comparatives from FY21 eased. As such, the EBITDA result was similar to last year and profit margin was broadly maintained, representing a robust outcome for FY22 as a whole.

In France, the business exceeded expectations in FY22. The local management team have made considerable progress over the past two years, implementing important strategic changes whilst at the same time navigating various impacts from the pandemic. An outturn of £32m adjusted EBITDA² at a margin of 9.2% was a very pleasing result and is affirmation that the B&M proposition can be successful in France.

Overall, although Group adjusted EBITDA² declined very slightly year-on-year, results for FY22 demonstrate a sustained step up in profitability compared to pre-pandemic levels. Alongside this, the Group remained highly cash generative and has continued to use this cash effectively in line with its capital allocation framework.

Current trading and outlook

Given the impact of the pandemic at the start of both FY21 and FY22, assessing current trading is challenging with both the one-year and two-year like-for-like¹ comparisons significantly complicated by restrictions in place during both comparative periods. The B&M UK LFL sales performance over the first 8 weeks of FY23 has been (13.2)% and (11.5)% versus FY22 and FY21 respectively.

During this current period we consider a three-year measure to be helpful in gauging the underlying sales performance of the business. Compared to pre-pandemic levels of 2019, the three-year LFL performance since the start of the new financial year was +7.7% in April 2022, with an improvement to +10.9% in the first 3 weeks of May 2022. Trading patterns are expected to remain unpredictable in the year ahead. In particular, the elasticity between volume and price on General Merchandise is difficult to predict, as is the demand at individual category level.

With respect to gross margin, the past two years have seen very limited end of season markdown activity on Seasonal categories, due to the high rate of sell-through. Looking into FY23, some level of markdowns are expected to return and there may be an adverse impact from category mix as customers shift spending away from more discretionary higher margin General Merchandise categories in favour of Food and FMCG products. As a result of this gross margin dilution, B&M UK adjusted EBITDA² margin is expected to step back between 70 to 130 bps but to remain structurally higher than pre-pandemic levels.

Elsewhere in the Group there is a positive outlook for Heron Foods, where inflation in food prices and a return to normal footfall levels should be supportive of revenues. In France, further development of the customer proposition as the brand becomes better known should also help deliver continued strong LFL sales growth and further growth in EBITDA following last year's pleasing performance.

B&M UK two-year LFL¹ revenue growth

+13.0%

Group adjusted EBITDA² two-year growth

+80.8%

Operating costs remain tightly controlled across the Group with freight costs competitively positioned for the year ahead and a flexible and low-cost store labour model. Fuel and energy costs collectively represented less than 1.0% of FY22 revenues.

In terms of store growth, the Group will remain disciplined when choosing new sites to ensure returns are maximised, with the quality of new locations just as important as quantity. The Group currently expects gross new store openings across each business in FY23 to be approximately 40 for B&M UK, 15 for Heron Foods and 6 in France.

Given the uncertain macroeconomic outlook, it is difficult to predict the net impact of a number of factors such as customer down-trading, category mix shift and the impact of inflation on sales volumes. However, the Group remains well positioned to continue offering great value-for-money across a wide range of categories. In the core B&M UK business, price competitiveness remains very strong. On a basket of c.550 Food and FMCG items, the Group's latest internal price comparison suggests B&M is about 15% cheaper on average than mainstream supermarket competitors. Furthermore, 93% of all products sold at B&M are less than £20, making it less exposed to any sharp reductions in spending on higher ticket items.

Notwithstanding the many and varied uncertainties and headwinds which are likely to impact on our trading performance during FY23, at this early stage in the year Group adjusted EBITDA² is expected to be in the range of £550m to £600m, significantly ahead of the FY20 pre-pandemic level of £342m.

Despite the unpredictable nature of the year ahead, the strategic priorities of the Group remain unchanged. Continued strong execution will underpin efforts to further consolidate the sales and profit growth delivered over the past two years through retention of customer spend and maintaining the increase in sales densities as much as possible.

Longer term, the growth prospects both in the UK and in France are highly attractive. The Group is committed to a rollout target of at least 950 B&M UK stores and continued geographic

expansion of the Heron Foods convenience store chain. In France, with strong foundations now in place and the ongoing development of operational competencies, the pace of organic growth is expected to step up from FY24 onwards.

Strategic development

The Group executed its plans well throughout FY22. Despite a challenging and unpredictable macroeconomic backdrop, the B&M business model proved very capable of responding to changing conditions and enabled strong progress to be made against its long term strategy.

1. Delivering great value to our customers

B&M's purpose is to deliver great value to customers so that they keep returning to our stores time and time again. This purpose is as compelling now as it has ever been, given the inflationary pressures currently being felt by consumers.

The B&M price competitiveness is driven by a relentless focus on buying large volumes of a limited assortment of best-selling items, sourcing these products direct from manufacturers and keeping costs low. Not only does this approach allow the business to pass cost savings on to customers, but it also keeps operations simple, agile and responsive.

Retaining the loyalty of customers who discovered B&M during FY21 was a key objective over the past year. The best way to achieve this was to ensure the business had good availability of the right products at the best possible prices, be that the leading household brand names or our private label ranges across General Merchandise categories.

Given the two-year like-for-like¹ sales growth of 13.0% in FY22, it would appear that many new customers from last year have found the B&M proposition compelling and continued to visit stores. This is also validated when looking at the cohorts of new customers previously identified in FY21. Based on Barclaycard transaction analysis from the month of acquisition in FY21 to the end of FY22, 78% of those new shoppers have visited B&M again since their initial visit. Moreover, the demographic profile of customers who have demonstrated the greatest propensity to return is that of a low to middle income family, underpinning the attractiveness of the B&M value for money proposition to a customer type that represents a significant part of the total UK population.

The 'treasure hunt' remains an essential part of the customer appeal, and this is true whether shoppers need a bargain or just enjoy one. It's also likely to be a reason why the B&M brand is increasingly well loved. According to a national survey of over 96,000 consumers published by BrandVue in March 2022, B&M was ranked the UK's 9th most loved retail brand overall, and placed 3rd within the Home category.

Chief Executive Officer's review continued

It also revealed that affinity was particularly strong amongst younger generations such as 'Gen Z' and 'Millennials', providing reason to be optimistic regarding long term prospects given the potential for these customers to be loyal B&M shoppers for their families for many years to come. Success in categories such as Toys, where B&M was awarded "Multiple Toy Retailer of the Year" at the Toy Industry Awards this year, further illustrates the appeal of a bricks and mortar discounter such as B&M.

At category level, sales performance was relatively broad based throughout FY22. Certain General Merchandise ranges proved particularly popular, with key seasonal ranges such as Gardening and Christmas delivering record performances. Strong sell-through also delivered a gross margin benefit due to end of season markdown activity being limited. These seasonal categories are important for long term customer retention since they reinforce B&M's position as a destination visit for such items year after year and in a category where our model is at its most disruptive.

Success in these Seasonal categories was made possible due to the decisive action taken in response to global supply chain disruption, where the business ensured strong on-shelf availability by taking receipt of stock earlier than normal. This approach has also been adopted in relation to Spring/Summer 2022 Seasonal stock, and is likely to continue until disruption subsides.

Given the rising cost of living and the extent to which it will likely impact certain demographics more than others, the B&M proposition of making everyday items affordable should continue to resonate strongly with customers.

2. Investing in new stores

In the core B&M UK fascia 34 gross new stores were opened during FY22, of which 2 were relocated stores and a further 12 stores were closed. The closures generally represent early generation stores coming to the end of leases and where a larger, modern store had already been opened in the same catchment in a previous financial year. In total there was a net increase of 20 stores, growing the B&M UK portfolio to 701.

New store openings continue to be accretive to Group profitability with recent cohorts typically outperforming the company average, and that includes when re-locating an existing store. Importantly, although relocations and closures do not contribute to the net increase in store numbers year-on-year, they do provide an uplift to overall estate profitability both in terms of absolute profit and profit margin.

The B&M UK business expects to open approximately 40 gross new stores in FY23 and the recently lifted moratorium on tenant evictions should support the current pipeline of opportunities. It is possible that incremental

opportunities to add space could arise should the retail industry see capacity withdrawal as a consequence of the current cost of living pressures. However, the business remains very selective when appraising a potential new site so as not to risk diluting profit margins, as evidenced by the above-average contribution margin of recent years' cohorts as noted above.

Longer term, there remains a long runway of growth in the UK, with the potential for at least 950 B&M fascia stores in total. Based on the current estate of 701 stores, an estimated 38% of the UK population still live over 3 miles from a B&M store. As such, given the increased sales densities and broadening demographic appeal of B&M over the past two years, this long term target increasingly looks like a conservative estimate.

The discount convenience store business, Heron Foods, opened a total of 16 gross new stores and closed 11 stores during the year, growing the estate to 311 stores. The closures included 5 relocations where there was an opportunity to move to a more attractive site within the same local catchment area. The remaining 6 closures represented stores that previously traded under the 'Cooltrader' brand that were inherited when acquiring the Heron Foods business but were in sub-optimal or unprofitable locations.

Heron Foods stores are only c.3,000 sq ft on average, serve a very localised customer base and extend over a smaller geographic footprint compared to the B&M fascia. As such, due to the nature of locations required and the practicalities of distributing chilled and frozen food, the rate of growth will always be slower. There should be around 15 gross new store openings again in FY23, with a similarly paced rollout in future years.

In France the focus in FY22 has been on re-branding the existing estate rather than opening new stores, and all stores are now branded B&M. That said, the business was able to open 3 opportunistic new stores, taking the estate to 107 stores as of the year-end.

3. Developing our international business

FY22 has been a year of excellent progress in France, both financially and operationally.

The two-year LFL sales growth was +21% for the full year, demonstrating the success of store layout and product changes made during that time. The adjusted EBITDA² outturn of £32m and profit margin of 9.2% represents a very strong result, particularly in the context of France being loss-making as recently as FY20. Such performance provides a firm foundation from which to grow organically in FY23 and beyond.

With the fascia re-branding programme complete and Clothing & Footwear representing only c.12% of the sales mix in FY22, these two strategic priorities have been executed well by the French management team. There will be ongoing refinements in FY23 to the product mix, for example, growing the range of FMCG to help drive

footfall, but the priority for the year ahead is very much on further improving overall store standards, consistency and operational competencies.

As part of that focus, there will be further trials of a company operated model in France, with any new store openings in FY23 falling under this structure rather than the mandated manager model inherited when acquiring the French business. This will look to replicate the store operating model of B&M in the UK, where all colleagues are employed directly and B&M has complete control over the store's operations. To assist with these changes, experienced members of the UK store operations team are currently on secondment in France.

Such has been the progress this year, there is a strong conviction that the B&M proposition can be successful in France. In particular, the Board now has the confidence to begin a steady rollout of new stores. This will be undertaken slowly initially, with approximately 6 new stores in FY23, but is expected to increase in outer years.

Given both the plans for FY23 outlined above and the long term growth potential in France, no other international geographies are currently being evaluated so as to not risk management distraction.

4. Investing in our people and infrastructure

Developing colleagues remains crucial to the Group's ongoing success and forms an important part of the new ESG strategy approved by the Board this year. The well-established "Step Up" training programme saw 91 colleagues promoted into store management roles this year, whilst a new "Warehouse to Wheels" initiative aimed at offering training opportunities for warehouse colleagues to become HGV drivers was also developed.

Through the new store opening programme, over 650 new retail jobs were created in the UK. B&M also supported almost 3,000 colleagues under the Government's "Kickstart" programme which aims to help long-term unemployed people get back into work in their local communities, and a further 144 colleagues were enrolled onto various apprenticeships.

The B&M website has not historically been transactional, instead acting as a footfall driver into stores and a channel through which to engage with an online community of customers. All that remains true. However, at the time of writing an online home delivery service will shortly be launched on a limited range of items. This trial will ultimately extend across c.1,000 SKUs representing in part bulkier or higher ticket General Merchandise items which customers cannot always easily transport home from stores themselves or products that do not require disproportionate mail order packaging. Given the disruptive B&M price position, the

business believes this could prove an attractive proposition for customers. However, it remains open minded as to the long term potential of the trial, and a 'test and learn' approach will be adopted over the coming months as customer response is closely monitored.

The existing network of five main B&M UK Distribution Centres remains adequate to service current sales volumes and as such no large-scale capital investment in additional capacity is anticipated in the near term. Over the medium term, the Group's infrastructure requirements will depend on the rate and geographical spread of new store openings alongside ongoing development of the supply chain. The Group does not have plans for capital intensive development projects and prefers to lease any such additional capacity in line with its capital light model.

The transport operation is also operated in-house, remains well invested and scalable. The main area of investment in FY22 was with regards to IT infrastructure and applications, where various projects were carefully selected to underpin the continued growth of the Group.

Environmental, Social & Governance

The Group recognises the growing importance of Environmental, Social & Governance ("ESG") actions and reporting to all stakeholders and has made significant progress in developing its approach over the past 12 months. Following extensive consideration, the Board formally approved its first ESG strategy this year.

In developing this strategy, the Group has sought to strike a balance between being sufficiently ambitious, reflecting the step change in performance over the past two years, but also ensuring these ambitions are appropriate for a business such as B&M, being a variety goods value retailer focused on long term sustainable growth.

The strategy has been built around four pillars designed to help make the business stronger and more resilient whilst underpinning the Group's purpose of delivering great value to customers. These pillars, and relevant highlights from FY22, are as follows:

Environment

- Reduced the Groups carbon intensity for Scope 1 and 2 emissions, with the FY22 ratio over 50% lower than 5 years ago; and
- Committed to a science-based target of reducing Scope 1 & 2 carbon emissions by 25% by 2030, and a supplier engagement target for Scope 3 carbon emissions.

Colleagues

- Acknowledged the dedication and hard work of over 24,000 colleagues by awarding an extra week's wages in January 2022; and
- Continued development of own talent through the "Step-Up" programme, promoting 91 colleagues to B&M Deputy and Store Manager positions.

Communities

- Extended the reach of the B&M value for money proposition to new communities by opening 54 gross new stores across the Group; and
- Created over 650 new retail jobs in the UK, in addition to almost 3,000 placements under the governments "Kickstart" scheme and 144 colleagues enrolled on various apprenticeship programmes.

Supply Chain

- Ongoing investment in ethical trading audit procedures, with no instances of non-compliance identified; and
- Continued to treat all suppliers fairly, with average payment terms of only 16 days for B&M UK, and worked collaboratively in supporting various sustainability initiatives.

To complement the launch of the ESG strategy, a standalone ESG report will be published for the first time this year and will provide further detail, including relevant metrics, targets and initiatives. In addition, a new Sustainability Manager role was created in FY22, with the role being filled by an internal candidate, clearly aligning with the "Colleague" pillar of the strategy.

The Board is pleased with the progress made with regards to the ESG strategy in FY22, but also acknowledges that it will need to evolve over time. In that regard, progress will be overseen collectively as a full Board rather than by delegating to any sub-committee.

On a personal note

The Group has announced Alex Russo as my successor as CEO. While the change will not take place just yet, this is my valedictory Chief Executive annual review, so I apologise for the indulgence of a penning a few personal words.

My decision to step down as CEO during the next year evoked similar feelings to when my wife and I became 'empty nesters' when our two daughters recently left home for college or to pursue a career. There is a touch of sadness but the overwhelming emotion is one of pride.

The numbers so easily trip off the tongue. From a purchase price of £525,000 in December 2004 to becoming a constituent of the FTSE100 index in September 2020. From 21 shops in the North of England to now over 1,100 stores across the UK and France. From having 500 colleagues to now a family of 38,000 wonderful people.

However, none of these numbers capture the real essence of it.

What has made this journey so incredibly rewarding is the hard work, ambition and loyalty of my colleagues who all share a willingness to work hard. This work ethic operates at all levels and we celebrate it.

We also have ambition. We desperately want to win and our culture of trust allows us to do so. We trust each other to be honest and open. If something goes wrong, we don't hide from it or 'play the blame game'. Instead we learn from that mistake and make sure it isn't repeated.

Finally, we reward loyalty and commitment. We promote from within, it's our home-grown entrepreneurial culture, coupled with an ability to operate 'at B&M speed', that gives us an edge over the competition.

These values didn't come about by me dreaming them up, seated at my desk. They evolved organically, through the actions every day, seven days a week, of the many thousands of loyal colleagues who have built B&M into what it is today. My role has been simply to create the environment in which these wonderfully talented and hard-working retailers could thrive.

I wish Alex every success in preserving and building upon these values when he takes over the role. If we stay true to them, B&M has a prosperous future for many decades to come. Like for my daughters, I view that future with a quiet optimism. I will be working hard in my remaining period as CEO to ensure the transition is smooth and that Alex is successful.

Finally, I would like to thank all our stakeholders for your support and engagement over the wonderful last 17 years. I am very grateful and look forward to thanking as many of you as possible in person over the coming months.

Simon Arora

Chief Executive Officer
30 May 2022

1. One-year like-for-like revenues relate to the B&M UK estate only (excluding wholesale revenues) and include each store's revenue for that part of the current period that falls at least 14 months after it opened compared with its revenue for the corresponding part of FY21. This 14 month approach has been adopted as it excludes the two month halo period which new stores experience following opening. Two-year like-for-like revenues also relate to the B&M UK estate only, and includes each store's revenue for that part of the current period that falls at least 26 months after it opened compared with its revenue for the corresponding part of FY20.

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 Note 3 of the financial statements. Adjusted figures exclude the impact of IFRS 16.

A year of strong execution



Alex Russo
Chief Financial Officer

The Group responded well to changing conditions throughout FY22 to deliver a strong financial performance.

Accounting period

The current accounting period represents the 52 weeks trading to 26 March 2022 ("FY22") and the comparative period represents the 52 weeks to 27 March 2021 ("FY21").

The Group financial statements have been prepared in accordance with IFRS and are reported as such. Underlying figures presented before the impact of IFRS 16 continue to be reported where they are relevant to understanding the performance of the Group and to aid comparability with previous years.

Financial performance Group

Total Group revenue in FY22 was £4,673m (FY21: £4,801m), representing a year-on-year decrease of (2.7)%. On a constant currency basis¹, revenues decreased by (2.4)%.

Group adjusted gross margin⁴ was 37.5% (FY21: 36.7%), an increase of 77 bps driven by performance in the core B&M UK business. Group adjusted operating costs⁴, excluding depreciation and amortisation, remained broadly flat year-on-year at £1,133m (FY21: £1,137m). Depreciation and amortisation

(excluding the impact of IFRS 16 and adjusting items) increased 5.4% to £66m (FY21: £62m), largely due to ongoing investment in new stores across all fascias.

Group adjusted EBITDA⁴, stated on a pre-IFRS 16 basis, decreased slightly by (1.2)% to £619m (FY21: £626m) reflecting the exceptional nature of the prior year but nonetheless representing a strong outcome for FY22, being 80.8% higher than FY20. Group adjusted EBITDA⁴ margin increased slightly year-on-year due to the accretive contribution from France, and when compared to pre-pandemic levels of FY20 has expanded 427 bps over that two-year period.

On a post-IFRS 16 basis, Group adjusted EBITDA⁴ was £828m (FY21: £834m) which represented an adjusted EBITDA⁴ margin of 17.7% (FY21: 17.4%).

An adjusted EBITDA⁴ is reported to allow investors to better understand the underlying performance of the business. The adjusting items are detailed in Note 3 of the financial statements, and totalled £12m this year (FY21: £(3)m).

B&M UK

In the UK, total B&M revenues decreased by (4.1)% to £3,909m (FY21: £4,078m), with the annualisation of revenues from the 43 gross new store openings in FY21 and contribution from the 34 gross new store openings this year offsetting some but not all of the one-year like-for-like³ ("LFL") revenue decline of (9.0)%.

On a two-year basis versus pre-pandemic levels of FY20, which is considered to be a more meaningful measure of performance this year, LFL revenues were 13.0% higher this year. This represents a significant increase in store sales densities, with the business having been successful in retaining the loyalty of many customers who discovered B&M during the prior year. Although the two-year LFL in the final quarter of the financial year was lower than the run rate during the first three quarters, this was expected due to the impact of the panic buying of essential products in March 2020 at the start of the pandemic.

At category level, the two-year LFL performance has been broad based. Demand for essential food and FMCG items has remained steady, whilst certain General Merchandise ranges have performed particularly well and provided a small year-on-year gross margin benefit. The average transaction value remains relatively modest at c.£18 due to the nature of the product ranges sold by B&M.

There were 34 gross new store openings and 14 closures in FY22, with 2 of those closures being relocations. New store openings continue to deliver strong returns on investment, with no maturity period required and recent cohorts typically delivering a higher store contribution margin than the company average, meaning the rollout programme remains supportive of profit margins.

In addition to revenue generated in-store, wholesale revenue remained relatively consistent at £45m (FY21: £47m). Most of this represents sales made to the associate Centz Retail Holdings Limited, a chain of 45 variety goods stores in the Republic of Ireland.

Constant currency revenue comparison

£/€m	2022	2021	%	Constant Currency		
				2022	2021	%
France in €	415	346		415	346	
Exchange rate	1.1756	1.1203		1.1756	1.1756	
France in £	353	309		353	295	
B&M UK	3,909	4,078		3,909	4,078	
Heron Foods	411	415		411	415	
Total	4,673	4,801	(2.7)%	4,673	4,787	(2.4)%

Group profit before tax

£m	2022	2021	1-year change	2020	2-year change
Revenue	4,673	4,801	(2.7)%	3,813	22.5%
Adjusted Gross Profit	1,752	1,763	(0.6)%	1,289	35.9%
%	37.5%	36.7%	77 bps	33.8%	369 bps
Adjusted Operating Costs	(1,133)	(1,137)	(0.3)%	(947)	19.7%
Adjusted EBITDA⁴ (pre-IFRS 16)	619	626	(1.2)%	342	80.8%
%	13.2%	13.0%	20 bps	9.0%	427 bps
Depreciation & Amortisation	(66)	(62)	5.4%		
Adjusted Interest	(29)	(24)	21.9%		
Adjusted profit before tax⁴	524	540	(3.0)%		
Adjusting Items	12	(3)	n/a		
Adjusting Interest & Finance Lease Interest	–	(5)	n/a		
Profit Before Tax (pre-IFRS 16)	536	532	0.8%		
Impact of IFRS 16	(11)	(7)	(68.3)%		
Statutory Profit Before Tax	525	525	(0.1)%		

Reconciliation of adjusting items

£m	2022	2021
Profit Before Interest & Tax	613	615
Add back depreciation and amortisation	66	62
Remove depreciation and amortisation of finance leases	(1)	(4)
Add back IFRS 16 depreciation and amortisation	162	157
EBITDA⁴ (IFRS 16)	840	830
Fair value effect of ineffective derivatives	(13)	7
Foreign exchange on intercompany balances	1	3
French stock provision	–	(7)
Adjusted EBITDA⁴	828	834

B&M UK like-for-like revenue³ reconciliation

£m	2022	2021	1-year change
Like-for-like revenue	4,150	4,558	(9.0)%
New stores opened after 27 March 2021	101	–	
New stores prior to 27 March 2021	265	71	
Closed stores	1	68	
Gross Segment Revenue	4,517	4,698	
Value Added Tax/Commission Income	(653)	(667)	
Wholesale revenues	45	47	
Revenues of B&M UK Segment	3,909	4,078	(4.1)%

£m	2022	2020	2-year change
Like-for-like revenue	3,875	3,429	13.0%
New stores opened after 28 March 2020	416	–	
New stores prior to 28 March 2020	160	24	
Closed stores	5	107	
Gross Segment Revenue	4,456	3,560	
Value Added Tax/Commission Income	(592)	(448)	
Wholesale revenues	45	28	
Revenues of B&M UK Segment	3,909	3,140	24.5%

Financial review continued

B&M UK gross margin expanded slightly by 52 bps to 37.4% (FY21: 36.9%) and was relatively consistent across both H1 and H2, such was the performance of the Spring/Summer and Christmas seasonal ranges respectively. In particular, the gross margin outturn for FY22 reflects the impact of inflation in freight rates from the start of 2022, which has been manageable. The business continues to enjoy a long-standing relationship with its shipping partner used for transporting General Merchandise goods out of Asia, and believes itself to be relatively well positioned versus competitors in this regard.

Adjusted operating costs⁴, excluding depreciation and amortisation, decreased by (1.6)% to £899m (FY21: £914m). These costs represented 23.0% of revenues (FY21: 22.4%), a small increase of 58 bps due to the LFL revenue decline on a one-year basis. However, when comparing this to FY20 (when operating costs were 23.4% of revenues), there has been an improvement of 40 bps over that two-year period driven by the operating leverage achieved on significantly higher sales densities.

In terms of store related costs, colleague wages and salaries as a proportion of sales have remained flat year-on-year at c.9%, while rental costs have also been stable and very competitively positioned. Variable transport and distribution costs increased marginally as a percentage of revenues due to targeted investment in HGV driver wages early in the year. Energy costs related to utilities represent less than 1% of store revenues and continue to be tightly managed, supported by the ongoing rollout of energy reduction initiatives such as LED lighting and a Building Energy Management System.

Adjusted EBITDA⁴ for the B&M UK business decreased by (4.5)% to £564m (FY21: £591m) and the adjusted EBITDA⁴ margin decreased slightly by (6) bps to 14.4% (FY21: 14.5%). However, both remain significantly above historical levels.

Heron Foods

In the discount convenience chain, Heron Foods, revenues fell slightly to £411m (FY21: £415m). This reflects the impact of annualising against the highly elevated comparatives from last year when the business benefitted from lockdown induced shopping behaviour, particularly with regards to Frozen food. The revenue contributed by the annualisation of new stores broadly offset a year-on-year LFL decline, although this steadily improved throughout FY22 and was positive in the final quarter.

Gross margin in Heron Foods remained broadly flat versus FY21 despite the supply environment for Frozen and Chilled food proving somewhat challenging over the past 12 months.

Operating costs remained well controlled, increasing marginally as a percentage of revenues to 26.1% (FY21: 25.5%) due to investment in store wages.

Heron Foods adjusted EBITDA⁴ decreased to £23m (FY21: £25m) and the adjusted EBITDA⁴ margin declined by (43) bps to 5.5% (FY21: 5.9%), representing a satisfactory result for the year.

France

In the French business, revenues increased by 14.2% to £353m (FY21: £309m), reflecting the strong progress made in FY22. Performance in categories such as Homewares, Indoor Furniture and Giftwares was particularly strong, having been given greater prominence in store due to the re-merchandising which has taken place alongside the fascia re-branding programme.

Gross margin improved again year-on-year, driven by further planned rationalisation of Clothing and an increase in the sales participation from higher margin General Merchandise categories.

Given the focus on improving operational consistency across the French estate this year, there was an improvement of 190 bps in operating costs as a percentage of sales to 36.1% (FY21: 38.0%).

Adjusted EBITDA⁴ increased significantly to £32m (FY21: £11m), with an adjusted EBITDA⁴ margin of 9.2% (FY21: 3.6%). This represents a considerable turnaround for the business and should provide a strong platform for future growth in France.

Depreciation and amortisation

Depreciation and amortisation expenses, excluding the impact of IFRS 16, grew by 5.4% to £66m (FY21: £62m), representing only 1.4% of sales (FY21: 1.3%). The increase was largely due to continued investment in new stores across all fascias, with the Group growing the store estate by 2.6% in the year.

The additional depreciation and amortisation charge relating to lease liabilities under IFRS 16 was £161m (FY21: £153m).

Finance expense

Adjusted net finance charges⁴ for the year, excluding IFRS 16, were £29m (FY21: £24m). This included bank and high yield bond interest of £27m (FY21: £22m) and amortised fees of £2m (FY21: £2m). The higher interest charge relates to the issue of a new £250m High Yield Bond in November 2021.

The interest charge relating to lease liabilities under IFRS 16 was £59m (FY21: £61m).

Profit before tax

Statutory profit before tax was £525m (FY21: £525m). An adjusted profit before tax⁴ is also reported to allow investors to better understand the operating performance of the business (see Note 3 of the financial statements). Adjusted profit before tax⁴ for the year decreased slightly to £524m (FY21: £540m).

The impact of IFRS 16 on the Group financial statements was to decrease statutory profit before tax by £11m.

Taxation

The tax charge in FY22 was £103m (FY21: £97m), representing an effective tax rate of 19.6%. We expect the tax rate going forward to reflect the blended rate of taxes in the countries in which we operate. This is currently 19% in the UK and 27.5% in France, although the UK Corporation Tax rate is scheduled to increase to 25% from FY24 onwards.

As a Group, we are committed to paying the right tax in the territories in which we operate. The B&M UK business paid taxes totalling £517m in FY22, including £245m 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 £272m 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 was £422m (FY21: £428m) and the statutory diluted earnings per share was 42.1p (FY21: 42.7p).

Adjusted profit after tax⁴, which we consider to be a better measure of performance for the reasons outlined above, was £417m (FY21: £435m), and the adjusted fully diluted earnings per share⁴ was 41.6p (FY21: 43.4p).

Investing activities

Group net capital expenditure⁷ totalled £85m this year (FY21: £81m). Investment included £34m spent on 54 gross new stores across the Groups fascias (FY21: £43m on 65 stores) and £8m on infrastructure projects to support the continued growth of the business (FY21: £8m). There was also investment of £42m on maintenance works to ensure that our existing store estate and warehouses are appropriately invested (FY21: £22m), with the year-on-year increase largely driven by the fascia re-branding programme in France. There was also a net expenditure of £1m relating to a small number of freehold acquisitions and disposals (FY21: net expenditure of £8m).

Net debt and cash flow

The Group continues to be highly cash generative, with cash generated from operations of £598m (FY21: £944m). This is lower than the prior year, largely due to investment in working capital with regards to Spring/Summer seasonal stock. Such stock has been deliberately receipted earlier than normal to ensure strong availability. It is also being sold through more evenly across the season compared to the highly elevated demand seen in March and April 2021, which impacted the normal working capital cycle and created an inflow at the FY21 year-end.

The strong performance and cash generation have enabled the Group to pay dividends totalling £430m⁶ in FY22. This includes a £250m⁶ special dividend paid in January 2022.

Net debt⁵ (on a pre-IFRS 16 basis), increased to £790m (FY21: £519m). The net debt⁵ to adjusted EBITDA⁴ leverage ratio was 1.3x (FY21: 0.8x), 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 issued an additional £250m High Yield Bond in November 2021 which matures in November 2028. The French business also repaid the remaining balance of €25m relating to the French Government-backed loan facility scheme that was initially made available in FY21 due to the disruption caused by Covid-19. See Note 20 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 5.0p⁶ per share in addition to a special dividend of 25.0p⁶ per share. Subject to approval by shareholders at the AGM on 28 July 2022, a final ordinary dividend of 11.5p⁶ per share is to be paid on 5 August 2022 to shareholders on the register of the Company at the close of business on 1 July 2022. The ex-dividend date will be 30 June 2022.

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 macroeconomic uncertainties, the Group has continued to be highly 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
30 May 2022

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 profit of £1m (FY21: loss of £12m).
3. One-year like-for-like revenues relate to the B&M UK estate only (excluding wholesale revenues) and include each store's revenue for that part of the current period that falls at least 14 months after it opened compared with its revenue for the corresponding part of FY21. This 14 month approach has been adopted as it excludes the two month halo period which new stores experience following opening. Two-year like-for-like revenues also relate to the B&M UK estate only, and includes each store's revenue for that part of the current period that falls at least 26 months after it opened compared with its revenue for the corresponding part of FY20.
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 Note 3 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 £790m at the year end, reflecting £963m as the carrying value of gross debt netted against £173m of cash. See notes 17, 20 and 27 of the financial statements for more details.
6. Dividends are stated as gross amounts before deduction of Luxembourg withholding tax, which is currently 15%.
7. 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 IFRS 16 lease liabilities.

Key performance indicators

Strong performance consolidates exceptional growth from FY21

Financial

Total Group revenue growth (%)

(2.7)%



Strategic link



Description

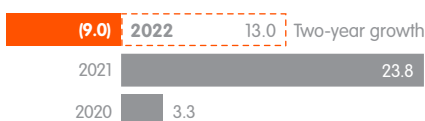
We aim to deliver sustainable growth in our chosen markets of the UK and France. Total revenue growth is an essential part of achieving that objective, being a direct output of our new store rollout programme and the ongoing performance of our product ranges across the Group.

Performance

Total Group revenue decreased slightly by (2.7)% year-on-year. Given the exceptional nature of the prior year, the two-year growth rate is a better indication of overall performance. On this basis, total Group revenues increased by 22.5%.

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

(9.0)%



Strategic link



Description

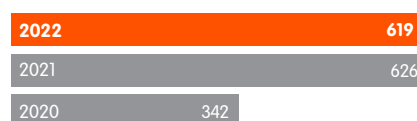
By monitoring the ongoing like-for-like trading performance at both store and product level, we are able to track our progress and take appropriate action where necessary.

Performance

Like-for-like revenues decreased by (9.0)% on a one-year basis versus FY21. However, on a two-year basis versus pre-pandemic levels of FY20, which we consider to be more meaningful this year given the highly elevated comparative from FY21, they grew by 13.0%. This strong two-year performance was relatively consistent throughout FY22, and was broad based across both Grocery and General Merchandise.

Group adjusted EBITDA (£m)²

£619m



Strategic link



Description

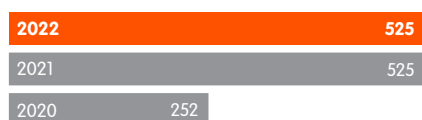
In addition to growing revenues and opening new stores, we have a clear focus on ensuring that growth remains profitable. We measure profitability by our adjusted EBITDA performance, stated on a pre-IFRS16 basis.

Performance

Group adjusted EBITDA decreased slightly to £619m in FY22. Despite this slight year-on-year decrease, we consider it a very strong performance given the exceptional nature of last year, having remained significantly above pre-pandemic levels of profitability.

Group profit before tax (£m)

£525m



Strategic link



Description

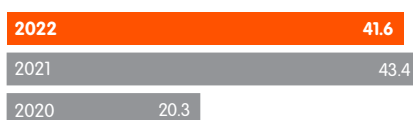
In addition to adjusted EBITDA, we recognise the importance of our statutory profit, including depreciation, amortisation and interest charges. As such, we also use profit before tax as a performance indicator.

Performance

In FY22, our statutory profit before tax remained flat year-on-year at £525m.

Adjusted diluted earnings per share²

41.6p



Strategic link



Description

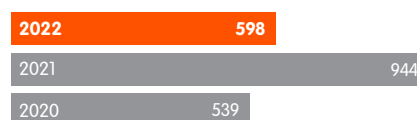
It is important to investors that we grow our earnings per share as well as our adjusted EBITDA. This measure is stated after depreciation, interest and tax charges.

Performance

Adjusted diluted earnings per share was 41.6p in FY22, a slight decrease on the prior year but significantly above pre-pandemic levels of FY20.

Cash generated from operations (£m)

£598m



Strategic link



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 our working capital needs whilst investing in the business in line with our capital allocation policy.

Performance

Cash generated from operations in FY22 was £598m, a decrease of (36.7)% on the prior year driven by the slight reduction in adjusted EBITDA and investment in working capital to support continued growth into FY23.

Link to strategy key

- 1 Delivering great value to our customers
- 2 Investing in new stores
- 3 Developing our international business
- 4 Investing in people and infrastructure

Group adjusted EBITDA margin (%)²**13.2%**

2022	13.2
2021	13.0
2020	9.0

Strategic link

- 1
- 2
- 3
- 4

Description

To ensure we are not diluting our profit margins 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

Group adjusted EBITDA margin in FY22 was 13.2%, an increase of 20 bps on the prior year and remains significantly above pre-pandemic levels. In particular, the core B&M UK business delivered a very strong margin performance, whilst France saw a significant year-on-year improvement.

Capital expenditure (£m)**£100m**

2022	100
2021	88
2020	125

Strategic link

- 1
- 2
- 3
- 4

Description

Ongoing investment in new stores is one of our strategic pillars, whilst we also 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.

Performance

Gross investment in capital expenditure this year included £34m on new stores across the Group, £8m on infrastructure projects, £15m on the acquisition of freehold stores and £42m on upgrading existing stores.

Throughout this Annual Report we make reference to both a one-year and two-year like-for-like revenue growth, as defined in footnote 1 below. These KPIs are monitored by the Directors on a daily basis throughout the year, and as such are considered useful to understand the underlying performance of the Group. Like-for-like revenue growth is a well-understood and commonly used measure of performance across the retail industry, and so aids comparability with peers and competitors.

Previously, the B&M UK business has only reported a one-year like-for-like revenue growth metric. However, due to the impact of the pandemic and the exceptional nature of sales in the prior year, a two-year like-for-like performance compared to pre-pandemic levels of FY20 has also been monitored and disclosed this year in order to provide a more meaningful assessment. This approach is consistent with disclosures made by other retailers.

Non-financial**Group net new stores opened****28**

2022	28
2021	41
2020	53

Strategic link

- 1
- 2
- 3
- 4

Description

Our new store opening programme remains at the heart of our growth strategy, and this applies across all fascias and territories.

Performance

Gross new store openings across each fascia in FY22 were 34 in B&M UK, 16 in Heron Foods and 4 in France. The net growth in our store estate, stated after closures and relocations, was 20 for B&M in the UK, 5 for Heron Foods and 3 in France. As such, the Group increased its overall store count by 2.6% to 1,119 stores.

UK market share³ (%)**c1.5%**

2022	c1.5
2021	c1.5
2020	c1.2

Strategic link

- 1
- 2
- 3
- 4

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 the years ahead.

Performance

In the core B&M UK business, the two-year like-for-like revenue performance would suggest that we have retained the loyalty of many of the new customers from FY21, providing a strong platform for future market share gains.

Colleague Step-Up programme**91**

2022	91
2021	124
2020	125

Strategic link

- 1
- 2
- 3
- 4

Description

Developing and promoting our colleagues is important for retention and progression. Our in-house Step-Up programme provides training to store colleagues and helps them to progress to managerial positions within B&M.

Performance

In FY22, a total of 91 existing colleagues were promoted to Store Manager or Deputy Store Manager roles in the B&M UK business under our Step-Up programme. This ongoing investment in colleagues remains integral to the Group's success, and forms a key part of our new ESG strategy.

1. One-year like-for-like revenues relate to the B&M UK estate only (excluding wholesale revenues) and include each store's revenue for that part of the current period that falls at least 14 months after it opened compared with its revenue for the corresponding part of FY21. This 14 month approach has been adopted as it excludes the two month halo period which new stores experience following opening. Two-year like-for-like revenues also relate to the B&M UK estate only, and includes each store's revenue for that part of the current period that falls at least 26 months after it opened compared with its revenue for the corresponding part of FY20.
2. The Directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. EBITDA, adjusted EBITDA and Adjusted Profit are non-IFRS measures and therefore we provide a reconciliation from the statement of comprehensive income. See the reconciliation of adjusted measures to statutory measures on page 21 for further details. EBITDA represents profit on ordinary activities before net finance costs, taxation, depreciation and amortisation.
3. Market share estimates are based on management estimates, having regard for external research on the size of the relevant market in 2021. See page 11 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 the risk management of the Group.

The Group's Internal Audit function assesses the ongoing 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.

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.

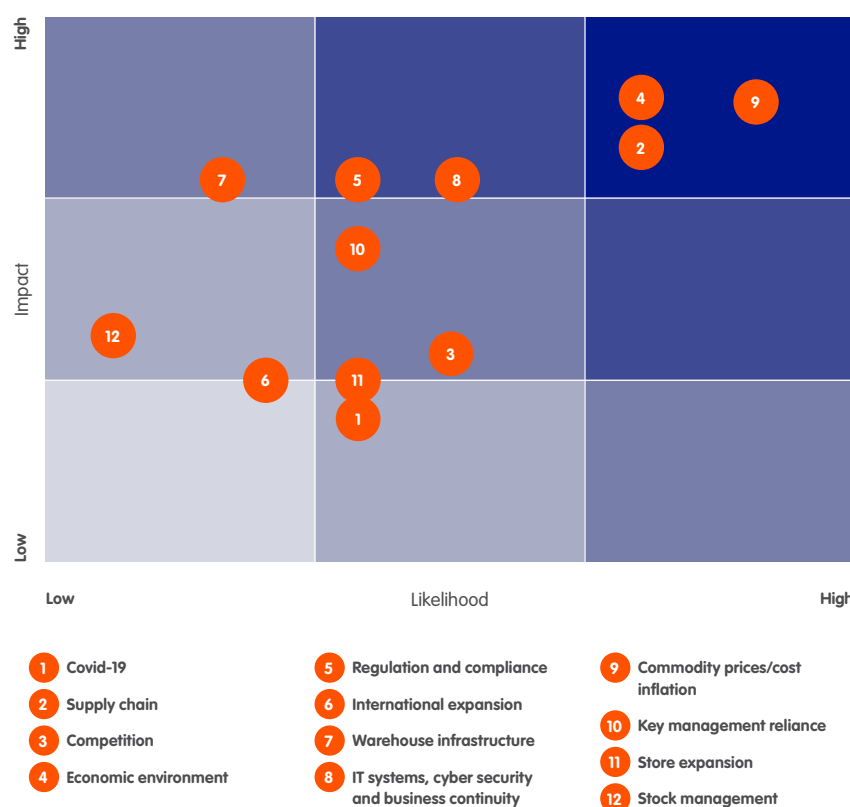
Group Internal Audit reports to the Audit & Risk Committee at each of its meetings during the year on the progress of management's implementation of recommended actions to mitigate risks.

Principal risks

Covid-19 continues to remain a principal risk but its overall impact to B&M has reduced with the lifting of government restrictions and widespread vaccination programmes in the UK and France. Economic environment risks have been impacted by a cost of living crisis; supply chain risk affected by supply disruption in Asia; and commodity price increases due to inflationary pressure. This means that some of these risks have increased in likelihood and/or impact. The global increase in malware and ransomware means that the likelihood of cyber security risks has increased. Other principal risks have either reduced or remained stable.

None of the principal risks included in the 2020/21 financial year have been removed and no new ones have been added.




Principal risks heat map



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 these 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 to those risks.

The risks set out in the table are not exhaustive but represent the main risks to the Group in relation to the period under review.

Climate change

Climate change was considered at the Group's annual strategy day in March 2022. It was determined, at that time, that climate change does not represent a principal risk given the detailed risk assessment performed by management this year and how the outcome of that assessment compares to the principal risks

already identified. However, this assessment will be reviewed at least annually by management and the Board.

We have embedded a climate change perspective into the ongoing assessment of our internal corporate risk register and will

continue to review our risk management process. Our climate risk impact framework will be continuously updated and monitored, with full reviews occurring on an ongoing basis, facilitated by the Group Internal Audit function.

1 Covid-19**Description & potential impact**

Prolonged social restrictions due to the coronavirus or any reoccurrence of government restrictions 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**Change****Risk Mitigations**

- The categories of goods which the B&M UK and Heron Foods businesses sell are essential goods within the UK Government guidelines.
- Maintaining sufficient liquidity for our ongoing 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 2021/22

- The plans put in place by the B&M UK business in order to protect our supply chain (as referred to below under the key actions in relation to Supply Chain risk) have continued to protect the business from any material disruption to supplies, costs or prices, with those risks having been managed and offset by stock cover held in the UK of c.12 weeks cover for general merchandise goods.
- Government policy in France in relation to Covid restrictions differed to the UK approach, and our French business remained responsive to the changing requirements during the early part of the financial year.
- The Group's approach to flexible working arrangements supported colleagues in relation to working hours and homeworking arrangements throughout the year.

Principal risks and uncertainties continued

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



Change



Risk Mitigations

- The Group has an experienced buying 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 where this is possible given local Covid restrictions.




Key Actions in 2021/22

- Stock cover in the B&M UK business of over 12 weeks on general merchandise imported goods ensures levels of inventory are adequate to meet periods of supplier delay.
- Internal review of supplier social compliance process and appointment of Sustainability Manager to monitor transparency in the supply chain.
- Working with suppliers and freight forwarders to forecast and remain vigilant in relation to challenges regarding the transportation of goods.

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

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 2021/22

- 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. This allows the Group to track progress against each of the indicators and outputs from those surveys.
- Around half of the Group's revenues in the period continues to come from food and FMCG goods. This has allowed the Group to remain insulated from any down turn in consumer spending and resilient against our competitors whilst continuing to meet our customers' needs.

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 2021/22

- 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 remained well stocked with the best-selling products on a daily basis.
- Management has continued to proactively respond to changing sales patterns throughout the year noting that customers still make discretionary purchases albeit relatively low in value. The business was able to respond to this demand as very few products offered are high value items, with the majority being priced below £50.

Principal risks and uncertainties continued

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



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 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 online 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 2021/22

- Mandatory training for all management and support centre colleagues using an e-learning portal has continued throughout the year.
- Our Groceries Code Compliance Officer and Group Internal Audit team have actively engaged during the year with the Groceries Code Adjudicator ("GCA") in relation to our action plans and follow-up work during the year.
- The Group has implemented reporting in line with the Task Force on Climate-related Financial Disclosures.

Link to strategy key

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Risk change key

-  Increased risk
-  No change
-  Decreased risk

6 International expansion

Description & potential impact

Developing our businesses in 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 international retail experience on the 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 or might 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.
- The Group continues to invest in both the infrastructure and technology of our French business.

Key Actions in 2021/22

- We continued to strengthen the senior leadership team in France with the new appointment of a Supply Chain Director (France) and secondment of management from the UK to transfer operational knowledge to colleagues in France.
- We completed the fascia rebrand of all stores in France which has delivered a strong improvement in financial performance.

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 seven separate distribution centres, plus a further two in France.
- The Group maintains adequate business interruption and increased cost of working insurance in the event of a loss of a distribution centre.

Key Actions in 2021/22

- We have commenced the roll out of the upgraded JDA Warehouse Management System. We plan to complete the remaining sites in FY23.
- The vast majority of product SKU's now have dual locations within our UK Distribution Centre estate, so in the short term if a Distribution Centre was out of operation our stores could 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 has 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.
- The Board annually reviews its short and medium term distribution infrastructure requirements.

Principal risks and uncertainties continued

8 IT systems, cyber security and business continuity

Description & potential impact

The Group is reliant upon key IT systems, and disruption to such systems 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, reputational damage and in the case of a loss of personal data, potential prosecution. 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



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 ongoing 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 2021/22

- IT cyber security and PCI controls in relation to processing card transactions are continually reviewed to ensure updates in line with payment card industry standards.
- The B&M fascia business has implemented an Endpoint Security Platform and Advanced Malware Protection to improve cyber security. We continue to investigate ways to improve our cyber protection especially from ransomware using the Protect, Recover and Ensure Business Continuity model.
- A 3 year phased programme of improvements and upgrades to IT systems and infrastructure commenced in FY22 with approval of the Board. This programme includes improvements to the Group Finance system, networks and segregation, data centre improvements and migration of email to the cloud.

Link to strategy key

- A** Delivering great value to our customers
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Risk change key

-  Increased risk
-  No change
-  Decreased risk

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 could adversely affect the profitability of the business. Additionally, increased fuel and energy costs could impact upon distribution, logistics and store overheads.

Strategic Priority

A

Change



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 2021/22

- The Group has freight rate agreements in place with freight forwarders with set prices at least 12 months ahead.
- A Building Energy Management System controls energy consumption at stores more effectively and roll out of LED lighting across all stores is helping to mitigate rising energy costs.

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 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 has developed succession plans for the Board of Directors and key senior operational management resourcing positions. It also reviewed the wider senior management resourcing needs of the Group.

Key Actions in 2021/22




- Succession planning has been regularly reviewed by the Nomination Committee throughout the year ensuring succession plans for key senior management through to executive positions.
- The Group has continued to strengthen the senior management teams of its businesses. This has included (i) the appointment of a new General Counsel following the retirement of the previous General Counsel early this year, and (ii) the appointment of a new Supply Chain Director (France) to enhance the French Leadership team.

Principal risks and uncertainties continued

Link to strategy key

- A** Delivering great value to our customers
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Risk change key

-  Increased risk
-  No change
-  Decreased risk

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 2021/22

- The B&M UK business continues to take steps where new store opening opportunities exist in current store locations, to replace older generation stores with better quality sites and premises and via acquisition of adjacent space to expand stores and optimise performance.

12 Stock management

Description & potential impact

Ineffective controls over the management of stock could impact the achievement of our gross margin objectives. Lack of product availability or over-stocking could impact working capital and cash flows.

Strategic Priority

A

Change



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 12 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 the open-to-buy process, supported by the disciplined SKU count.

Key Actions in 2021/22

- Despite the disruption to supply chains in the Far East and Asia the Group has aimed to maintain at least three months of stock cover throughout the year.

Viability Statement for accounts

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 26 to 34 of the strategic report and the Group's prospects.

We set out our strategic plan on a three year cycle, which is common practice in the retail sector. We believe this is appropriate as we operate in a competitive retail environment and need to be able to react to changes in retail markets and consumer trends. Given the fast moving nature of the retail industry and macro-economic environment the board believe that forecasting beyond a three year period is an unproductive exercise, and note that this is consistent with the approach of many of our analysts.

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 27 to 34 occurring in the period;
- the likely degree and effectiveness of possible mitigating actions in relation to the principal risks; 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 bonds of £400m which matures in July 2025 and the high yield bonds of £250m which matures in November 2028.

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

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

- a decline of 9% of like-for-like annual sales in the Group's main UK trading business, B&M UK, as a result of competition increasing and B&M returning to a pre-pandemic level of sales;
- 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 movements; 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, cyber threats and significant cost inflation.

The Board considered the mitigating steps which they would take to protect the Group in the event of any of those scenarios 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 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 29 March 2025.

A year of significant progress in our approach to ESG

We have made significant progress in developing a clear ESG strategy this year, with relevant metrics and targets that align with our purpose of delivering great value to customers and will underpin our continued success.

Delivering value to customers

Environment

- Reduce scope 1 & 2 carbon emissions by 25% by 2030
- Adopt a supplier engagement target for scope 3 carbon emissions
- Reduce use of plastic packaging in the supply chain
- Maintain a high level of packaging recycling

➔ See **page 45** for more information

Colleagues

- Provide colleague development and promotion opportunities through a range of training programmes
- Maintain high levels of colleague engagement across the Group
- Develop a diverse and inclusive workforce
- Reward strong business performance through payment of discretionary bonuses to store, distribution and support centre managers

➔ See **page 38** for more information



Communities

- Committed to a store rollout target of at least 950 B&M stores in the UK
- Contribute to the regeneration of local communities through the creation of new jobs
- Support local and national charitable initiatives

➔ See **page 41** for more information

Supply Chain

- Commitment to ethical business practises and the fair treatment of workers in our supply chain
- Utilise sustainable or recycled materials when designing own-brand products wherever possible
- Pay all suppliers fairly and treat them with respect

➔ See **page 42** for more information



Our approach to ESG is to:

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

Last year the Board committed to developing our approach to ESG during FY22, in recognition of its growing importance to all stakeholders. Over the past 12 months, there has been frequent consultation with the Board as management have refined our ESG strategy.

The Board and management team considered ESG from a number of different perspectives. This included evaluating peer and competitor strategies, views expressed by equity and debt market participants, ESG rating agencies and

also what is generally considered best practice. We engaged specialist third party consultants to help inform our thinking in certain areas, for example when determining what appropriate long term science-based carbon reduction targets may be.

Following this extensive appraisal, our first ESG strategy was formally approved by the Board this year and has been based around the four pillars of Environment, Colleagues, Communities and Supply Chain. We believe that the ESG strategy we have developed is appropriate for a business such as B&M, being a variety goods value retailer focused on long term sustainable growth. We have sought to strike a balance between being sufficiently ambitious, reflecting the step change in performance of the Group over the past two years, but also ensuring these ambitions are in keeping with the B&M business model.

Underscoring our commitment to this new ESG strategy, we have also appointed our first Sustainability Manager this year who, together with the executive management team, will be responsible for overseeing progress against a number of initiatives over the coming years. This appointment was made internally, representing a career development opportunity for an existing colleague within the business, and thus aligning to one of our stated objectives under the "Colleagues" pillar of our strategy.

We also acknowledge that our approach will need to evolve with the business over time. In that regard, the Board remains committed to monitoring progress against our ESG strategy, and to making further developments when appropriate. For the year ahead, the Board intends to retain an "at one" approach to ESG governance, recognising the importance of collective input as we begin to implement our new strategy.

To complement the launch of our ESG strategy, we have also published a standalone ESG report for the first time this year. This report contains more detail about our strategy, progress and achievements in FY22, and is designed to be read alongside the corporate social responsibility section of this Annual Report.

Alongside our approach to ESG, we have existing policies with regards to our dealings with people, our social responsibilities and in relation to our environmental outputs. For the purposes of our FY22 annual reporting, below we set out these policies, how we have applied them, and the outputs from them over the past year.

In relation to our governance and decision making with regard to our stakeholders' interests, see also the Stakeholders and Section 172 report on page 56.

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 40 for more information on diversity and equality

As well as our overall policy above, we also have a number of detailed supplementary 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 business, and to ensure compliance with relevant legislation.

Through these policies, we are able to support the ongoing growth of the business. The Group employs over 38,000 people across our three businesses, in roles covering stores, distribution and support centres. Attracting new and retaining existing colleagues as our operations expand remains crucial to the continued success of the Group and so we retain a strong focus on colleague development, wellbeing and reward.

In FY22 we created over 650 new retail jobs in the UK, driven largely by our store rollout programme. In so doing, we continue to make a positive contribution to local communities by offering job opportunities at a time when some other store-based retailers have been taking steps to rationalise their workforce or have closed entirely, particularly following the impact of the Covid-19 pandemic on the retail industry.

Colleague progression

By providing development opportunities for home grown talent wherever possible, we believe that the business benefits over the longer term as our culture and values are maintained and reinforced through the continuity of 'B&M people' growing with the business.

This commitment is perhaps best illustrated through our Step-Up career development programme. This well-established programme provides store colleagues with an opportunity to demonstrate their talent and grow within the business. In FY22, 91 existing colleagues were promoted to either store manager or deputy manager positions in B&M UK stores (FY21: 124). We are proud of the fact that over 80% of these appointments were internal promotions from within the business. As part of our values of fairness and trust, any colleagues who enters but does not succeed the first time can enter the programme again in future years whenever they want to.

This year, in response to the well documented challenges surrounding the availability of lorry drivers, we also developed a new "Warehouse to Wheels" initiative aimed at offering training opportunities for warehouse colleagues to become HGV drivers. This helped the business

to respond quickly and ensured that we did not experience any significant disruption in our distribution network or in terms of stock availability at stores.

In our standalone ESG report, we talk in more detail about the various learning and development opportunities that we offer colleagues across the Group.

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.

We made further changes to our colleague engagement survey this year, making it more streamlined and running it twice (in July 2021 and March 2022) rather than once as in previous years. Doing so has enabled us to stay even closer to our colleagues, and will help us identify areas of improvement even quicker in the future. In both surveys this year, the response rate was over 90%, and there was year-on-year improvement across all questions asked. Furthermore, many of the ratings improved between the first and second survey, reflecting the success of the department level action plans that were implemented during the intervening period.

Given our focus on promoting and retaining home grown talent as noted above, these ratings are important as they are a strong

indicator of the type of culture which exists across our business. Considering the significant step up in the performance of the Group over the past two years and the ways in which colleagues have had to adapt, such satisfaction scores are particularly pleasing.

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 feedback this year included improving colleague benefits and recognition, making further enhancements to some of our IT systems and helping the store teams to more accurately forecast their colleague rotas. As a result, the following outputs have already been implemented by the senior management team:

- rolled out a new colleague App used to communicate a daily "digest" update, share important updates with colleagues, and increase engagement; and
- once again this year, we acknowledged the considerable efforts of over 24,000 store and distribution colleagues by awarding a discretionary bonus of an additional week's pay in January 2022.

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, whilst also enabling colleagues to ask questions directly of senior management in relation to the business and its strategic plans. As Covid-related restrictions were gradually eased during the year, we were able to use a mixture of virtual and physical meetings.

Colleague reward & recognition

We reward our store managers and supervisors through an annual bonus scheme. This scheme is kept simple and transparent, with just four metrics which are 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 customers.

Each year, we also operate a number of incentives to motivate and reward our store teams. These are generally centred around key in-store events such as Easter, Halloween and Christmas, and culminate in a "Store of the Year" award where the entire store team is recognised.

We also have an annual bonus scheme for managers in our distribution centres who lead various warehouse and transport teams. This is supplemented through a programme of awards and recognition relating to the performance of individual colleagues, which increases engagement and encourages a culture of continuous improvement.

B&M has a share incentive plan which is open to all B&M UK employees after 12 months service, providing them with the opportunity to participate in the future success of the business as a shareholder. Restricted Stock share option awards are also made to a number of management colleagues on an annual basis. This is a broad based pool of management and includes a number of heads of department from across the central support teams.

The Group had a successful year in FY22, overcoming a number of challenges and uncertainties faced by the retail industry to deliver another set of strong financial and operational results.

The recognition payment noted above delivered against the commitment we made last year to award discretionary workforce bonuses when the Group achieves a certain level of performance. This is something we remain committed to, forming part of the "Colleague" pillar of our new ESG strategy (see page 36).

Colleagues paid a discretionary bonus

>24,000

"Step Up" promotions

91

Retail jobs created in the UK

>650

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

- to ensure 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, recent senior management roles within retail and/or supply chain sectors, and previous experience regarding membership and chairmanship of Board committees are also relevant factors.

Female representation at Board level

43%

Diversity and equality

In relation to gender diversity, following the appointment of Paula MacKenzie to the Board in November 2021, the Board had 43% female representation at the year-end, with three out of the seven Board members now being female. Full details of the composition of B&M's Board are set out on pages 62 and 63.

At the end of FY22, female representation across the senior management of the Group, reporting either directly to the Board or the Executive Committee, was 43.8% (FY21: 42.3%). In relation to all employees of the Group, the percentage of female colleagues was 57.8% (FY21: 58.2%). The Company already complies with the Parker Review recommendations in respect of ethnic diversity and Board representation.

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 2021.

The mean hourly pay rate of B&M UK colleagues was 7.5% lower for females than for males. The median hourly rate was the same for females and males. For Heron Foods, the mean hourly rate for females was 19.9% lower than males and the median hourly rate for females was 5.5% lower than males.

In relation to bonuses of B&M UK colleagues, 6.4% of females and 18.9% of males were paid a bonus. The mean bonus pay for males was 6.5% lower than females, and the median bonus pay for males was 54.0% lower than females. For Heron Foods, 74.8% of females and 78.1% of males were paid a bonus. The mean bonus pay for females was 65.6% lower than males and the median bonus pay for females was 38.6% 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.



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 providing people with the goods they need at prices which help limited spending budgets go that bit further.

We have continued to invest in new stores throughout FY22, looking to extend the reach of our value for money proposition to areas where we are under-represented or not represented at all. We opened a total of 34 gross new B&M stores and 16 gross new Heron Foods stores in the UK this year.

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. By generating some publicity with the local media, this is one small way in which we can help to promote and support the good work that they do for their communities. We actively encourage our store managers to maintain relationships with the local hero going forward, and to support the good work they do in their community.

We expect our store expansion programme to continue in the years ahead, and we remain

committed to our rollout target of at least 950 B&M stores in the UK. There are still many areas in the UK where we have not penetrated local markets, particularly in the South of England, with the main constraint being the availability of real estate of the size and type we require. However, given our strong track record and performance of recent store openings, we remain confident that every time we open a new store it will be a success.

Through our rollout programme, we are proud to contribute to the revitalization and sustainability of communities across the UK, with each new opening representing a long term commitment to the local area. By creating new jobs, we are proud to welcome new colleagues to the business and have a positive impact in communities where alternative job opportunities may otherwise be limited.

We are also proud of our participation in the Government's "Kickstart" programme, which aims to help long-term unemployed people get back into work in their local communities, and we have welcomed 3,000 colleagues under the scheme so far. We have also enrolled a further 144 colleagues on to various apprenticeships over the past year.

For further examples of the positive impact we have in our communities, see our standalone ESG report.

Corporate social responsibility continued

Quality, convenience & value

Both the B&M and Heron Foods brands are known by their customers for providing the products they want at bargain prices. Such value for money is likely to become increasingly important for many people as we emerge from the social and economic impacts of the Covid-19 pandemic, particularly given the rising cost of living and the knock-on impact that will have on household budgets.

We are proud to play a part in supporting the communities where we trade by making our value for money offer as convenient as possible for customers. At our B&M stores, by offering both Grocery and General Merchandise goods all under one roof we are able to provide customers with a one-stop-shop for a range of daily essentials and products for their homes.

At our Heron Foods stores we offer a range of frozen, chilled and ambient food to serve the needs of customers on a very localised basis. In France, our customer appeal continues to strengthen as awareness of the B&M brand grows following the completion of the fascia re-branding programme this year. This is particularly true in the key category of Homewares, where we are regarded as providing an attractive range of products and very competitive prices.

Charitable initiatives

We were proud to be a headline partner for the "Mission Christmas" appeal once again this year, which is an initiative run by the Cash4Kids children's charity. It provided £13.8m of gifts and vouchers to some 288,000 under-privileged or poorly children in the UK at Christmas 2022. Most of our stores acted as collection points for the initiative, in what was our sixth consecutive year of participation on a national level.

Through our new all-colleague mobile App introduced this year, we ran two competitions during the Christmas period where winners received £500 to donate to a charity of their choice. In addition to benefiting the chosen local charities, this also generated a lot of engagement amongst the store colleague community during our busy Golden Quarter trading season.

At our Heron Foods business, colleagues participated in a number of charitable events to support the local community throughout the year. These included raising money for Hull4Heroes, the Yorkshire Wildlife Trust and the St. Andrews Dock Fishing Heritage Group.

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. By making everyday

essentials affordable, we are able to help household budgets go that little bit further.

This purpose has been particularly relevant during the Covid-19 pandemic, and is likely to remain so for the foreseeable future with large sections of the population being concerned about their personal finances given the rising cost of living. We are committed to serving the needs of our customers through the stores we operate in our chosen markets of the UK and France.

Customer proposition

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. Through our relentless focus on price and newness, we are able to retain the loyalty of existing customers, 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 customers recognise, and they enjoy the opportunity to purchase them at bargain prices in our stores.

We constantly refresh our product offer by 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. In FY22, we saw a particularly strong performance in Seasonal categories such as Gardening and Christmas. This indicates that B&M is increasingly being regarded as a "destination" visit for these types of products, which further strengthens customer loyalty.

We take pride in providing the high quality customer experience which 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 benefits by helping to reduce our carbon emissions, whilst at the same time providing a modern, clean environment for customers and our colleagues.

Retaining the loyalty of new customers

During FY21, we saw a number of new customers discover B&M in the UK for the first time. Such has been the consistency of the two-year like-for-like performance throughout FY22, we believe that we have been successful in retaining the loyalty of many of these customers, with sales densities 13.0% higher than pre-pandemic levels of FY20. Although the outlook for consumer spending remains uncertain, with Covid restrictions having eased but inflation impacting the retail sector in a number of ways, we remain optimistic that the B&M proposition of great value across a range of best-selling items will continue to resonate strongly with customers in the years ahead.

Health and safety

The Board has overall responsibility for ensuring that we maintain high standards of health and safety across the Group. 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. Our approach to Health & Safety is one of education and continuous improvement.

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, as well as refresher training for existing store management colleagues. Over the course of the last 5 years, over 5,000 store colleagues have been trained as a responsible person, demonstrating our commitment to the safety of colleagues.

The health and safety policy for our stores is also supplemented by documented risk assessments and clearly articulated procedures for colleagues to follow, with pictograms to make them user friendly and help overcome language or learning barriers.

As part of their induction, every store based colleague receives 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.

In FY22 there were 102 reported accidents (0.2 per store) reportable to the Health & Safety Executive relating to the B&M business in the UK (FY21: 125 reported accidents and 0.2 per store). This is in the context of 2.52 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 during that time. 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 offering our customers the best products at the best prices.



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 suppliers of grocery products. The aim of the Groceries Code is to establish and embed the overarching principles of fairness and lawfulness within retailer – supplier relationships at all times.

Retailer compliance with the Groceries Code is overseen by the Groceries Code Adjudicator, with whom we engaged constructively and positively regarding key areas of interest this year.

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

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

In relation to the annual compliance report of B&M and Heron Foods for the year to 26 March 2022, 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 the Audit & Risk Committee members in May 2022 and it was approved by them for submitting to the Competition and Markets Authority and the Grocery Code Adjudicator.

B&M and Heron Foods have maintained ongoing training programmes with regards to the Groceries Code, with this training provided by external consultants annually. There is a new joiner guidance document and training packs for new colleagues joining the buying teams in each of those businesses. Buying colleagues who deal with grocery suppliers are required to declare any complaints received under the Groceries Code to the Buying Office Manager, who in turn would notify the Code Compliance Officer. During the year under review, there were no such complaints received.

➔ See **principal risk number 5** on **page 30** for more information

Corporate social responsibility continued

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, which further strengthens the relationship with these suppliers and underlines our commitment to treating suppliers fairly.

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. 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 recognise the need to ensure that the products we sell are safe and fit for purpose for our customers. As such, we have a number of formal policies in place relating to our dealings with suppliers, to ensure they comply with local laws and regulations and our own policy standards. These include:

- 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 practical 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 to the appropriate executive management team director.

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 B&M France 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 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, all three businesses 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 these 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 them. 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 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, www.bandmretail.com and at www.heronfoods.com.

Approach to risk management and due diligence

In relation to the Group's assessment of risk, for leading household brand name suppliers we operate on the basis of reasonable reliance being placed on those suppliers having their own comprehensive procedures and policies in place. For all other suppliers, in particular those supplying general merchandise goods from overseas, the Group has alternative forms of checks and verification processes in place.

The vast majority of general merchandise products which are imported into the UK and France are sourced from China, and are mainly machine manufactured goods as opposed to being labour intensive handmade goods. All overseas suppliers 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 sourcing agent in Hong Kong, Multi-lines International Company Ltd ("Multi-lines"), who have well-established processes and expertise in performing such procedures. The Multi-lines team carries out this service both in relation to suppliers sourced by them in their capacity as sourcing agent for the Group, but also in relation to those suppliers sourced directly by buying teams in the UK.

As part of the vetting and verification processes performed by Multi-lines, they are required to obtain social compliance audit reports prepared by external specialists. Those external specialists would generally be internationally recognised inspection, verification and certification companies. On a rolling basis before the expiration of any existing social compliance audit report, the Multi-lines team timetables and obtains new audit reports as part of its ongoing verification processes of approved suppliers.

By outsourcing the social compliance auditing of directly-sourced suppliers to Multi-lines, we ensure that there is a consistent and robust standard applied across our supply chain when evaluating ethical trading practices, regardless of the origin of the relationship with us. It is also carried out independently from our UK and France buying teams, as a further safeguard against the integrity of the sourcing processes which we have in place.

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

Further improvements to existing processes between the UK buying teams and our partners in Multi-lines were identified by Group Internal Audit this year, and have subsequently been put in place. Looking ahead, we expect more recommendations to be made as a result of work planned for our new Sustainability Manager, and a Multi-lines colleague has also been seconded to the UK to facilitate even greater knowledge sharing and effective communication.

Quality assurance

In relation to general merchandise products which are manufactured for the Group, we have a well established 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 Multi-lines at factory premises prior to shipment.

Environment



Our Environmental policy is to:

- grow our business whilst operating 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, particularly in areas of scale in our operations where we can make an impact.

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. There are however environmental impacts from our business operations which, as opposed to being risks, are outputs which we are committed to managing responsibly. We constantly strive to either reduce the intensity levels of our consumption and find better ways of operating in a more environmentally sustainable way.

This year, we have reported under the requirements of the Task-force for Climate related Financial Disclosure ("TCFD") for the first time. In preparing for this disclosure, the business has spent considerable time across both Board and day-to-day management level assessing the risk and opportunities presented by climate change. This has included engaging with third party experts to help inform our thinking and identify factors we need to be aware of, both now and in the future.

Overall, we have determined that the risk posed by climate change to the Group is low. However, we remain cognisant of the need to continue monitoring this in the future, and are committed to reviewing this at least annually. Our TCFD

disclosures can be found on pages 48 to 55, and further details are available in the standalone report.

For the purposes of this Annual Report, we have outlined below the impacts of our environmental policy, and how we have applied it during this year. Additional information regarding the progress we have made this year regarding our long term environmental sustainability can be found in our standalone ESG report.

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.

The Bedford facility helps us to minimise the number of miles travelled to service stores in the South of England, whilst also reducing overall fuel consumption and emissions from our HGV transport fleet in real terms. As we continue to open new stores in the South, we estimate that once at maximum capacity the annual benefit of the Bedford facility will represent approximately 6 million fewer delivery miles travelled compared to those travelled previously when making deliveries from our Distribution Centres in the North West of England.

Corporate social responsibility continued

We have a total of 252 tractor units and the entire transport fleet in the UK is 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 have around 170 of these trailers, and the resulting increase in pallet fill per trailer means fewer store deliveries are required on a like-for-like basis.

We also have an increased focus on monitoring driver performance across our B&M and Heron Foods transport colleagues, rewarding fuel efficient driving and thus reducing diesel emissions. This year, we have introduced a new system that allows us to track metrics such as braking intensity and miles-per-gallon, which has provided greater visibility over driver performance and helped to identify areas for improvement.

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 also have 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 its safe carriage. This reduces costs, weight and wastage of excess packaging.

Over the past year, we have driven an increased focus on the general merchandise products that we typically source from Asia. We have pro-actively re-designed a number of products, particularly in categories such as Christmas decorations, to move away from plastic packaging towards greater use of more environmentally friendly cardboard. In the year ahead, we will maintain a focus on reducing plastic packaging further as we look to deliver against one of our ESG commitments and also mitigate the impact of the UK's plastic packaging tax which becomes effective from FY23.

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 to our distribution centres for sorting in readiness for recycling. By utilising the empty space on our trailers following a store delivery in this way, it is an efficient use of our transport fleet.

This year 99.9% 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.

Overall, the total level of packaging waste recycled by the Group in FY22 was 99.8%.

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 FY22, we donated a total of £388,000 to a variety of UK charities and good causes.

Energy consumption

All new stores are now opened with energy efficient LED lighting. In addition, wherever practical we are retrofitting LED lighting into existing stores when carrying out refurbishments. We also have LED and motion-activated lighting installed in our main B&M distribution centre locations, as well as our Heron Foods distribution centre, to reduce unnecessary electricity usage. Following initial trials in FY21, we have continued to rollout a Building Energy Management System (“BeMS”) in B&M UK stores to help better control their energy consumption and drive further efficiencies. This system is now installed in all new store openings, whilst we are also adopting a phased approach to retrofitting it into existing stores. At the year-end, over 40% of all stores were installed with our BeMS.

The annualised benefit of installing both LED lighting and BeMS can represent a significant reduction in terms of energy usage, and ongoing rollout will be important as the business strives to achieve our Scope 1 and 2 science-based targets relating to carbon emissions which we have committed to this year.

Our ESG report provides more details regarding our energy saving initiatives, including a case study.

Stores served by Bedford DC

>250

Overall Group packaging recycled

99.8%

Stores with BeMS installed

>40%

Greenhouse gas ("GHG") emissions

This year, 44% of our carbon footprint in relation to B&M UK operations resulted from electricity usage in our stores, warehouses and support centre. Emissions from the use of gas and diesel used by our transport fleet accounts for the other 56%.

Store numbers across the Group continue to increase and we grew the total estate by 28 stores. Despite this growth in store numbers, the absolute value of Group GHG emissions decreased compared to the prior year. This represents the positive impact that energy saving initiatives such as those outlined above are having on our carbon footprint.

Scope 1 and 2 greenhouse gas emissions have been calculated according to the 2019 UK Government environmental reporting guidance. To report according to this guidance, methodologies outlined in the Greenhouse Gas Protocol Corporate Standard have been followed to calculate our emissions.

Scope 1 GHG emissions and energy use have been calculated based upon the quantities of fuel purchased for our transport fleet and gas consumed when heating business premises. Scope 2 GHG emissions and energy use are calculated based upon the quantity of purchased electricity used to power our sites. Our Scope 2 emissions have been calculated using a location-based approach, as per the requirements of the Streamlined Energy and Carbon Reporting ("SECR") disclosure. This method

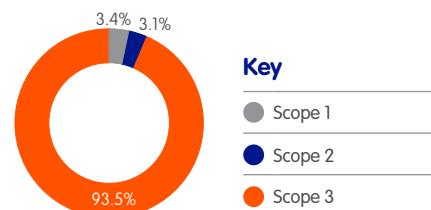
calculates emissions associated with our electricity consumption by using the average emissions intensity of the electricity grid in the country where the electricity is consumed and does not account for contract or supplier-specific factors.

We express our emission intensity ratio with respect to tonnes of CO₂ per £1m of turnover. At a Group level, our Scope 1 and 2 intensity ratio has improved again in FY22. Specifically, in the core B&M UK business, we have reduced our intensity ratio by more than 50% over the past five years, despite growing the store estate by over 30% in that time.

Following the detailed work performed this year, we are disclosing our Scope 3 carbon emissions for the first time. As shown below, approximately 93.5% of our total carbon footprint comes from up or downstream activities. Further details relating to our carbon footprint, including the methodology applied in calculating it, can be found in our ESG report.

The Group has committed to working collaboratively with its suppliers and partners over the coming years to help reduce our Scope 3 emissions, and has an ambition to align with the British Retail Consortium target of achieving Net Zero by 2040. We intend to develop plans further in FY23, supported by our new Sustainability Manager and continued input from specialist consultants, and build a credible pathway towards achieving this ambition.

FY22 Group carbon footprint



Environmental sustainability at a glance

- committed to a science-based target of reducing Scope 1 & 2 carbon emissions by 25% by 2030;
- committed to a supplier engagement target for Scope 3 emissions;
- minimised miles travelled and associated GHG emissions by servicing c.250 stores from our Bedford distribution centre;
- total packaging waste recycled by the Group in FY22 was 99.8%;
- ongoing programme of energy efficient LED lighting and BeMS installation into new and existing stores; and
- GHG intensity ratio for Scope 1 and 2 emissions in the B&M UK business reduced by over 50% over the past 5 years.

Greenhouse gas and energy usage data (Scope 1 & 2)

	Emissions				Energy usage		
	Scope 1 TCO ₂ e	Scope 2 TCO ₂ e	Total TCO ₂ e	Intensity Ratio	Scope 1 MWh	Scope 2 MWh	Total MWh
FY22							
B&M UK	42,631	33,745	76,376	19.54	197,265	158,927	356,193
Heron Foods	8,060	9,985	18,045	43.90	33,660	47,024	80,684
UK Subtotal	50,691	43,730	94,421	21.86	230,925	205,952	436,877
France	417	1,919	2,336	6.62	1,900	37,421	39,320
Group Total	51,108	45,649	96,757	20.71	232,825	243,373	476,198

	Emissions				Energy usage		
	Scope 1 TCO ₂ e	Scope 2 TCO ₂ e	Total TCO ₂ e	Intensity Ratio	Scope 1 MWh	Scope 2 MWh	Total MWh
FY21*							
B&M UK	41,923	39,696	81,619	20.01	192,802	170,265	363,067
Heron Foods	7,172	11,203	18,375	44.30	29,821	48,051	77,872
UK Subtotal	49,095	50,898	99,994	22.26	222,623	218,316	440,939
France	114	1,226	1,341	4.34	497	31,486	31,983
Group Total	49,210	52,125	101,334	21.10	223,120	249,802	472,922

Note: FY22 relates to the period from April 2021 to March 2022 and FY21 relates to the period from April 2020 to March 2021.

* Prior year figures have been restated to reflect a re-classification between Scope 1 and Scope 2 emissions and energy usage in light of better data becoming available and to reflect a location-based methodology.

Climate-related Financial Disclosure Report 2022

In line with the Task Force on Climate-related Financial Disclosures ('TCFD') framework, we are pleased to publish this disclosure consistent with the TCFD recommendations for the first time.

TCFD is structured into four themes: Governance, Strategy, Risk Management and Metrics & Targets, and the 11 supporting disclosure recommendations. In this climate-related financial disclosure we have complied with the requirements of Listing Rule 9.8.6R and all 11 TCFD supporting recommendations.

These core themes and recommendations inform the classification of climate-related risks and opportunities into two major categories; transition and physical. The transition risks are associated with the decarbonisation of the global economy, and physical risks are those associated with acute and chronic impacts of the changing climate. We will continue to monitor TCFD as it develops over the coming years and respond accordingly where necessary. In this regard, the B&M business model and operating structure allow us to be highly responsive and implement changes quickly.

Overview

The threat of climate change to businesses is mounting, and action is needed. As documented on page 10 of this Annual Report, we have a growing presence in the retail market, and the actions we take can impact the sector. By selling a variety of products, many of which are sourced from Asia, we are responsible for 1,491,137 tCO₂e total carbon emissions and acknowledge that these emissions contribute to the impacts of climate change. To reduce the emissions across our operations, we have set a target to reduce Scope 1 and 2 emissions by 25% by 2030. We have also set a Scope 3 supplier engagement target that aims to have 67% of our suppliers (by spend) set science-based targets by 2027. We use the Metrics and Targets outlined on page 55 to monitor and track progress toward reducing our emissions.

To understand how climate change impacts B&M, we use the TCFD reporting framework. Climate-related impacts could potentially put our financial planning and business strategy at risk. To assess the severity of climate change on our business, we modelled the financial impact of each climate-related risk identified in our risk assessment. We drew upon knowledge from our finance department and those colleagues within the business who best understand our operations. Understanding the financial impact climate change may have on our business is helpful for our stakeholders to make informed decisions. Overall, we have determined that the risk posed by climate change to the Group is low. Despite this, we strive to continue reducing our impact on the climate, as detailed below.

Governance Board oversight

The B&M Board is responsible for overseeing management's response to climate-related impacts and ensuring action plans are embedded into the business strategy and future financial planning to mitigate climate-related risks and capitalise on opportunities. The Board considers the threat of climate change and has been actively involved in taking steps to address its potential impact through assigning day to day responsibilities to the executive directors, setting a Net-Zero ambition and signing up to the Science-Based Targets Initiative (SBTi). For the year ahead, the Board retains overall responsibility for climate governance and action as this is integrated into our new ESG strategy. ESG as a whole, including climate change, is now a standing agenda item at all six Board meetings a year, having been discussed at every Board meeting since September in FY22.

The Board is actively involved in key decision making at B&M and considers climate-related issues when doing so. This year, key milestones have been achieved, as illustrated by our newly stated ambition to be Net-Zero by 2040 to align

with the British Retail Consortium's Climate Action Roadmap. We will validate our SBTi targets in June 2022 and intend to set Scope 1 and 2 absolute reduction targets in line with a well-below 2°C warming scenario; this equates to a 25% reduction by 2030 (compared to a 2020 baseline). We are aware that as of July 2022, only 1.5°C aligned targets will be accepted by the SBTi and plan to review our targets in five years to align with the latest criteria.

Management structure

The Board delegates the implementation of processes and controls concerning the management of climate-related risks to the executive and operational senior management of the UK and French businesses. The executive management is responsible for identifying and evaluating new and emerging climate-related risks and assigning mitigating actions. The potential impact and likelihood of climate-related issues are assessed, and significant areas for concern are reported to the Board on an ongoing basis. In FY22, we appointed our first Sustainability Manager, who reports to the CEO and is responsible for overseeing our day-to-day progress concerning climate action. The Sustainability Manager works across the business, interacting with a number of departments through our flat management structure. Together with the General Counsel, Group Internal Audit, Investor Relations and Finance teams, the Sustainability Manager will work with third-party experts to review climate issues annually and assess the potential financial impact of climate-related risks over the short, medium and long-term until 2050 as outlined on page 50. This structure helps to ensure quick and decisive action across our operations, and we have adopted the same approach for managing climate-related risks and opportunities. As opposed to holding routine formal meetings, we encourage constant communication and collaboration across all levels of management.

Monitoring risk

The Audit & Risk committee, together with the support of the Group Internal Audit department and the Group's General Counsel, is responsible for monitoring risks and overseeing progress against goals and targets for addressing climate-related issues. In the risk management section on page 53, we identified ten transition risks, two overarching physical risks and one opportunity. The Group already has an established strategic and more detailed corporate risk register. Instead of adding

climate change as a standalone risk, we will consider all corporate risks through a climate lens. The Group Internal Audit team, alongside our Sustainability Manager, monitors our identified climate-related risks and opportunities on an ongoing basis to consider how each issue impacts strategic risks already identified. This approach was taken since climate change has been identified as representing a low risk overall; therefore, it is a case of keeping it under consideration as we evaluate the ongoing changes to risk.

Furthermore, climate change was considered at the Group's annual strategy day in March 2022 when reviewing the principal risks relevant to the Group. It was determined, at this time, that climate change does not represent a principal risk given the detailed risk assessment performed by management this year and how the outcome of that assessment compares to the principal risks already identified. However, this assessment will be reviewed at least annually by management and the Board.

Figure 1: The B&M governance structure for climate-related risks and opportunities.



Task Force on Climate-related Financial Disclosures continued

Strategy

At B&M, we have a part to play to reduce the impact of our operations on the environment. The TCFD framework helps us understand and manage the climate-related risks and opportunities we face. Following its recommendations, we used climate scenarios to examine a range of possible future global warming pathways to identify the physical risks and opportunities over the short, medium, and long term. In total, we identified ten potential transition risks, two overarching physical risks and one opportunity. The scenario analysis then highlighted five transition risks, two physical risks, and one opportunity that could significantly impact the business over these time horizons. Each climate-related consideration was modelled across all three of these scenarios. The scenario in which the risk or opportunity is anticipated to have the highest potential impact is displayed in Tables 2,3 and 4, alongside its classification.

Step 3 of the risk management process details how we determine materiality through our risk classification process. The steps we have taken to identify and manage each climate-related issue have been based on our existing risk management process to ensure a consistent and efficient assessment and categorisation. Climate-related considerations labelled with an A or B rating are deemed significant. A consideration classified as "A" represents an immediate risk, and a risk management plan is required. Alternatively, a "B" classification indicates that action and contingency plans should be considered. Basing our approach upon our existing process of identifying risks

and opportunities enabled us to build an internal climate-risk impact framework. This internal framework will be continually updated in line with business growth and will look to incorporate new and emerging risks as we expand our analysis.

We engaged a third-party specialist to run climate scenario analysis with our defined climate scenarios and time horizons (Table 1) across the Group's operations in line with the identified transition and physical risks. The findings were presented in a Climate-related Risk Management Workshop in February 2022 to the Executive Directors, General Counsel, Head of Investor Relations and Sustainability Manager. Furthermore, each climate-related consideration has been considered regarding its possible impact on the Group's financial planning. In 2022 we will build upon our existing process and further develop our financial climate risk assessment and look to address how financial impact modelling impacts specific areas of our operations.

Our climate scenarios were modelled using data from the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathways, the International Energy Agency's World Energy Model and other existing models. We used the scenarios and time horizons in Table 1 to understand our vulnerability to the impacts of climate change and how they vary over time.

The climate modelling considered the transition risks facing B&M at a Group Level and the

physical risks at a site level across the UK and France. The physical risks were then amalgamated into overarching physical risk categories at the Group level to help understand their material impact. The physical effects of climate change can significantly change our world. In addition, we recognise that policy is crucial in transitioning to a low carbon economy when considering potential future risks and opportunities.

Wider industry and national commitments such as the British Retail Consortiums (BRC) Net-Zero by 2040 and the UK's Net-Zero by 2050 will be essential to lower global emission levels. We have set an ambition to align with the BRC to reduce potential transition risks to our business and the physical impacts that manifest over time. To address the impacts of climate change, investment has already been made. For instance, the Group has an ongoing programme of installing Building Energy Management Systems and LED lighting across the B&M estate to reduce our Scope 1 and 2 emissions.

Longer-term, the Group is committed to continuing its growth strategy. There is a long runway of growth for the UK B&M fascia, with a long-term target of at least 950 stores. The rollout of Heron Foods stores will also continue, and there remains significant growth potential in France, given the progress made in FY22. The Group is, however, committed to achieving these growth ambitions in an environmentally friendly way and is increasingly mindful of climate-related considerations when making important strategic decisions.

Table 1: The Group's defined Climate Scenarios and Time horizons.

Climate Scenarios	Time Horizons
Below 2 °C – This scenario envisions a collaborative approach from governments and businesses to reduce greenhouse gas emissions. Innovation, coordination and strong climate leadership lead to an alignment with the Paris Agreements' ambition to avoid dangerous climate change by limiting global warming to well below 2 °C of warming above pre-industrial levels. These changes generate high levels of transition risks but limited physical risks.	Short-term (2020-2025)
Between 2-3 °C – Commitments and pledges are made in this scenario, similar to ones seen during COP26, such as the declaration on Forests and Land Use which had 141 countries, including Brazil and China, sign. However, not enough action is taken, and the introduced policies fail to spark the unanimous transition to a low carbon economy. Uncoordinated government action means this scenario is associated with the highest level of transition risks and increased severity of physical risks compared to the Below 2 °C scenario.	Medium-term (2025-2035)
Above 3 °C – Alternate geopolitical issues and a lack of interest mean minimal action on climate change is taken for the next few decades. No sector is decarbonised, and fossil fuels remain the dominant energy source allowing greenhouse gas emissions to rise unchecked. Businesses face limited short- and medium-term transition risks but the most severe physical impacts possible.	Long-term (2035-2050)

Table 2: Material Transitional Risks posed to the Group's operations.

Transition Risk	Scenario	Timeline	Classification	Mitigating Action	Financial Impact
Stakeholder Concern – We know that our stakeholders want to see us take proactive climate action, and failing to meet their expectations could harm our external and internal reputation. Due to this risk potentially arising with any one of our stakeholders, a medium likelihood and impact label is provided.	Variable across all scenarios	Short and Medium-term (2020-2035)	A	Engaged a third party to ensure B&M publish and comply with all relevant climate-related reporting requirements and have appointed a new Sustainability Manager position.	The financial impact largely relates to increased administrative costs to ensure ongoing compliance. The cost of external specialists is negligible in the context of Group profitability. The Sustainability Manager role has been filled by expanding an existing colleague's role rather than recruiting an additional colleague.
Cost to transition to lower emission products – More sustainable products are likely to come onto the market over the coming years. The changing customer demand means we need to be aware of the potential cost of transitioning to lower emission products. However, we expect such changes to gradually occur over time, allowing us to evaluate our response. The risk is labelled as a medium impact with a high likelihood.	Below 2°C	Medium-term (2025-2035)	A	We already partner with many leading brand names and are proud to showcase their sustainable products in our stores, and we hope to do more of this moving forward. In addition, we have a broad and agile supplier base who can manufacture own branded products on our behalf.	Changes to the product mix have the potential to impact the gross margin achieved by the Group; however, this could be both a positive or a negative impact depending on the margin profile of any new product compared to the existing assortment. Any change to the sales mix is likely to take place gradually.
Cost to transition to lower emission technology – Our aim to reduce our emission intensity means we need to be aware of the cost of transitioning to lower emission technology. However, we expect such changes to gradually occur over time, allowing us to evaluate our response. The risk is labelled as a medium impact with a high likelihood.	Below 2°C	Medium-term (2025-2035)	A	We plan to evaluate more energy-saving opportunities and schemes to counteract this cost, alongside existing stores' ongoing refurbishment and maintenance.	The ongoing rollout of LED and BEMS is expected to cost the business. The capital investment required by these initiatives already forms part of the Group's strategic planning projections. Further technological advancements are likely to occur slowly and should become more cost-effective over time.
Substituting existing products and services to lower emission options – Shifting to more efficient technology and sustainable products may require a write-off or the retirement of existing assets at a high impact on businesses and increased capital investments over time. As the company grows, we will look to gradually introduce more energy-saving schemes and forecast a low likelihood of any sudden asset retirement.	Below 2°C	Medium-term (2025-2035)	B	At B&M, we have a high rate of stock turn and tightly control the level of stock cover to ensure the risk of stock write-off is minimised.	If there is a significant shift in demand towards lower emission products, such changes are likely to occur gradually over time, and therefore we will have the opportunity to sell through existing stock without the need to write off the carrying value.

Task Force on Climate-related Financial Disclosures continued

Table 2: Material Transitional Risks posed to the Group's operations continued.

Transition Risk	Scenario	Timeline	Classification	Mitigating Action	Financial Impact
Increased cost of raw materials – Climate change may disrupt our energy and stock suppliers, increasing costs. This risk could impact several business areas, and although we are not manufacturers, we must still be aware of our supplier input cost prices. Given the supply chain disruption seen in FY22, we assign a high likelihood of this risk occurring with a medium impact on B&M due to our agile supply chain and strong supplier relationships.	Variable across all Scenarios	Short and Medium-term (2020-2035)	B	We anticipate the need to continually review our supply chain routes, suppliers and energy-saving opportunities.	In terms of raw materials, we sell predominantly branded products that we buy in large volumes and are well-positioned to ensure we remain competitive in the market. There is also scope to pass through input cost inflation through increasing selling prices, notwithstanding the need to maintain our value for money proposition. In terms of energy costs, these represent a relatively minimal part of our overall cost base, being less than 1% of Group sales.

Table 3: Material Physical Risks posed to the Group's operations.

Physical Risk	Scenario	Timeline	Classification	Mitigating Action	Financial Impact
Acute weather events are event-driven such as the risk of increased severity of flooding. Extreme weather can damage property and assets, which could cause significant operational impacts if our main Distribution Centres (DC) in Bedford and Liverpool are compromised. However, the likelihood of extreme weather events at our DCs across the UK and France is modelled to be low.	Above 3°C	Long term 2035-2050	B	Carry-out specific flood risk assessments for our Distribution Centres and continually monitor flood risk at sites for long-term impact. Conduct annual scenario analysis.	We have comprehensive business interruption and property damage insurance coverage. The average B&M UK store sales equate to c£6m compared to total Group revenue of c£4.7bn, therefore the financial impact of damage to an individual store is relatively insignificant. Our total insurance cover relating to business interruption would provide enough headroom to source alternative warehousing space, replenish destroyed stock and be reimbursed for potential lost sales if a DC became unusable. Having multiple warehouses also avoids having a "single point of failure" since most SKUs are held in more than one location.
Chronic (sea level rise), climate-related issues often manifest over time. Long term shifts in climate trends may lead to increased insurance premiums and the potential for reduced availability of insurance on assets in high-risk locations. We categorise this risk as a medium impact and likelihood.	Above 3°C	Long term 2035-2050	B	Our dedicated in-house maintenance and store operations teams constantly monitor events at individual stores. Conduct annual scenario analysis.	If long term risk factors such as those identified here started to cause recurring problems at stores, we would look to relocate to an alternative location within the same locality. This is one of the reasons why our store estate is predominantly leased. The average unexpired lease term of the estate is c6 years, offering good flexibility. The comments above regarding business interruption insurance also apply here.

Table 4: Material Opportunities posed to the Group's operations.

Opportunity	Scenario	Timeline	Classification	Mitigating Action	Financial Impact
Cost to transition to lower emission technology – Our aim to reduce our emission intensity means we need to be aware of the potential cost of transitioning to lower-emission technology for energy efficiency gains. Although this is an initial risk to the business, we see it as an opportunity over the medium term.	Below 2°C	Medium-term (2025-2035)	A	Consider more energy-saving initiatives. We will continue to engage third-party specialists to monitor the most cost-effective options on the market for transitioning our technology.	The ongoing rollout of LED and BEMS continues to deliver strong returns on investment and energy efficiency savings, with a payback period of <3 years for both initiatives. As such, the financial impact of this rollout is a net positive over the medium term.

Risk Management

Our Audit & Risk Committee has helped the Board develop an approach to risk management that incorporates risk appetite, the framework within which risk is managed and the responsibilities and procedures pertaining to the risk or opportunity. The identification and management of climate-related risks were informed by this existing risk management framework, developed over time internally at B&M.

Step 1 – Identifying the risks: Initially, we ran Climate-related Risk Management Workshops with Group Internal Audit and the Sustainability Manager, alongside our CEO and CFO, and identified ten potential transition risks, two overarching physical risks and one opportunity. We intend to repeat this workshop each year moving forwards. We evaluated each risk and opportunity using our climate scenario analysis to determine the potential impact, likelihood, and risk classification. We decided on which scenarios to use based on the TCFD's reporting framework and available climate data. The three scenarios were chosen as they are consistent with global projections. The below 2°C aligns with UK ambitions, our 2-3°C scenario is where current global pledges fall, and our above 3°C allows us to plan for the most severe impact on the Group.

Step 2 – Assessing the business impact:

We ran financial impact modelling on each climate-related risk and opportunity identified, drawing upon expertise from across the business functions and overseen by Finance. We aim to deliver long-term sustainable growth and therefore consider the business's long-term viability in terms of climate-related issues, including our store growth plans, our net-zero ambitions and broader ESG strategy.

Step 3 – Classifying risks: Each climate-related issue was classified using our rating system to highlight the implications of a risk occurring. Our risk classification process ranks risks as either an A, B, or C&D. Risks ranked as either an A or B are defined as material and included in tables 2,3 and 4. A site classified as "A" represents an immediate risk, and a risk management plan is required. Alternatively, a "B" classified site indicates that action and contingency plans should be considered. Finally, a C&D classification states that the risk is tolerable but should continue to be reviewed and monitored. We used our existing classification process to give each climate-related issue a likelihood and impact rating, which were then combined to provide an inherent risk classification.

Step 4 – Addressing the risk: Our analysis shows that the likelihood of climate-related risks impacting our overall operations in a significant manner is low. Despite this, adequate mitigating actions have been initiated to develop greater strategic resilience. The potential risk management options were appraised, and a risk management response was determined for each climate-related issue. We do not underestimate that residual risks from climate change will always remain after we address them. Control actions can be implemented to prevent, reduce or mitigate risk.

Step 5 – Monitor risk: We have embedded a climate change perspective into the ongoing assessment of our internal corporate risk register and will continue to review our risk management process. Our climate risk impact framework will be continuously updated and monitored, with full reviews occurring on an ongoing basis throughout the year, facilitated by the Group Internal Audit function. To ensure we are fully prepared for climate change, we will embed annual climate scenario analyses into our existing risk management framework and financial planning processes to identify future risks and ensure adequate mitigation.

Task Force on Climate-related Financial Disclosures continued

Metrics & Targets

Metrics

We measure our climate impact using metrics that include greenhouse gas emissions, energy usage and transport & distribution efficiency. We have been calculating our Scope 1 and 2 greenhouse gas emissions since FY15 and specifically under the UK Streamlined Energy & Carbon Reporting (SECR) since 2018. Our SECR report summary can be found on page 45.

We are committed to reducing our emissions footprint and the impact of our operations on the environment. To do so, we first must measure and understand our impact. We are pleased to have expanded our greenhouse gas footprint calculation to include Scope 3 emissions for the first time this year. Scope 3 emissions have been calculated for our FY21 (April 2020 – March 2021) and FY22 (April 2021 – March 2022) operations.

Our Scope 3 emissions have been calculated consistent with the Greenhouse Gas Protocol (GHG Protocol) Corporate Value Chain (Scope 3). Of the 15 Scope 3 categories, 10 were identified as applicable to B&M's business. Of these applicable categories, only Category 12: End-of-life Treatment of Sold Products was not quantified due to a lack of data regarding the packaging of products. Data regarding packaging is being collected throughout 2022, and we intend to include this in the FY23 Scope 3 calculations. For the nine other applicable categories, these continue to be calculated on an annual basis. Each year we will strive to improve the accuracy of our Scope 3 calculations, for example, by engaging with suppliers to gather more specific data regarding goods and services provided to us and conducting employee surveys to gather specific data on commuting patterns.

A fundamental balancing act at B&M is delivering our growth strategy through our store opening programme whilst at the same time looking to mitigate our environmental footprint and reduce emissions. By understanding the emissions associated with our value chain, we are better equipped to set realistic targets and identify areas for reduction.

Reducing our emissions is the Group's core focus for managing our climate-related risks as it impacts every aspect of our operations. Consumption data is collected across the B&M estate to measure our energy usage and initiatives are underway to reduce it. We monitor miles travelled, vehicles in our fleet, driving styles and routes to measure the emissions and environmental impact of our transport & distribution fleet.

The key climate-related risks identified in Table 2 are transition risks in our Below 2°C scenario that can potentially impact our stakeholder's concerns, products and existing technology. To help manage these risks, we appointed a new Sustainability Manager position to evaluate more energy-saving opportunities, monitor potential sustainable product partnerships, review our supply chain and work collaboratively with other colleagues within the business. The targets in Tables 5 and 6 show how we will track our progress. We have also engaged a third-party specialist to advise us on our sustainability reporting and initiatives to reduce the environmental impact and related emissions of our products and technology. The initiatives we intend to roll out will help reduce the carbon emissions relating to our supply chain, transport fleet, energy usage, and products. Our carbon emission reduction targets enable us to address the climate-related risks referred to in Tables 2 and 3. We will measure this reduction annually, and by communicating our progress, we intend to satisfy any

stakeholder concerns regarding our exposure to climate-related risks.

Physical risks have been identified in our Above 3°C scenario, most importantly flooding and sea-level rise impacts. The Group will measure this risk through flood risk assessments at our Distribution Centres and ongoing monitoring at an individual site level by the store maintenance and property teams.

Targets

Our Scope 1 and 2 emissions represent 6.5% of our total group emissions, with our Scope 3 emissions representing the remaining 93.5%. To align with the British Retail Consortium's Climate Action Roadmap, we aspire to achieve net-zero Scope 1, 2 and 3 emissions by 2040. This pathway is more ambitious than the Science-Based Targets Initiative's (SBTi) 1.5°C and well-below 2°C (WB2C) scenarios and will require significant effort to decarbonise our value chain. Our focus will be on collaboration with our supply chain to decarbonise our goods and services as far as possible.

In the short term, we plan to reduce our operational (Scope 1 and 2) emissions on an absolute basis and engage with our suppliers, as per SBT guidelines. Our SBTs are due to be validated by the SBTi in June 2022. We plan on committing to achieving a 25% reduction in Scope 1 and 2 emissions by 2030 (from a 2020 baseline), aligned with the SBTi WB2C scenario. As of July 2022, we are aware that the SBTi is updating its minimum criteria to a 1.5°C scenario and intend to update our targets in five years as required by the SBTi. We have set a short-term Scope 1 and 2 emission reduction pathways, which follow a WB2C scenario up to 2027 and then a 1.5°C scenario from 2027 to 2030. Our short-term Scope 3 target is based on engagement with our suppliers; as per the SBTi guidelines, we aim to have 67% of our suppliers (based on spend) set science-based targets by 2027.

Table 5: Scope 1, 2 and 3 Emissions.

Emissions Scope	Gross Emissions (tCO ₂ e)	Percentage of Total Emissions	Reduction Target
Scope 1	51,108	3.4%	25% reduction by 2030
Scope 2 (location based)	45,649	3.1%	
Scope 3 (2021)	1,394,380	93.5%	Engage with >67% of suppliers by 2027
Total	1,491,137	100.0%	Ambition to be Net Zero by 2040

Table 6: Targets used to assess our impact on the environment.

Area	Target	Progress
Greenhouse Gas Emissions	Reduce Scope 1 & 2 emissions by 25% by 2030, as per the SBTi well-below 2°C scenario.	In 2022, we introduced robust data collection processes and calculated our Scope 3 emissions for the first time, reporting on our full Scope 1, 2 and 3 greenhouse gas inventory.
	Scope 3 supplier engagement target aims to have 67% (by spend) of suppliers set their own science-based target by 2027.	Greenhouse gas emissions from UK operations decreased in absolute terms, despite opening 28 net new stores in the year. In 2022 we committed to setting science-based targets through the Science-Based Targets Initiative. These are due to be validated in June 2022.
Energy Usage	Improve the energy efficiency of B&M UK operations by rolling out BEMS across 80% of the estate by FY27 and LED lighting across 100% of the estate by FY27.	Energy usage from UK operations decreased in absolute terms, despite opening 28 net new stores in the year. We created a Sustainability Manager role to oversee technology installation further to reduce energy consumption. Building Energy Management System ("BEMS") is now installed in 310 B&M UK stores to help better control their energy consumption and drive further efficiencies. Installed LED lighting in 181 stores and we aim to roll this out across the whole estate.
	Improve the efficiency of our transport and distribution service. Continually update our distribution fleet and proactively manage routes to reduce associated emissions.	Minimised miles travelled and associated GHG emissions by servicing c.250 stores from our Bedford distribution centre. Ongoing training is aimed at HGV drivers to ensure they understand the environmental impact of the sector and their role in reducing the effect.

Next steps

We aim to develop our TCFD disclosure for the year ahead by widening our climate scenario analysis to include potential impacts on our key supply chain routes. In addition, we aim to embed further consideration of climate-related risks and opportunities into our financial planning.

Introducing a linkage between the remuneration of executive directors and the achievement of metrics relevant to our new ESG strategy will continue to be considered by the Remuneration Committee. When determining their approach,

the Committee will have regard for industry best practices and the current status of our evolving ESG strategy. For FY23, the executive management team will have an ESG-related target in their annual incentive plan objectives.

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 39.

	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.	<p>Monitoring our like-for-like ("LFL") sales trends.</p> <p>Commissioning third party customer exit data and card provider customer transaction analysis to monitor customer demand, preferences and requirements.</p> <p>Holding in-store promotional themed events to measure customer response and reaction to extra value propositions in different product areas.</p>
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.	<p>Regular engagement programmes including colleague listening groups, apprentice listening groups, new store and distribution centre colleague surveys and bi-annual business updates from management.</p> <p>Twice yearly colleague surveys for Retail, Distribution and Central Support colleagues in the UK and annual colleague survey in France.</p> <p>Development days and structured career progression programmes including promotion paths to Store Manager and Area Manager roles.</p> <p>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.</p>

Our vision + Our purpose = Our values

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.

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.

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 2022

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 Company took decisive action in overcoming supply chain issues to ensure the availability of stock in its stores.

Examples of outcomes in 2022

Throughout the pandemic 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.

The 2-year LFL suggests that the Company has held on to a large number of the new customers who discovered us in FY21.

Links and more information

→ See the Customer Feature on pages 14 to 15.

The business continued with listening groups in its Retail, Distribution and Central Support operations and career progression training for colleagues looking to apply for Retail Management, Distribution Centre manager and first time manager roles in our Support Centre.

The Bi-annual Employee Survey "Your Say" was completed this year by our B&M UK and Heron Foods colleagues across all the main operating functions of those businesses. We continued to see year-on-year improvement to colleague satisfaction ratings measured against five key questions: (i) what is expected at work; (ii) if colleagues have all information, knowledge, skills and resources to do their jobs well; (iii) if colleagues would recommend B&M as a good place to work; (iv) are they happy to work at B&M; and (v) if managers have spoken about development in the last 12 months. In addition, we carried out our first B&M France colleague survey in the year.

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". Key themes from feedback included better communication, improving benefits and recognition and enhancing IT systems. Examples of outcomes from that process this year included:

- roll out of a new colleague app used to increase engagement and share important updates;
- enhancements to IT systems and infrastructure; and
- recognition of 24,000 store and distribution colleagues by awarding a discretionary additional week's pay in January 2022.

→ See the Colleagues section in the Corporate Social Responsibility report on pages 38 to 40 and the standalone ESG Report.

Stakeholders and Section 172 statement continued

	Why we engage	How we engage, measure and monitor
Communities	<p>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.</p>	<p>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.</p> <p>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.</p>
Suppliers	<p>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.</p>	<p>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.</p>
Investors	<p>Our investors include shareholders, bondholders and banks. They have a direct financial interest in the performance of our business and our continued success.</p>	<p>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.</p> <p>One-to-one conference calls and meetings are also held during the year with both existing and potential new institutional investors.</p> <p>In all but a handful of cases, 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.</p> <p>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.</p>

Examples of actions in 2022

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.

Examples of outcomes in 2022

We opened 34 new B&M UK stores and 16 new Heron Foods stores (including relocations) 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 650 new retail jobs across our B&M UK and Heron Foods businesses. In addition, 475 jobs have been created in stores, distribution centres and central support functions in France.

With the rising cost of living, our value-for-money proposition plays an important role in helping a large number of customers afford their everyday essentials.

Links and more information

→ See the Social section in the Corporate Social Responsibility Report on pages 41 to 42.

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 ongoing 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.

The Company has continued to outsource the audit checking processes to Multi Lines International Ltd ('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 our behalf.

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 ongoing work-streams.

→ See the Suppliers section of the Corporate Social Responsibility Report on pages 42 to 44.

The Board reviewed its financing structure during the year with regard to diversifying the Group's maturity profile and in support of our overall leverage levels.

The Group continued to generate strong results against pre-pandemic levels 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.

As a result the Group successfully completed a new £250 million seven-year 4.00% bond issue in November 2021 to complement our existing £400 million bond facility and £300 million term loan which both mature in 2025.

The company declared a special dividend of 25p per share in December 2021 which was within the Group's stated leverage ceiling of 2.25x net debt to adjusted EBITDA.

→ See the Viability Statement on page 75 and also the Financial review on page 20.

Chairman's introduction

Committed to the highest standards of corporate governance



Peter Bamford
Chairman

A strong foundation of corporate governance supports our growing Group.

Dear Shareholder,

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 ("DTRs").

We have applied our values and consider the interests of all stakeholders in developing our governance framework and in our ongoing decision-making. In my Chairman's Statement on page 6 I have highlighted a number of topics which indicate how our approach to governance has continued to evolve with the growth of our company and constantly

developing framework of reporting requirements. I would particularly like to draw attention to the ESG Strategy which is documented in this Report as well as in our standalone ESG Report. We believe that a strong foundation of corporate governance provides the necessary foundation for the continued growth and success of B&M.

Case study: the Board's approach to ESG governance

Our strategy has always supported important ESG initiatives such as extending the reach of our value for money proposition, creating new jobs and minimising our environmental impact.

FY21

Last year, we acknowledged the growing importance of ESG actions and reporting as we began to consider how best to continue delivering our growth strategy in a sustainable way.

In particular, we recognised the need to adopt a more formalised approach to ESG and committed to making further developments in FY22, including the setting of appropriate targets.

FY22

We made considerable progress with regards to ESG in FY22, where the Board oversaw the steps taken by Management in developing a clear ESG strategy for the Group.

The Executive Directors appointed an internal project lead and extensively considered what an appropriate strategy for the could look like. Their thinking was presented at Board meetings throughout the year, providing opportunity for Board members to provide constructive challenge and feedback at regular intervals.

As the strategy took shape, the Board also considered input from external subject matter specialists and supported the appointment of the Group's first Sustainability Manager role. This candidate was pro-actively identified from within the business as someone who understood the B&M culture, and reports directly into the CEO.

These efforts culminated in the Board formally approving an ESG strategy as part of the Annual Strategy Day in March 2022.

FY23 and beyond

The Board is pleased with the progress made over the past 12 months. Equally, we acknowledge that the Board's approach will need to evolve with the business over time.

In that regard, the Board remains committed to monitoring progress against our ESG strategy, and to making further developments when appropriate.

Furthermore, the Board intends to retain an "at one" approach to ESG governance for the year ahead, recognising the importance of collective input as we begin to implement our new strategy. This will ensure that the Board retains overall responsibility for ESG, rather than delegating to any sub-committee.

Meet our Board



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 26 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:



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. Simon was a co-founder and Managing Director of wholesale homeware business, Orient Sourcing Services, before acquiring B&M jointly with his family. Prior to the acquisition of B&M, Simon held various positions with McKinsey & Co., 3i and Barclays Bank. Simon is also a member of the Nomination Committee of B&M.

Subsequent to the year-end, the Company has announced that Simon intends to retire from the business.

Committee membership:



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 Chair of The Works plc, the Senior Independent Director of SSP Group plc, a Non-Executive Director of The Mentoring Foundation and Majid Al Futtain Retail LLC, and a Trustee of Cancer Research UK.

Committee membership:



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



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 British Standards Institution and Symington Family Estates.

Committee membership:



Committee membership key

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

**Paula MacKenzie**

Independent Non-Executive Director

Appointment: November 2021

Paula has a strong background in general management and finance. Paula has recently been appointed as CEO of PizzaExpress and previously held a number of senior executive roles at Kentucky Fried Chicken (Great Britain) Ltd ("KFC UK&I"), including Managing Director and Chief Financial Officer of KFC UK&I.

External appointments

Paula is an Advisory Board member for Pennies, the micro-donation charity.

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:**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. Alex has had a long senior career in retail, having successfully held Executive Board positions in leading international retailers including Asda, Tesco plc, and Kingfisher plc. He served as Chief Financial Officer, Senior Vice President, at Walmart's Asda business between 2014 and 2018. Prior to joining Asda, he was Tesco's Chief Financial Officer of South Korea, its largest international subsidiary. Prior to that, he was Tesco's Commercial Financial Director for its UK business. His broad retail career covers the UK, European and Asian markets.

Alex has also been a Non-Executive Director in leading consumer goods businesses in the UK and internationally.

Alex earned an MBA postgraduate degree with Distinction at the London Business School in 1999, following Engineering and Finance BSc degrees with a First.

Committee membership:

Outgoing members

Gilles Petit

Non-Executive Director

Retirement: July 2021

Gilles served as a Non-Executive Director from May 2019. He retired from the Board on 29 July 2021.

Committed to the highest standards of corporate governance

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 ("DTRs").

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.

Review

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

Code compliance

The Board is committed to high standards of corporate governance. Except where referred to on page 80, 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.

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 UK, Heron Foods and B&M France. 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 and Committee attendance at scheduled video conferences and meetings during FY22:

	Board 6 Attended	Audit & Risk Committee 4 Attended	Nomination Committee 3 Attended	Remuneration Committee 3 Attended
Directors				
Peter Bamford – Chairman	6	–	3	–
Simon Arora	6	–	3	–
Alex Russo	6	4	–	–
Ron McMillan	6	4	3	3
Tiffany Hall	6	–	3	3
Carolyn Bradley	6	4	3	3
Paula MacKenzie (appointed 9 November 2021) ¹	2	1	2	–
Directors who retired from the Board during FY21				
Giles Petit (retired 29 July 2021) ²	2	1	2	–

1. Paula MacKenzie has a full attendance record during the period from her appointment to the Board on 9 November 2021 for the year under review.

2. Giles Petit had a full attendance record up to his retirement from the Board on 29 July 2021 for the year under review.

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 and 4 Independent Non-Executive Directors.

➔ See pages 62 and 63 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 71 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, diversity 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 77 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 79 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 39 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 UK, B&M France and Heron Foods. 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 65). The reports of each of the Committees for the year under review are set out on pages 71, 77 and 79.

A presentation of each of the B&M UK, Heron Foods and B&M France 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 UK, Heron Foods and B&M France 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 were only a few opportunities for physical meetings and store tours due to restrictions on travel and social distancing. However the Board has now resumed its usual programme of meetings and store tours.

The implementation of the Board approved strategy, policies and decisions is 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 UK, Heron Foods and B&M France businesses of the Group. The leadership teams of those businesses regularly have business update and trading review meetings with the Group CEO and CFO. 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 meetings and 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.

Video conference discussions and meetings between the Non-Executive Directors and Chairman have taken place and the Non-Executive Directors have met 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 29 July 2021 and an Ordinary General Meeting on 9 November 2021.

Board composition

Giles Petit retired as a Non-Executive Director on 29 July 2021. In November 2021, Paula MacKenzie was appointed as a Non-Executive Director.

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, Paula MacKenzie and Gilles Petit (prior to his resignation on 29 July 2021) being Independent Non-Executive Directors. Following the year-end this requirement continued to be met.

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 judgement and are free from relationships or circumstances which may affect, or could appear to affect their judgement 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 judgement.

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. At the year ended 31 March 2022, SSA Investments (together with Praxis Nominees Limited as its nominee) held 6.98% 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 79 to 92.

Diversity policy

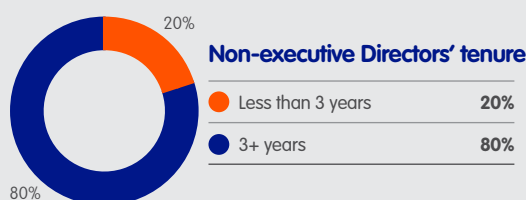
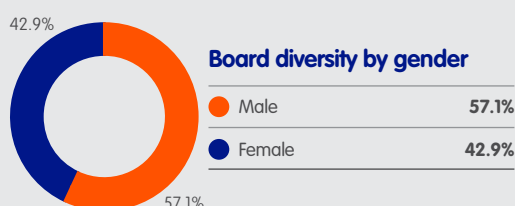
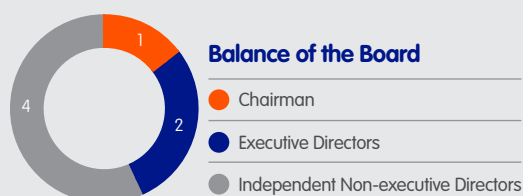
The overall objective of the Company's Diversity Policy is to ensure that the Company has a well-balanced Board at all times in terms of the necessary skills, experience and independence of character and judgement of its members, for the Group to be managed effectively for its long-term success.

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. The Board is well placed to meet the new Listing Rules requirement in relation to diversity. 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 36. During the first seven months of the year under review the Company had two female Board members and for the final five months had three 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 42.9%. Accordingly, the Board will have at least 33% female representation by the time of the 2022 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.

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 6.98% 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.

Corporate governance report continued

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 94 and 95 in relation to details of related party transactions entered into in the financial year 2021/22 and also as set out in note 26 on pages 144 and 145 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, Gilles Petit (prior to his resignation on 29 July 2021) and Paula MacKenzie (subsequent to her appointment on 9 November 2021). 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 62 and 63 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 65 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 71 to 76 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 65 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 PricewaterhouseCoopers LLP as external advisors who attended and participated at all meetings at the request of the Chair of the Committee.

The Directors' Remuneration Report on pages 79 to 92 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 (prior to his resignation on 29 July 2021) and Paula MacKenzie (subsequent to her appointment on 9 November 2021).

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 65 above.

The Nomination Committee Report on pages 77 to 78 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 basis 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 Board and its Committees were seen to be wholly effective. In particular, the Board composition, agenda planning, and candour of discussions were highly rated. The time devoted to ESG over the last year was especially noted, as was the response of Board and management team to the challenges of COVID 19. The most recent strategy review process was also felt to have been extremely effective.

There were no areas identified requiring significant change but the return to physical meetings following the lifting of COVID restrictions was welcomed, and there was alignment on the need to continue to focus on growth strategy options, ESG, succession planning, diversity, and building the breadth and depth of the management team. The risk review and management process was seen positively but some further discussions were required around risk appetite. The Board and Committee agendas will reflect these points of focus over the current year and various actions are included in other sections of this report.

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.

Approach to ESG governance

The Board held a number of discussions throughout FY22 as the management team developed their proposed ESG strategy and progressed with a number of different workstreams. Significant progress was made as a result of this ongoing focus, resulting in the Board approving an ESG strategy. The Board is also committed to keeping ESG as a standing agenda item for the coming year as it looks to maintain momentum in this area. For further details, refer to the case study on page 61.

Appointments, induction and development

Where any new Director is appointed by the Board, the Nomination Committee leads the process, evaluates 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 Paula MacKenzie as a new Non-Executive Director took place this year with a series of structured meetings with the Executive Directors and other members of the broader senior management team of B&M.

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 UK, Heron Foods and B&M France 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 UK, Heron Foods and B&M France businesses. There were few opportunities for physical meetings and only one store tour during the last year due to restrictions on travel and social distancing during the pandemic. The Board has resumed its usual programme of meetings and store tours.

The Nomination Committee considers the 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 2021/22 as referred to above, the Nomination Committee has recommended that each of the Directors be re-elected to the Board.

The Board and the Chairman consider that all the members of the Board continue to be effective and 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 28 July 2022.

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 6 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 2022 and for the period up to the date of approving the Annual Report and Financial Statements.

Information on the key risks and uncertainties of the Group are set out on pages 26 to 35.

Regulatory framework following Brexit

Shares in the Company are dematerialised and held through an EU member state central securities depository.

The Articles of Association of the Company require continued adherence to the UK City Code on Takeovers and Mergers (the "City Code") and the Luxembourg law of 19 May 2006 on takeovers which contain squeeze-out and sell-out rights of minority shareholders.

Shareholder relations

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, in-person 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 94;
- b. relationship agreement and independence statement – pages 95 and 96.

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 93 to 97 below.

Peter Bamford

Chairman
30 May 2022

Audit & Risk Committee report



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. The Company has continued to strengthen its Internal Audit function during the year with the appointment of an additional group internal auditor reporting to the Head of Internal Audit.

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

The Committee considered the development of climate-related reporting to ensure that the Group was ready to report in line with the Task Force on Climate Related Financial Disclosures ("TCFD").

The Committee has continued to monitor related party transactions and has monitored the Group's compliance with the Groceries Supply Code of Practice (the "Groceries 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 Committee continues to monitor the outcome of the consultations on the Government's proposals to restore trust in audit and corporate governance.

I am available to speak with shareholders at any time and will also be available at the Annual General Meeting on 28 July 2022 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
30 May 2022

Audit & Risk Committee report continued

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 62 and 63, 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, Gilles Petit, prior to his retirement on 29 July 2021, and Paula MacKenzie from her appointment on 9 November 2021. Details of Committee meetings, Teams meetings and attendances are set out on page 64 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 meetings, 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, prior to his retirement on 31 January 2022 and Patrick Rawnsley from 1 February 2022 onwards and representatives from the internal and external auditors attended Committee meetings. The Chairman of the Board and the CEO have also attended Committee meetings upon the invitation of the Committee Chairman.

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 Code.

Committee activities in 2021/22

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 regulatory news service announcements by the Company

- 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 the value of inventory;
- accounting practices 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;
- the accounting for IT costs.

The Group's performance measures continue to include some measures which are not defined or specified under IFRS. The Audit Committee has considered presentation of these additional measures in the context of the Guidance issued by the European Securities and Markets Authority (ESMA) and the Financial Reporting Council (FRC) in relation to the use of Alternative Performance Measures ("APMs"), challenge from the external auditor, and the requirement that such measures provide meaningful insight for shareholders into the results and financial position of the Group and that the APMs support understanding of the financial statements. A reconciliation of the APMs to the equivalent IFRS measures is provided in note 3 of the accounts.

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.

"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 meetings and teams meetings at which the following matters were considered are set out below:

	Sept 2021	Nov 2021	Jan 2022	May 2022
Internal Audit ("IA")				
IA annual evaluation				•
IA work plans, reports and updates	•	•	•	•
External Audit				
Audit reports on preliminary results and annual report FY22				•
Audit report on the Group's interim results FY22		•		
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	•	•		•
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		•		•
Accounting for property dilapidation costs				•
Review of goodwill impairment testing in relation to B&M France	•	•		•
Other matters				
Review of the Corporate Risk Register and risks included in the Annual Report	•		•	•
Review of related party transactions (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		•	•	
Review of Groceries Code compliance and complaints	•	•	•	•
Review of going concern and viability for FY21 and FY22	•			•
Review of Social Compliance audit processes relating to suppliers			•	
Warehouse Management system (JDA)				•
GDPR – Digital Ecommerce			•	
Corporate Policy Compliance				•
Working Time Regulations 1998		•		
Risk Register Mitigations			•	
New Direct Supplier Set Up process		•		
Company Car Fleet Fuel Cards		•		
UK SOx Readiness				•
Treasury Management			•	
Pension Auto Enrolment			•	
Pension Auto Enrolment Follow-up				•
IT Systems & Business Continuity Follow-up			•	
IT Cyber Security Follow-up				•
IT Third Party Managed Services				•
Supplier Related Income		•		
Homesavers Ordering and Invoicing	•			
Colleague Discount	•			
Cash Use in Stores	•			
Customer In-Store Deliveries	•			
Distribution Centre Loading/Dispatching			•	
Store Service Charge			•	
Grocery Code Visit Readiness Workshop		•		
Heron Foods – New Site Identification and Justification				•
Heron Foods – Profit Protection				•
Heron Foods – Supplier Related Income		•		
Heron Foods – Corporate Policy Compliance				•
B&M France – Distribution Centre Replenishment				•
B&M France – Profit Protection				•
B&M France – Corporate Policy Compliance				•
Review of TCFD Requirements	•	•	•	•
Review of Environmental, Social and Governance (ESG)	•	•	•	•

Audit & Risk Committee report continued

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 FY22 are set out in the principal risk section of this Annual Report on page 26 including the benefits from significant investment in new IT systems during FY22.

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.

In the year under review the Group received a Request for Information from the Financial Reporting Council (FRC) in respect to our provision for dilapidation costs. Subsequent to our reply to the letter, which was reviewed and approved by the Audit Committee, the FRC confirmed that the matter had been brought to a satisfactory conclusion.

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 95 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 26 to 35.

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.

The Group's viability statement is on page 35.

Fair, balanced and understandable

The Committee considered whether the 2022 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 2022 Annual Report and Accounts are fair, balanced and understandable.

External auditors

KPMG Luxembourg Société Anonyme (KPMG) were re-appointed by shareholders at the Annual General Meeting on 29 July 2021 as the Group's independent external auditors (réviseur d'entreprises agréé) for the financial year ended 26 March 2022. The partners responsible for the audit are Thierry Rivasio, 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 the execution of and reporting of their audit and related findings; and
3. the Committee considered the matters set out in KPMG's 2021 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.

In reviewing KPMG's 2021 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 2021

The Committee noted that KPMG had taken steps to address the key findings of the 2021 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.

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 28 July 2022. 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 the 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 judgement, 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 £981,000 during the year in relation to audit work and £113,800 in relation to work associated with audit related assurance services. Fees for other services provided by KPMG were £99,800 which principally related to other assurance services.

Audit & Risk Committee report continued

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 Judgements

Critical judgements and key sources of estimation uncertainty are set out on page 114 of the Annual Report. These relate to investments in associates, hedge accounting, goodwill impairment, lease discount rates and lease terms.

Investments in associates

Multi-lines 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 judgement 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.

Dilapidations

In the year under review the Group received a Request for Information from the Financial Reporting Council (FRC) in respect to our provision for dilapidation costs. The FRC

confirmed that the matter had been brought to a satisfactory conclusion with the summary of findings as follows:

"We asked the company for further information about provisions for dilapidation costs and, in particular, whether provisions were recognised for stores under contract and not at risk of closure. The company explained that it had considered the requirement for a provision for ongoing stores but confirmed that it had judged that such a provision would be immaterial. We were satisfied with the company's explanation, and its undertaking to enhance its future disclosures."

The FRC's review is limited in that it does not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. The FRC provides no assurance that our report and accounts are correct in all material respects and the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The FRC accepts no liability for reliance on the letters by the company or any third party, including but not limited to, investors and shareholders.

Internal audit

The Group Internal Audit function has a direct reporting line to the Committee and they were represented at all Committee teams meetings discussions throughout the year. 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 page 73.

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. Where areas requiring improvement have been identified, the Committee has satisfied itself that processes are in place to ensure that the necessary action is taken and that progress is monitored.

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 68 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
30 May 2022

Nomination Committee report



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 the aim of ensuring the continued ability of the Group to compete effectively in the marketplace.

Dear Shareholder,

The Nomination Committee's report for the year ended 26 March 2022 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, Gilles Petit, prior to his resignation on 29 July 2021 and Paula MacKenzie following her appointment on 9 November 2021. Although not members of the Committee, Allison Green, the Group People Director and Paul Owen, the Group's General Counsel, prior to his retirement in January 2022 and then Patrick Rawnsley, his successor in the role, attended each of the Committee's meetings and video conference discussions during the year. Details of Committee meetings, video conferences and attendances are set out on page 64 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 65 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 68 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 planning, diversity, wider executive team development, retention and conflicts of interest, each of which are now described in further detail below.

Board succession

As reported last year, Gilles Petit decided not to seek reelection as a Non-Executive Director of the Company at the Annual General Meeting on 29 July 2021. The Committee, led by the Chairman, oversaw the process of identifying and recommending the appointment of a new Non-Executive Director, and Paula MacKenzie joined the Board in that capacity on 9 November 2021. The search was overseen by the Committee and carried out by Russell Reynolds

Associates who are a signatory to the voluntary code of conduct for executive search firms, and they had no other connection with the Group. Russell Reynolds carried out preliminary interviews to create a short list of candidates to be considered by the Nomination Committee. Paula has a strong background in general management and finance, having held a number of senior executive roles during the last 11 years with Kentucky Fried Chicken (Great Britain) Ltd ("KFC UK&I") including Managing Director and Chief Financial Officer of KFC UK&I. Paula has recently been appointed as CEO of PizzaExpress. 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 out with Paula are set out on page 69 above.

Throughout the year, the Committee has continued to develop its succession planning in relation to both Executive and Non-Executive roles.

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 66, the Group's recruitment processes and Diversity Policy, recognise the value which a diverse board brings to its business.

Nomination Committee report continued

In consequence of the resignation of Gilles Petit and the appointment of Paula MacKenzie, the Company reaches the Hampton Alexander target of at least 33% female representation on its Board.

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

Further details of the Group's gender diversity policy are set out on page 40 above. The percentage of female representation within the senior management of the Group reporting either directly to the Board or the Executive Committee was 43.8% at the end of FY22.

The Committee is aware of the recent publication by the Financial Conduct Authority of rules requiring UK listed companies to report information and disclose against targets on the representation of women and ethnic minorities on their boards, with the intention of making it easier for investors to see the diversity of their senior leadership teams. The rules apply to premium listed companies for financial accounting periods starting from 1 April 2022 and so will be reported on by the Company in its FY23 reporting. The Company will restate its diversity policy in light of the new rules.

Wider executive team developments

The Committee and the CEO originally agreed a plan in FY19 for the strengthening of the senior management team, as the business of the Group continues to grow at a significant rate.

In this context, Gareth Bilton has been promoted from within the talent pool of the business to the key role of Stores Director and member of the Executive Committee of the Group. The Committee was involved in agreeing the specification for the role.

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.

Retention of Senior Management

Senior executives are appropriately incentivised through bonus and share option arrangements, and in the period, the Remuneration Committee approved the extension of such schemes to include senior executives in France. To support the work of the Nomination Committee, a review of key management notice periods was undertaken to ensure consistent terms across roles, with notice periods being extended where necessary to retain talent.

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 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.

CEO Succession Announcement

Subsequent to the year-end, the Company has announced that Simon Arora, currently CEO intends to retire from the business. During late April and May the Committee managed a process to appoint a successor. Russell Reynolds Associates were appointed to advise and assist the Committee. A thorough independent assessment of the internal candidate was carried out alongside a review of potential external candidates. Following this process the Committee recommended to the Board that Alex Russo should be appointed as Chief Executive to succeed Simon.

The Company has already commenced a process with external executive search consultants to identify a successor for Alex Russo as CFO and will announce that successor in due course.

Peter Bamford

Chairman of the Nomination Committee
30 May 2022

Directors' remuneration report

Annual statement by the 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 sustainable value for shareholders and wider stakeholders.

Dear Shareholder,

I am pleased to present the Company's Remuneration Report for 2021/22. This report contains:

- The Company's Annual Report on Remuneration on pages 79 to 92, which details the remuneration paid to the Directors in the 2021/22 financial year, and which is subject to a shareholder advisory vote at our 2022 AGM.
- A summary of the key elements of the Directors' Remuneration Policy on pages 91 to 92, as approved at the 2021 AGM.

Performance and incentive outcomes for 2021/22

The Group's performance continues to be very strong in 2021/22. Although group revenues declined slightly by (2.7)% to £4.7bn, and adjusted EBITDA declined slightly by (1.2)% to £619m, these results represent a significant growth compared to pre-pandemic levels with sales up 13% on a two-year basis and adjusted EBITDA up 80.8%. With a focus on simplicity, cost discipline and speed of decision making, Simon Arora and his management team navigated the challenges of the pandemic and supply chain issues very effectively, continuing to provide B&M customers with great products and prices. Excellent progress was also made in France last year both financially and operationally.

The Annual Incentive Plan ("AIP") out-turn was 95.6% for Simon Arora and 93.8% 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. Half of the bonus achieved under the AIP in 2021/22 will be deferred into shares for 3 years.

The 2019 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 measured over a 3 year performance period to 26 March 2022. The TSR performance resulted in a 100% out-turn for that measure. The adjusted earnings per share was 41.6p relative to a maximum target of 33p, which gave a 100% vesting level under that measure and an overall vesting level of 100% of the award. The award is due to vest on 2 August 2024 following a two year holding period. Simon Arora is the only current Director who received an award under the 2019 LTIP.

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.

During the year, our colleagues across the business responded extremely well to the continuing challenges of Covid-19. Our policy is to give our workforce the opportunity to share in the Company's success with cash bonuses being paid where internal targets for the business are met or exceeded. As a result of the strong performance of the business during the year, we paid eligible colleagues an additional week's pay in January 2022. We will continue to enable our workforce to share in the success of the business in this way in future years to the extent that performance warrants it.

It should be noted that setting the AIP and LTIP targets this year was particularly 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 AIP and LTIP targets were set taking into account the management plan and analysts' consensus forecasts at the time of setting the targets at the start of the year. The LTIP range was stretched given the high degree of uncertainty faced by the business with a performance significantly above plan required to achieve maximum payout.

Directors' remuneration report continued

Shareholder engagement

We note that the vote in favour of the resolution to approve the Directors' Remuneration Report at the 2021 AGM fell just below the 80% level. Prior to the AGM, we undertook a detailed and extensive consultation with shareholders regarding remuneration for 2021/22 onwards to gain an understanding of their views. Following the AGM, we wrote to 28 shareholders as part of an ongoing constructive dialogue, and the responses that we received were mostly positive. The Committee is keen to understand the views of shareholders, and believes that the changes to the CEO's remuneration at the last Policy review were fair and balanced in the context of the business and external market.

Implementation of remuneration policy for 2022/23

To recognise his strong performance since he was appointed and the increased responsibility of his role as a result of taking on leadership of Heron Foods and the French operations of the business, Alex Russo will receive a salary increase of 5.3% effective from 1 April 2022. He will also be eligible to participate in the AIP up to the policy maximum of 150% of salary for 2022/23, increased from 125% of salary for 2021/22 to reflect his enlarged role.

Simon Arora will receive a 3% salary increase in line with the average all-employee increase.

As announced, Alex Russo will succeed Simon Arora as CEO in due course. The Committee has determined that Alex's remuneration will comprise a salary of £800,000 and incentives in line with the Directors' Remuneration Policy.

The resulting operation of policy for 2022/23 will be as follows:

Element	Implementation for 2022/23
Base salary	<ul style="list-style-type: none">Simon Arora (CEO): £834,300 (currently £810,000)Alex Russo: £500,000 (currently £475,000) as CFO, rising to £800,000 on appointment as CEO
AIP	<ul style="list-style-type: none">Maximum opportunity of 200% of salary for CEO and 150% of salary for CFO75% based on Adjusted EBITDA and 25% based on personal objectives50% of any bonus earned will be deferred in shares for three years
LTIP	<ul style="list-style-type: none">Award of 200% of salary for Alex Russo on appointment as CEO50% based on Adjusted EPS and 50% based on Relative TSR vs FTSE 350 retailers
Pension	<ul style="list-style-type: none">3% of salary less Employer's NIC

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 2021/22 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 terms of reference are available on the Company's website at www.bandmretail.com

Conclusion

I hope that you can support the decisions we have made this year in relation to the implementation of our remuneration policy for 2021/22 and how we intend to operate our policy for 2022/23.

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
30 May 2022

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 (as it did ahead of and post the 2021 AGM) 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. We will continue with this approach for 2022/23 in line with the approach for 2021/22;
- **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. We have again set stretching targets for variable pay in 2022/23 in the context of the business plan. 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 included 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.

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 29 July 2021.

This section of the report sets out how the Policy has been applied in the financial year 2021/22 and how the policy will be applied in the financial year 2022/23.

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

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.

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 2021/22.

Executive Directors	Year ¹	Salary £	Benefits ² £	Pension ³ £	Bonus ⁴ £	Long term incentives ⁵ £	Other ⁶ £	Total £	Total fixed pay £	Total variable pay £
Simon Arora (CEO)	2020/21	654,741	45,095	115,227	972,770	1,968,072	–	3,710,905	815,063	2,940,842
	2021/22	810,000	45,104	21,514	1,549,125	2,610,896	–	5,036,639	876,618	4,160,021
Alex Russo (CFO)	2020/21	173,558	28,227	4,575	186,462	–	150,000	542,822	206,360	336,462
	2021/22	475,000	43,503	12,522	556,640	–	150,000	1,237,665	531,025	706,640

1. The 2020/21 year is for the 52 weeks ended 27 March 2021 and the 2021/22 year is for the 52 weeks ended 26 March 2022.

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 Alex Russo only, permanent healthcare insurance. The amount for Alex Russo includes £13,245 in respect of assistance with travel and living costs over the period to September 2021, at which point this benefit ceased.

3. Pensions include auto-enrolment pension employer contributions and a cash equivalent allowance to pension contribution entitlement less employers' NICs.

4. 50% of the annual bonuses of the Executive Directors for 2021/22 being £774,563 for Simon Arora and £278,320 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 2019/20 LTIP award granted to Simon Arora has completed its performance period and is included in the 2021/22 LTIP figure. It will vest on the expiry of the holding period on 2 August 2024. The value is estimated based on a vesting of 100%, the three-month average share price to the year end of £5.790 and the accrued dividends to the year end. Share price appreciation accounts for £793,187 of the value. The value of the 2018/19 LTIP award has been trued up from the estimate provided in last year's report to reflect the value after 3 years from grant (at which point it is no longer subject to continued service), based on a share price of £5.686 on 20 August 2021.

6. Payment for 2021/22 made to Alex Russo in respect of 2021/22 portion of his buyout award regarding remuneration forfeited on joining B&M. A final payment of £150,000 is due in respect of 2022/23, subject to satisfactory performance.

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

Simon Arora and Alex Russo received salaries of £810,000 and £475,000 respectively, effective from 1 April 2021.

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 2021/22 were paid as salary supplements and were 3% of base salary (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.

AIP outcomes

Executive Directors bonus payments for 2021/22 are in line with the remuneration policy and the terms of the Annual Incentive Plan ("AIP").

75% of the maximum AIP opportunity related to the achievement of financial targets for 2021/22. The targets were based on adjusted Group EBITDA performance as follows:

	Adjusted Group EBITDA target*	% maximum overall Bonus opportunity
Threshold	£452.2m	18.75%
Target	£502.4m	37.5%
Max	£527.5m	75%
Actual	£618.8m	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
Coach and develop Executive Committee capability, including development of succession plan and new appointments.	This was fully achieved with the recruitment of new roles into the Executive Committee and the development of the senior team.	20.63 out of 25
Deliver strategic and operational progress in France.	B&M re-branding completed in France and achieved outperformance above budget – fully achieved.	
Growth in like-for-like sales relative to target.	Partially achieved, as a result of strong performance on price.	
Development of ESG plan.	ESG plan with targets and enhanced reporting developed and signed off by Board – fully achieved.	
Management of investor relations.	Fully achieved with clear communication of strategy to investor base, with minimal change to shareholder register.	
Development of online capability.	Partially achieved with a transactional website being developed during 2021/22 ready for external launch in early 2022/23.	

Alex Russo

Objectives	Performance	Overall outcome
Development of IT strategy.	Partially achieved, with development of strategy in the UK but with some implementation issues and with more work to be done in France.	18.75 out of 25
Strengthening team.	Partially achieved with development of the UK team in terms of succession.	
Shrinkage vs revenue.	Fully achieved as shrinkage was below the stretch target of 0.9% of revenue.	
Regulatory and compliance.	Fully achieved with no issues identified.	
Grocery trading terms.	Partially achieved through leading collaboration and support for buyers to deliver improved working capital and commercial terms with suppliers.	
Financial controls and compliance.	Partially achieved through improvement of internal financial systems, controls and compliance, with some work still to do in France.	

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 £	Of which paid in cash (50%)	Of which deferred in shares (50%)
Simon Arora	200%	95.63%	1,549,125	774,562	774,563
Alex Russo	125%	93.75%	556,640	278,320	278,320

The Committee considered that overall performance had been very strong during 2021/22 and that the AIP outcomes appropriately reflected individual and business outcomes. No discretion was used in assessing the outcomes as set out above.

Directors' remuneration report continued

Long term incentive outcome

The LTIP award granted to Simon Arora on 2 August 2019 had a combination of EPS and Relative TSR conditions with equal weighting. The performance period ended on 26 March 2022 and the outcomes are provided below.

Performance condition	Weighting	Performance for threshold vesting (25%)	Performance for maximum vesting	Actual performance	Vesting
Adjusted EPS	50%	27p	33p	41.6p	100%
Relative TSR vs FTSE 350 retailers	50%	Median	Upper quartile	Between 2nd and 3rd within 17 comparators	100%
Total					100%

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 condition	Dividend shares earned to year end	Total shares due to vest	Total value £ ¹
Simon Arora	354,735	354,735	96,197	450,932	2,610,896

1. Based on the average share price of £5.790 during the three month period to 26 March 2022.

The awards are due to vest following the expiry of the holding period on 2 August 2024.

LTIP awards granted during the financial year – audited

LTIP awards in the form of nil-cost options were granted to Simon Arora and Alex Russo on 3 August 2021 as follows:

Executive Director	Award size	Number of awards granted ¹	Face value of awards £
Simon Arora	200%	289,285	1,620,000
Alex Russo	175%	148,437	831,250

1. The number of awards granted was based on a share price of £5.60, 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 at the beginning of 2021/22, based on the management 3 year plan. The LTIP targets were set taking into account the management plan and analysts' consensus forecasts at the time of setting the targets at the start of the year. 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.
- 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%	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 with some limited exclusions due to business fit.

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 2020/21 was deferred into shares for a period of three years on 14 July 2021 as follows:

Executive Director	Value of deferred bonus £	Number of awards granted ¹
Simon Arora	324,256	57,779
Alex Russo ²	82,076	14,625

1. The number of awards granted was based on a share price of £5.61, being the share price prior to the date of grant.
2. Includes some awards in respect of service prior to becoming a Director.

The awards are subject to continued service only.

Loss of office payments – audited

No payments for loss of office were made during 2021/22.

Payments to past Directors – audited

As disclosed in last year's Directors' Remuneration Report, Paul McDonald's 2019 LTIP award was subject to performance conditions to the end of 2021/22. The award is due to vest at 100% of maximum as a result of achievement against these performance conditions, resulting in 67,275 awards being due to vest after time pro-rating. An additional 18,243 dividend shares had been earned as at the end of 2021/22.

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 2021/22 to the Chairman of the Board and each of the Non-Executive Directors were as follows:

Director	2021/22 Fee £	2021/22 Benefits £ ¹	2021/22 Total £	2020/21 Fee £	2020/21 Benefits £ ¹	2020/21 Total £
Peter Bamford	380,000	20,972	400,972	300,000	17,750	317,750
Ron McMillan	99,000	–	99,000	90,671	–	90,671
Tiffany Hall	80,500	–	80,500	74,171	–	74,171
Carolyn Bradley ²	68,000	–	68,000	63,840	–	63,840
Gilles Petit (stepped down on 29 July 2021)	20,543	–	20,543	59,668	–	59,668
Paula MacKenzie (appointed 9 November 2021)	24,823	–	24,823	–	–	–

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 figure for 2020/21 has been restated to reflect the actual amounts paid and the 2021/22 figure is an estimate subject to restatement in next year's Remuneration Report.
2. Carolyn Bradley's fee for 2020/21 has been updated to reflect fees paid in respect of the year.

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 April 2021 were as follows:

Role	Fee £
Chairman of the Board	380,000
Non-Executive Director base fee	63,000
Additional fee for chairing Audit Committee	17,500
Additional fee for chairing Remuneration Committee	17,500
Additional fee for Senior Independent Director	18,500
Additional fee for Director responsible for Workforce Engagement	5,000

Directors' remuneration report continued

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 at 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 2020/21 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 2021/22 (or the date of their stepping down 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	69,880,828	1,023,653	498,068	–
Alex Russo	–	148,437	14,625	–
Ron McMillan	37,037	–	–	–
Tiffany Hall	3,050	–	–	–
Carolyn Bradley	12,192	–	–	–
Gilles Petit (stepped down on 29 July 2021)	2,440	–	–	–
Paula MacKenzie	0	–	–	–

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

2. Nil cost options.

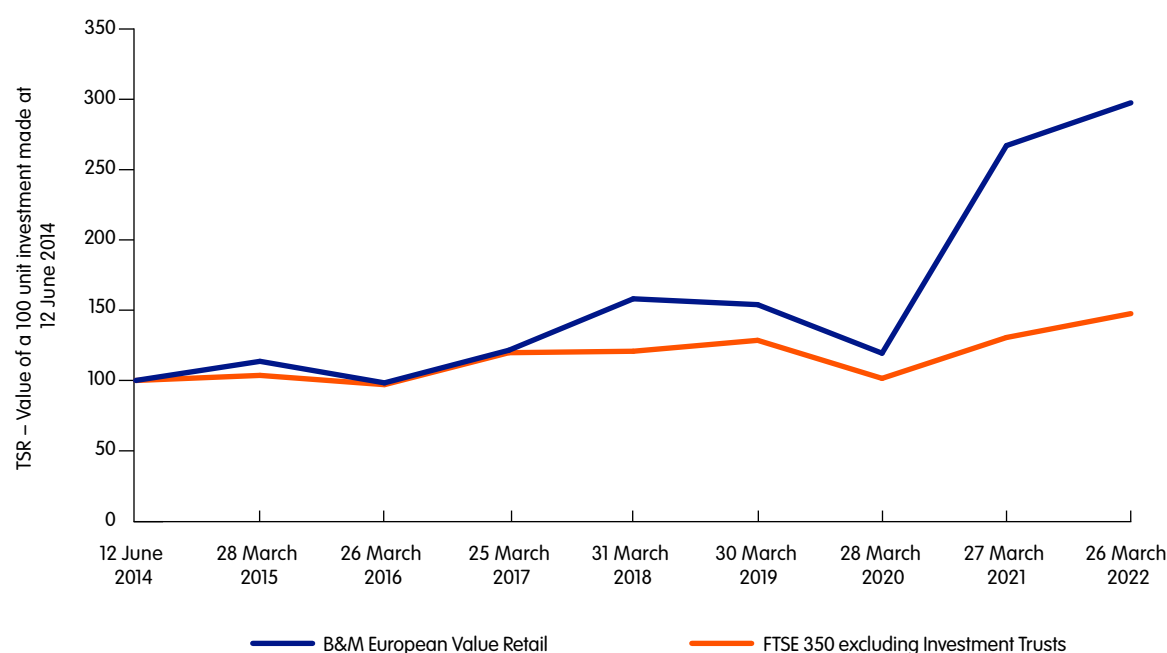
There have been no changes in the Directors' interests in shares in the Company between the end of the 2021/22 financial year and the date of this report.

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 eight 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	3,710,905	98.8%	89.5%
2021/22	5,036,639	95.6%	100%

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 2 in 2021/22.

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

	Total shareholder return performance ¹				
	FY18	FY19	FY20	FY21	FY22
Total Shareholder Return (year-on-year)	33.0%	-2.6%	-20.3%	123.7%	11.4%
3-year Total Shareholder Return ranking	4th out of 17	4th out of 17	9th out of 17	7th out of 15	2nd out of 14

	Percentage change in total remuneration in the year stated compared with the prior financial year ²					
	FY17	FY18	FY19	FY20	FY21	FY22
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%	-8.44%	8.50%
Executive Directors:						
Simon Arora (CEO)	133.32%	-1.94%	-12.55%	0.68%	198.62%	39.03%
Alex Russo (CFO)	n/a	n/a	n/a	n/a	n/a	128.01%
Non-Executive Directors:						
Peter Bamford	n/a	n/a	nil	11.66%	-6.25%	26.19%
Ron McMillan	nil	6.06%	nil	21.65%	6.48%	9.19%
Tiffany Hall	n/a	n/a	n/a	5.17%	5.17%	8.53%
Carolyn Bradley	n/a	n/a	n/a	nil	10.07%	6.52%
Gilles Petit (stepped down 29 July 2021)	n/a	n/a	n/a	n/a	2.88%	-65.57%
Paula MacKenzie	n/a	n/a	n/a	n/a	n/a	-³

- 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 2021/22 figures the companies used are Currys, Dunelm, Greggs, Howden Joinery, JD Sports Fashion, Kingfisher, Marks & Spencer, Next, Ocado, Pets At Home, Sainsbury J, Tesco and WH Smith. Morrison (WM) was excluded due to its delisting during the year. The available TSR data from IPO in June 2014 to March 2017 has been used for 2017 (i.e. not a full three years).
- 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.
- Paula MacKenzie was appointed to the Board during the year.

Directors' remuneration report continued

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 27 March 2021 and 26 March 2022.

£'000	2020/21	2021/22	% change
Total pay for employees	552,213	570,320	+3.3%
Distributions to shareholders ¹	697,484	430,475	-38.3%

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

CEO Pay ratio

The table below shows 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
2021/22	Option A	270:1	270:1	257:1

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

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:

£'000	25th percentile	50th percentile (median)	75th percentile
Base salary	18,069	18,069	19,013
Total remuneration	18,612	18,612	19,583

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 2021/22, which is driven primarily by the particularly strong performance during 2021/22. 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 2021/22 and going forward:

- in January 2022 we gave our B&M UK & Heron Foods 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.

Service contracts

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.

All the Non-Executive Directors have letters of appointment with the Company for three years subject to three months' notice of termination by either side and at any time and subject to annual re-appointment as a Director by the shareholders. Paula MacKenzie's letter of appointment is dated 9 November 2021 and the other Non-Executive Directors' letters of appointment are dated 1 June 2021.

Fees for Chairman and Non-Executive Directors in 2022/23

The rates of fees for the Chairman and Non-Executive Directors were increased by 3% with effect from 1 April 2022 in line with the average all-employee increase.

Role	Fee from 1 April 2021 £	Fee from 1 April 2022
Chairman of the Board	380,000	391,400
Non-Executive Director base fee	63,000	64,890
Additional fee for chairing Audit Committee	17,500	18,025
Additional fee for chairing Remuneration Committee	17,500	18,025
Additional fee for Senior Independent Director	18,500	19,055
Additional fee for Director responsible for Workforce Engagement	5,000	5,150

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 Non-Executive Directors' appointment letters are dated 1 June 2021, with the exception of Paula MacKenzie's appointment letter which is dated 9 November 2021.

Executive Directors remuneration for 2022/23

Base salary

The base salaries for the Executive Directors were reviewed during the year. The resulting rates of salary are as follows:

	Base salary from 1 April 2021 £	Base salary from 1 April 2022 £
Executive Director		
Simon Arora	810,000	834,300
Alex Russo	475,000	500,000

Alex Russo's salary will increase to £800,000 on appointment as CEO.

Benefits and pension

There are no planned changes to the provision of benefits for 2022/23.

Simon Arora and 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 summary of the Directors' Remuneration Policy in this report, the maximum bonus opportunity will be 200% of salary for the CEO and 150% of salary for the CFO.

Under the awards for 2022/23, 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 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 an LTIP award of 200% of salary will be made to Alex Russo on his appointment as CEO, subject to stretching financial performance conditions over a three year period, with vesting after the completion of a further two year holding period.

- 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.

Directors' remuneration report 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%	42p	50p
Relative TSR vs a bespoke group of FTSE 350 retailers	50%	Median	Upper quartile

Remuneration Committee composition and meetings in 2021/22

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 65.

The Committee is assisted by Patrick Rawnsley 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 meetings (one of which was held as a video conference) and attendances during the year were as follows:

Director	Role	Meetings attended
Tiffany Hall	Committee Chair	4 out of 4
Ron McMillan	Committee Member	4 out of 4
Carolyn Bradley	Committee Member	4 out of 4

The members of the Remuneration Committee performed an internal questionnaire on the effectiveness of the Committee this year. The results, which appear on page 68 of the Corporate Governance section, were that the Committee was viewed to be functioning effectively.

Shareholder voting

The resolutions to approve the Directors' Remuneration Policy and the Annual Report on Remuneration at the 2021 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 (2021)	659,985,530	81.46	150,159,930	18.54	810,145,460	80.95	191,067
To approve the Annual Report on Remuneration (2021)	625,507,615	77.20	184,637,845	22.80	810,145,460	80.95	191,067

Advisors to the Committee

The adviser to the Committee during the year were PricewaterhouseCoopers LLP ("PwC"). 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.

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.

PwC's total fees in respect of advice to the Remuneration Committee were £129,350 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
30 May 2022

Policy table (from the Directors' Remuneration Policy approved at the 2021 AGM)

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.	<p>Base salaries are reviewed annually. Changes typically take effect from the beginning of the relevant financial year.</p> <p>On reviews, consideration is given by the Committee to a range of factors including the Group's overall performance, market conditions and individual performance of executives and the level of salary increase given to employees across the Group.</p> <p>Base salaries are targeted at market levels, with reference to companies with a comparable market capitalisation.</p> <p>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.</p>	<p>Base salary is typically paid 4 weekly in cash.</p> <p>Base salaries are reviewed annually with changes usually taking effect from 1 April.</p>
Benefits To provide benefits which are valued by the individual and assist them in carrying out their duties.	<p>Provide market competitive benefits.</p> <p>The Group may periodically review benefits available to employees. Executives will generally be eligible to receive those benefits on similar terms to other senior employees.</p> <p>The cost of benefits paid to an Executive in any one year is capped at £75,000, but this may be exceeded in exceptional circumstances if the cost of a benefit were to increase significantly.</p> <p>In addition, where the Committee considers it appropriate to do so, additional relocation expenses for a limited period and/or tax equalisation payments may be paid.</p>	<p>Executives are entitled to a car allowance or a company car, car insurance and other running costs and fuel for business use, death in service life assurance, permanent disability and critical illness insurance and any other Group wide benefits including a 10% B&M stores discount card.</p> <p>Business travel and associated hospitality are provided in the normal course of business and authorised by the Committee on a standing basis.</p>
Pension To provide an appropriate level of contribution to retirement planning.	<p>Current CEO and CFO: 3% of salary</p> <p>New recruits: 3% of salary</p> <p>The pension contributions for the existing Executive Directors are 3% of salary, aligned with the wider workforce contribution rate.</p>	<p>Executives may take pension benefits as contributions to defined contribution personal pension plans, or elect to receive cash in lieu of all or part of that benefit (this is not taken into account as salary for calculating bonus, LTIP or other benefit awards).</p> <p>If the individual elects to receive any part of their pension contribution benefit as a cash allowance instead, employers' NICs are deducted from that element.</p>
Annual bonus To incentivise and reward individuals for the delivery of annual performance targets.	<p>The maximum annual bonus is 200% of base salary for the CEO and 150% of base salary for other Executive Directors.</p> <p>The threshold bonus will be no higher than 25% of the maximum. The target bonus is 50% of maximum.</p> <p>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.</p>	<p>The performance measures are reviewed annually by the Committee in line with the Company's strategy.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

Directors' remuneration report continued

Element and purpose	Policy and opportunity	Operation and performance conditions
Long-term incentives <p>To incentivise the delivery of strategic objectives over the longer term, the Group operates the Long-Term Incentive Plan ("LTIP").</p>	<p>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.</p> <p>Clawback and malus provisions apply to awards made under the LTIP.</p> <p>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.</p> <p>Participants' awards attract dividend rights from grant to the end of the holding period.</p>	<p>Awards may be made annually of nil cost options based on performance conditions.</p> <p>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.</p> <p>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.</p> <p>No more than 25% of an award can be earned for threshold performance.</p>
In-employment shareholding requirement <p>To encourage share ownership and create alignment of interests of Executive Directors and shareholders.</p>	<p>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.</p> <p>Shares subject to these guidelines and any unvested share awards may not be hedged or used as security for loans.</p>	<p>The required level of shareholding is 200% of the base salary of the relevant executive.</p> <p>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.</p> <p>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.</p>
Post-employment shareholding requirement	<p>Shares must be held for two years post-employment at 100% of the in-employment shareholding requirement (or actual shareholding on departure if lower).</p> <p>Shares completing their performance period during this two year period will remain subject to the two year holding period.</p> <p>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.</p>	<p>Shares counting towards this requirement will not be released during the period in which the post-employment shareholding requirement applies, to support enforceability.</p> <p>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.</p>
All-employee share plans <p>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.</p>	<p>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.</p>	<p>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.</p> <p>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.</p>

Directors report and business review FY22

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 26 and 31 March 2022 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 59, 60 to 78 and 79 to 92 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 – page 3;
- workforce engagement – page 39;
- viability statement – page 35;
- energy and carbon reporting – pages 46 and 47;
- directors' service contracts and appointment letters – page 88;
- directors' share interests – page 86;
- conflicts of interest – page 67; and
- stakeholders and section 172 statement – pages 56 to 59.

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 59, sets out the review of the Group's business during the financial year ended 26 March 2022, 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 26 March 2022 of GBP £422m is reported in the consolidated statement of comprehensive income on page 102.

The Board is recommending a final dividend of 11.5p per ordinary share, which together with the interim dividend of 5.0p per ordinary share paid in December 2021 (but not including the special dividend of 25.0p per share paid in January 2022) is a total ordinary dividend for the year of 16.5p which reflects the upper end of the dividend policy of paying 30–40% of normalised post-IPO earnings¹.

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 36 to 47 and in the standalone ESG report.

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 page 39 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.

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

Directors report and business review FY22 continued

Directors

The Directors of the Company as at 31 March 2022 and their interests in shares and share awards made to them under share incentive schemes in the Company are shown on pages 84 to 86. There have been no changes to the Board of the Company between 31 March 2022 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 28 July 2022. All the retiring Directors, being eligible, will stand for re-election as Directors at that meeting.

Directors' indemnities

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

Political donations

No political donations were made in the financial year.

Financial instruments

Details of the Group's objectives and policies on financial risk management, and of the financial instruments currently in use, are set out in note 25 to the consolidated financial accounts on pages 141 to 143 which forms part of this report.

Share capital

The Company's share capital and changes to it in the financial year, are set out on page 96 below and in note 22 to the consolidated financial statements on page 140 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 28 July 2022 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 2022 and since that date up to the date of this report, the ESOT did not hold any shares in the Company. With effect from 22 April 2021 the Company and the trustees have terminated the ESOT trust.

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.

Shareholders

As at 30 May 2022, 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
The Capital Group Companies Inc.	100,953,820	10.08
SSA Investments S.à.r.l.*	69,880,828	6.99
Wellington Management Group LLP	50,437,064	5.04

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

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 Annual General Meeting ("AGM") to be held on 28 July 2022, will be issued to shareholders. In addition to the ordinary business of the AGM, the Directors are seeking certain other approvals and authorities, details of which are set out in the notice of the AGM.

Corporate governance

The compliance by the Company with the UK Corporate Governance Code and the requirements of article 68ter of the Luxembourg Law on the Trade and Companies Register and Annual Accounts of companies of 19 December 2002, as subsequently amended, are set out in the Principal Risks and Uncertainties on pages 26 to 35, the Corporate Governance report on pages 60 to 78 and the Directors' Remuneration Report on pages 79 to 92, 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 98, 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 28 July 2022 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 and 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:

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

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

In the financial year 2021/22, one lease of a store was entered into by the Group in the UK with Arora Family related parties including their associates as landlords of that new store, representing 2.9% of the total number of 34 gross B&M new store openings of the Group in the UK in that period.

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 63 store leases, representing 9.0% of a total number of 701 UK B&M stores of the Group with all landlords, and 10.4% of the overall rent roll of all UK B&M stores as at the year end.

In the financial year 2021/22 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 four years' time (or earlier if the tenants agree to vacate sooner), without the current tenants being entitled to apply to the 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.

Directors report and business review FY22 continued

In the financial year under review, the balance of 7.4 unused hours of flights purchased by the Group from the third party operator of the private jet owned by Arora family interests for business travel by executives and colleagues which had been carried forward from the 2020/2021 financial year was used up and a new block of 15 hours similarly purchased. Out of that 12.2 hours were used prior to the end of the financial year, leaving a balance of 10.2 unused hours which have been carried forward to the 2022/23 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 95 of the Corporate Governance Report.

Further details of related party transactions are included also in note 26 of the Financial Statements on pages 144 and 146.

The Board confirms that during the financial year 2021/22:

- 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 26 to the consolidated financial accounts on pages 144 and 146 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"); and
- ii. wholesale supplies of products by the Group to Centz Retail Holdings Limited.

In accordance with Article 13.10 of the Articles of Association of the Company a report will be made at the 2022 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 2021/22 referred to above together with any other such transactions entered into after the financial year end on 31 March 2022 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 voluntarily on the basis of article 11 of the Luxembourg Law on Takeovers of 19 May 2006 as amended ("Luxembourg Takeovers Law") and form part of this Directors' Report.

Following the UK's exit from the EU, the shares of B&M European Value Retail S.A. (the "Company") being listed solely on the London Stock Exchange market are no longer listed on an EU Member State regulated market and the Company is therefore outside of the scope of Luxembourg Takeovers Law.

The Board of Directors deems it however best practice for a Luxembourg incorporated company and in the best interest of shareholders to continue to provide those disclosures within the Directors' report.

Section (a) – Share capital structure

B&M European Value Retail S.A. has issued one class of shares which is admitted to trading on the London Stock Exchange. No other shares have been issued by the Company. Its issued share capital as at 31 March 2022 amounts to GBP £100,122,683.60 represented by 1,001,226,836 shares with a nominal value of GBP £0.10 each.

Out of the total number of shares in issue, 1,001,139,249 are in dematerialised form and as at the date of this report, any and all new shares issued by the Company shall be issued in dematerialised form in accordance with the provisions of article 6.1.2 of the Articles of Association of the Company (the "Articles").

In addition to the issued share capital, the Company has also an authorised but unissued share capital amounting to GBP £297,099,538.60.

All shares issued by the Company have equal rights as set out in the Articles.

Section (b) – Transfer restrictions

All the shares are freely transferable subject to the conditions set out in article 6.7 of the Articles.

Section (c) – Major shareholdings

Details of shareholders holding more than five percent (5%) of the issued share capital of the Company as notified to B&M European Value Retail S.A. in accordance with article 8 of the Articles which reproduces the relevant provisions of the Luxembourg Law on Transparency requirements for issuers of securities dated 11 January 2011 as amended ("Luxembourg Transparency Law") are set out on page 94.

Section (d) – Special control rights

All the issued and outstanding shares of the Company have equal voting rights and there are no special control rights attached to its shares, 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 Takeovers Law, save where referred to in (d) above.

Section (f) – Voting rights

Each share issued and outstanding in B&M European Value Retail S.A. represents one vote. The Articles do not provide for any voting restrictions.

In accordance with the Articles shareholders may be represented and proxies shall be received by the Company a certain time before the date of the relevant general meeting. 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. Thus, Luxembourg legislation requires shareholders to register their intention to participate in general meetings at least fourteen (14) days before the date of the meeting (the "Record Date"). In accordance with the same legislation and article 24.6.11 of the Articles, the right of a shareholder to participate in a general meeting and to exercise the voting rights attached to its shares and the number of voting rights it may exercise are determined by reference to the number of shares held by such shareholder as at midnight on the Record Date.

In accordance with article 8.1.5 of the Articles which adopts article 28 of the Luxembourg Transparency Law, as long as the notice of crossing a major shareholding in the Company has not been notified to the Company in the manner prescribed, the exercise of the voting rights relating to those shares which exceed the threshold that should have been notified is suspended. The suspension of the voting rights is lifted when the shareholder makes the notification provided for under article 8.1.1 of the Articles.

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 are governed by Luxembourg Law, mainly the law on Commercial Companies dated 10 August 1915 as amended ("Luxembourg Law on Commercial Companies"), and the Articles (in particular article 10 and article 24.6.3).

The Articles are published under the Investors section on the Company's website at www.bandmretail.com.

They may only be amended (i) by decision of an extraordinary general meeting of shareholders with at least half the issued share capital of the Company present or represented (and if that condition is not satisfied, a second extraordinary general meeting convened with the same agenda regardless of the proportion of the issued share capital represented) and (ii) when changes proposed are approved by a majority of 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 and by the Articles.

In common with the articles of association of other Luxembourg public limited liability companies, article 5.2 of the Articles gives authority to the Board of Directors to issue shares on a non-preemptive basis under certain conditions.

The Articles authorise the Board of Directors to dis-apply pre-emption rights:

- a. for the issue for cash of shares representing up to five percent (5%) of the issued share capital of the Company in any one year;
- b. for the issue for cash of shares representing up to a further five per cent (5%) of the issued share capital to deal with financing (or refinancing provided that the authority given is to be used within six (6) months as from the original transaction) an acquisition or other investment of a kind contemplated by the Statement of Principles on Dis-applying Pre-emption Rights most recently published by the Pre-emption Group of the Financial Reporting Council;
- c. to deal with fractional entitlements on otherwise pre-emptive issues of shares; and
- d. in connection with employees share option schemes.

The Board as a matter of policy and to the extent practicable for a Luxembourg company, intends to follow the guidelines provided for under the Statement of Principles.

The authority given in article 5.2 of the Articles will expire on 29 July 2023.

The AGM of shareholders held on 29 July 2021 also authorised the Board to, in the name and on behalf of the Company, purchase, acquire or receive the Company's own shares representing up to ten percent (10%) 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 of the Company have been purchased by the Company and no share buyback contract has been entered into at any time since the incorporation of the Company and up to the date of this report.

The above authorisations are usually requested and renewed at each AGM and the Board will ask for the renewal of such authorisations at the AGM of the shareholders on 28 July 2022.

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 Senior Facilities Agreements («SFA») in relation to a £300m term loan agreement 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 ten (10) business days' notice to the Company;
- b. the Group successfully completed a new £250m 7-year 4.00% bond issue in November 2021 to complement our existing £400m bond facility and £300m term loan which both mature in 2025. 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 held by such bondholder at a purchase price of 101% of the principal amount plus interest accrued up to the date of the repurchase;
- c. the Group's 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 incentives schemes in relation to shares in the Company include customary change of control provisions triggering vesting and exercise on performance conditions being met or (in the discretion of the Company), being waived.

Section (k) – Agreements with Directors and employees

No agreements exist between B&M European Value Retail S.A. and its Directors or employees which provide for compensation if Directors or employees resign or are made redundant without valid reason, or if their employment ceases because of a takeover bid other than as disclosed in the Directors' Remuneration Report on page 79.

Approved on behalf of the Board.

Simon Arora
Chief Executive Officer
30 May 2022

Alex Russo
Chief Financial Officer

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 judgements 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
30 May 2022

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 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 26 March 2022, 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 26 March 2022 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 judgement, 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

The Group's Revenue amounts to £4.7 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.

Wholesale revenue is recognised at the point on despatch.

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.

How the matter was addressed in our audit

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 credit card provider which are related to revenue from sales made in stores and investigating outliers identified in this process;
- 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;
- Sampled wholesale revenue in the period and agreed to supporting documentation to ensure that the revenue was correct to be recognised; and
- Analysed wholesale revenue recognised around the period end and agreed a sample back to delivery documentation to ensure revenue was recognised in the correct period.

Independent Auditor's Report continued

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 £863 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.

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;
 - Inspecting and corroborating the Group's hedging strategy, and reviewing the documentation in place for derivatives, including assessing whether it is in accordance with IFRS 9;
 - 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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated 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.

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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The consolidated management report on pages 92 to 96 of the annual report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 30 May 2022

KPMG Luxembourg
Société anonyme
Cabinet de révision agréé

Thierry Ravasio
Partner

Consolidated Statement of Comprehensive Income

Period ended	Note	52 weeks ended 26 March 2022 £'m	Restated* 52 weeks ended 27 March 2021 £'m
Revenue	2	4,673	4,801
Cost of sales		(2,921)	(3,031)
Gross profit		1,752	1,770
Administrative expenses		(1,142)	(1,157)
Operating profit	4	610	613
Share of profits in associates	11	3	2
Profit on ordinary activities before net finance costs and tax		613	615
Finance costs on lease liabilities	5	(59)	(61)
Other finance costs	5	(29)	(29)
Finance income	5	0	0
Profit on ordinary activities before tax		525	525
Income tax expense	9	(103)	(97)
Profit for the period	2	422	428
Other comprehensive income for the period			
Items which may be reclassified to profit and loss:			
Exchange differences on retranslation of subsidiary and associate investments		(2)	(1)
Fair value movement as recorded in the hedging reserve		20	(26)
Tax effect of other comprehensive income	9	(4)	5
Total other comprehensive income		14	(22)
Total comprehensive income for the period		436	406
Earnings per share			
Basic earnings per share attributable to ordinary equity holders (pence)	10	42.2	42.8
Diluted earnings per share attributable to ordinary equity holders (pence)	10	42.1	42.7

* Other comprehensive income has been restated in 2021 to remove the effect of the hedging gains and losses transferred to inventories. These are recorded directly in the consolidated statement of changes in equity. See Note 1.

All profit and other comprehensive income is attributable to the owners of the parent.

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

Consolidated Statement of Financial Position

As at	Note	26 March 2022 £'m	27 March 2021 £'m
Assets			
Non-current			
Goodwill	12	920	921
Intangible assets	12	120	118
Property, plant and equipment	13	363	336
Right of use assets	14	1,066	1,071
Investments in associates	11	8	4
Other receivables	16	7	7
Deferred tax asset	9	31	32
		2,515	2,489
Current assets			
Cash at bank and in hand	17	173	218
Inventories	15	863	605
Trade and other receivables	16	53	42
Income tax receivable		9	–
Other financial assets	19	25	4
		1,123	869
Total assets		3,638	3,358
Equity			
Share capital	22	(100)	(100)
Share premium		(2,476)	(2,475)
Retained earnings		(121)	(128)
Hedging reserve		(13)	8
Legal reserve		(10)	(10)
Merger reserve		1,979	1,979
Foreign exchange reserve		(5)	(7)
		(746)	(733)
Non-current liabilities			
Interest bearing loans and borrowings	20	(950)	(723)
Lease liabilities	14	(1,140)	(1,139)
Deferred tax liabilities	9	(43)	(27)
Provisions	21	(4)	(5)
		(2,137)	(1,894)
Current liabilities			
Interest bearing loans and borrowings	20	(6)	(7)
Trade and other payables	18	(564)	(524)
Lease liabilities	14	(170)	(163)
Other financial liabilities	19	(0)	(16)
Income tax payable		(4)	(13)
Provisions	21	(11)	(8)
		(755)	(731)
Total liabilities		(2,892)	(2,625)
Total equity and liabilities		(3,638)	(3,358)

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 30 May 2022 and signed on their behalf by:

Simon Arora

Chief Executive Officer

Consolidated Statement of Changes in Shareholders' Equity

	Share capital £'m	Share premium £'m	Retained earnings £'m	Hedging reserve £'m	Legal reserve £'m	Merger reserve £'m	Foreign exchange reserve £'m	Total equity £'m
Balance at 28 March 2020	100	2,474	245	9	10	(1,979)	8	867
Ordinary dividends declared	–	–	(97)	–	–	–	–	(97)
Special dividends declared	–	–	(450)	–	–	–	–	(450)
Effect of share options	0	1	1	–	–	–	–	2
Total transactions with owners	0	1	(546)	–	–	–	–	(545)
Profit for the period	–	–	428	–	–	–	–	428
Other comprehensive income (restated*)	–	–	1	(22)	–	–	(1)	(22)
Total comprehensive income for the period	–	–	429	(22)	–	–	(1)	406
Hedging gains & losses reclassified as inventory (restated*)	–	–	–	5	–	–	–	5
Balance at 27 March 2021	100	2,475	128	(8)	10	(1,979)	7	733
Ordinary dividends declared	–	–	(180)	–	–	–	–	(180)
Special dividends declared	–	–	(250)	–	–	–	–	(250)
Effect of share options	0	1	1	–	–	–	–	2
Total transactions with owners	0	1	(429)	–	–	–	–	(428)
Profit for the period	–	–	422	–	–	–	–	422
Other comprehensive income	–	–	–	16	–	–	(2)	14
Total comprehensive income for the period	–	–	422	16	–	–	(2)	436
Hedging gains & losses reclassified as inventory	–	–	–	5	–	–	–	5
Balance at 26 March 2022	100	2,476	121	13	10	(1,979)	5	746

* Other comprehensive income, total comprehensive income and hedging gains & losses reclassified as inventory have been restated in 2021 to remove the effect of the hedging gains and losses transferred to inventories. These are recorded directly in the consolidated statement of changes in equity. See Note 1.

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 26 March 2022 £'m	52 weeks ended 27 March 2021 £'m
Cash flows from operating activities			
Cash generated from operations	23	598	944
Income tax paid		(107)	(117)
Net cash flows from operating activities		491	827
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(96)	(87)
Purchase of intangible assets	12	(4)	(1)
Business disposal net of cash disposed		–	9
Disposal of interest in associated company	11	–	0
Proceeds from sale of property, plant and equipment		15	7
Finance income received		0	0
Dividends received from associates	11	–	2
Net cash flows from investing activities		(85)	(70)
Cash flows from financing activities			
Receipt of newly issued corporate bonds	20	250	400
Repayment of previously issued corporate bonds	20	–	(250)
Receipt of term loan facilities	20	–	300
Repayment of term loan facilities	20	–	(300)
Repayment of acquisition loan facility	20	–	(82)
Net repayment of Group revolving bank loans	20	–	(120)
Net repayment of Heron facilities	20	(4)	(5)
Net (repayment)/receipt of government backed loan in France	20	(22)	23
Net receipt/(repayment) of other French facilities	20	1	(1)
Repayment of the principal in relation to lease liabilities	14	(159)	(141)
Payment of interest in relation to lease liabilities	14	(59)	(61)
Fees on refinancing	20	(3)	(11)
Other finance costs paid		(24)	(24)
Receipt from exercise of employee share options	8	–	0
Dividends paid to owners of the parent	29	(430)	(697)
Net cash flows from financing activities		(450)	(969)
Effects of exchange rate changes on cash and cash equivalents		(1)	3
Net decrease in cash and cash equivalents		(45)	(209)
Cash and cash equivalents at the beginning of the period		218	427
Cash and cash equivalents at the end of the period		173	218
Cash and cash equivalents comprises:			
Cash at bank and in hand	17	173	218
Overdrafts		–	–
		173	218

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

Notes to the Consolidated Financial Statements

1 General information and basis of preparation

The consolidated financial statements have been prepared in accordance with 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 million (£'m), except when otherwise indicated. This is the first period where the Group has rounded to the nearest million (previously rounding to the nearest thousand). In transitioning the prior year accounts, usual rounding practices have been adhered to.

The consolidated financial statements cover the 52 week period from 28 March 2021 to 26 March 2022 which is a different period to the parent company standalone accounts (from 1 April 2021 to 31 March 2022). This exception is permitted under article 1712-12 of the Luxembourg company law of 10 August 1915, as amended, because 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
- it would be unduly onerous to rephrase the year end in that subsidiary to match that of the parent company.

The year end for B&M Retail Ltd, in any year, will not be more than six days prior to the parent company year end.

B&M European Value Retail S.A. (the "Company") is at 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 other comprehensive income

The Group has restated the other comprehensive income caption of 'fair value movement as recorded in the hedging reserve' to exclude the amount moved to inventories on the maturation of effective hedges as required by IFRS 9 'Financial Instruments'.

This has resulted in a decrease of £5m in other and total comprehensive income for the prior year. The corresponding credit to the hedging reserve is presented in the consolidated statement of changes in equity.

There was no effect on the profit for the period, earnings per share, consolidated statement of financial position or consolidated statement of cash flows.

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 28 March 2021 to 26 March 2022. 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.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- exposure, or rights, to variable returns from its involvement with the investee, and,
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangements with the other vote holders of the investee,
- rights arising from other contractual arrangements, and,
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary, excluding the situations as outlined in the basis of preparation.

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.

This assessment considered various scenarios including an extreme reduction in like for like sales, gross margin deterioration, disruption to our distribution network and cyber threats. The Group also has recourse to several mitigations to improve liquidity, including our £155m revolving credit facility, which had £142m available at the year end date.

There have been no post balance sheet changes to liquidity and the current inflationary pressures do not have a material impact on this assessment as the Group is well placed to absorb or pass on these costs given our position as a low cost retailer.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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;
- 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 is 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 the period end the value held on the balance sheet was £0.5m (2021: £0.3m).

The Group operates a small wholesale function which recognises revenue when goods are delivered and an 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.

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 and 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.

Notes to the Consolidated Financial Statements continued

1 General information and basis of preparation continued

Alternative performance measures

The Group reports a selection of alternative performance measures (APMs) 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 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.

Underlying performance has been determined so as to align with how the Group financial performance is monitored on an ongoing basis by management. In particular, this reflects certain adjustments being made to consider an adjusted EBITDA measure of performance.

Adjusted finance costs reflect the ongoing charges associated with our debt structure and exclude one off effects of refinancing.

The directors believe that our adjusted APMs, and specifically, 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 with 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.

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.

Lease modifications are recorded where there is a change in the expected cashflows associated with a lease, such as through a rent review. When a lease modification occurs the lease liability is recalculated and an equivalent adjustment is made to the right of use asset, unless that asset would be reduced below zero, in which case the excess is expensed in administrative costs. The recalculation is carried out with an unchanged discount unless the change has affected management's assessment of the term of the lease.

If there is a significant event, such as the lease reaching its expiry date, the likely exercise of a previously unrecognised break clause, or the signing of an extension lease, the lease term is re-assessed by management as to how long we can 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, with a recalculated discount rate.

Lease modifications are also recorded where there is a change in the expected cashflows associated with the lease, such as through a rent review. Unless the change affects the term, the discount rate is not recalculated. A lease modification results in a recalculation of the lease liability with a corresponding adjustment made to the right of use asset.

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.

Notes to the Consolidated Financial Statements continued

1 General information and basis of preparation continued

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 in 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 are prepared in December and usually cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to the projected future cash flows after the fifth year. The Group's three year plan is usually approved in March. If due to the passage of time there are significant differences in the key assumptions between the forecast and plan, or if management consider that the forecast has a more sensitive level of headroom, then the impairment test will be additionally sensitised to the plan assumptions.

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.

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 stated 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 inventory.

The Group receives supplier rebates which are included in the cost of inventory balance (and which therefore ultimately flow through to cost of sales). These rebates are recognised on an accruals basis according to actual sales levels achieved at the end of each period.

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 8 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.

Notes to the Consolidated Financial Statements continued

1 General information and basis of preparation continued

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 through 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. The balances involved are immaterial for further disclosure.

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.

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, on a forward looking basis the ECLs associated with our financial assets carried at amortised cost.

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;
- "Retained earnings reserve" represents retained profits;
- "Foreign exchange reserve" represents the cumulative differences arising in retranslation of the subsidiaries and associates results.

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
- Centz N.I. Limited

The following Group companies have a functional currency of the Euro:

- B&M European Value Retail 2 S.à r.l. (SBR Europe)
- B&M France 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 period 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.

Notes to the Consolidated Financial Statements continued

1 General information and basis of preparation continued

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, which 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. At the period end 99 stores were provided against (2021: 87).

We do not provide against stores which are under contract and not considered at risk of closure (comprising the majority of the estate) as management consider that such a provision would be minimal as a result of regular store maintenance and limited fixed fit out costs.

We also provide against the terminal dilapidation expense on our major warehouses, which is built up over the term of the leases held 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. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Critical judgements

Investments in associates

Multi-lines International Company Ltd (Multi-lines), which is 50% owned by the Group, has been judged by management to be an associate rather than a subsidiary or a joint venture.

Under IFRS 10 control is determined by:

- Power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect the amount of the investor's returns.

Although 50% owned, B&M Group does not have voting rights or substantive rights. Therefore, the level of power over the business is considered to be more in keeping with that of an associate than a joint-venture and, therefore, 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 judgement 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.

Estimation uncertainty

There are no areas of estimation uncertainty where management consider that there is a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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:

IASB effective for annual periods beginning on or after 1 January 2022

Standard	Summary of changes	UK Endorsement status	EU 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 business combination accounting.	Not yet endorsed	Endorsed (2 July 2021). EU effective date 1 January 2022.
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	Endorsed (2 July 2021). EU effective date 1 January 2022.
Annual improvements – cycle 2018-2020	This cycle of improvements contains amendments to the following standards: <ul style="list-style-type: none"> <i>IFRS 9 Financial Instruments</i>: clarifies the fees to be included in the '10 per cent' test for derecognition of financial liabilities. <i>Illustrative Examples accompanying IFRS 16 Leases</i>: to remove the illustration of payments from the lessor relating to leasehold improvements. 	Not yet endorsed	Endorsed (2 July 2021). EU effective date 1 January 2022.

IASB effective for annual periods beginning on or after 1 January 2023

Standard	Summary of changes	UK Endorsement status	EU Endorsement status
Amendments to IAS 8 Accounting Estimates	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, make a distinction between how an entity should present and disclose different types of accounting changes in its financial statements. Changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively.	Not yet endorsed	Not yet endorsed
Amendments to IAS 1 and IFRS 2	The amendment requires an entity to disclose its material accounting policy information instead of its significant accounting policies. A policy can be material by nature even if the related amounts are immaterial.	Not yet endorsed	Endorsed (3 March 2022). EU effective date 1 January 2023.

Notes to the Consolidated Financial Statements continued

2 Segmental information

IFRS 8 ("Operating segments") requires the Group's segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker to assess performance and allocate resources across each reporting segment.

The chief operating decision maker has been identified as the executive directors who monitor the operating results of the retail segments for the purpose of making decisions about resource allocation and performance assessment.

For management purposes, the Group is organised into three operating segments, comprising the three separately operated businesses within the Group; UK B&M, UK Heron and France B&M.

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 €1.1756/£ during the year, with the period end rate being €1.2009/£ (2021: €1.1203/£ and €1.1691/£ respectively).

	UK B&M £'m	UK Heron £'m	France B&M £'m	Corporate £'m	Total £'m
52 week period to 26 March 2022					
Revenue	3,909	411	353	–	4,673
EBITDA (Note 3)	563	23	32	13	631
EBITDA (IFRS 16) (Note 3)	729	34	64	13	840
Depreciation and amortisation	(170)	(23)	(34)	–	(227)
Net finance expense	(48)	(2)	(11)	(27)	(88)
Income tax expense	(96)	(1)	(5)	(1)	(103)
Segment profit/(loss)	415	8	14	(15)	422
Total assets	2,952	281	331	74	3,638
Total liabilities	(1,513)	(117)	(251)	(1,011)	(2,892)
Capital expenditure*	(80)	(9)	(11)	–	(100)
	UK B&M £'m	UK Heron £'m	France B&M £'m	Corporate £'m	Total £'m
52 week period to 27 March 2021					
Revenue	4,077	415	309	–	4,801
EBITDA (Note 3)	592	25	11	(5)	623
EBITDA (IFRS 16) (Note 3)	759	35	42	(5)	831
Depreciation and amortisation	(162)	(20)	(34)	–	(216)
Net finance expense	(48)	(3)	(13)	(26)	(90)
Income tax (expense)/credit	(106)	(2)	1	10	(97)
Segment profit/(loss)	443	10	(4)	(21)	428
Total assets	2,687	282	348	41	3,358
Total liabilities	(1,477)	(117)	(240)	(791)	(2,625)
Capital expenditure*	(65)	(13)	(10)	–	(88)

* Capital expenditure includes both tangible and intangible capital.

Revenue is disaggregated geographically as follows:

Period to	52 weeks ended 26 March 2022 £'m	52 weeks ended 27 March 2021 £'m
Revenue due from UK operations	4,320	4,492
Revenue due from French operations	353	309
Overall revenue	4,673	4,801

Non-current assets (excluding deferred tax and financial instruments) are disaggregated geographically as follows:

As at	26 March 2022 £'m	27 March 2021 £'m
UK operations	2,252	2,227
French operations	224	225
Luxembourg operations	8	5
Overall	2,484	2,457

The Group operates a small wholesale operation, with the relevant disaggregation of revenue as follows:

Period to	52 weeks ended 26 March 2022 £'m	52 weeks ended 27 March 2021 £'m
Revenue due to sales made in stores	4,628	4,754
Revenue due to wholesale activities	45	47
Overall revenue	4,673	4,801

3 Reconciliation of non-IFRS measures from the statement of comprehensive income

The Group reports a selection 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 26 March 2022 £'m	52 weeks ended 27 March 2021 £'m
Profit on ordinary activities before interest and tax	613	615
Add back depreciation and amortisation	227	216
EBITDA (IFRS 16)	840	831
Exclude effects of IFRS 16 on administrative costs	(209)	(208)
EBITDA	631	623
Reverse the fair value effect of ineffective derivatives	(13)	7
Foreign exchange on intercompany balances	1	3
Release of exceptional French stock provision	–	(7)
Adjusted EBITDA	619	626
Pre-IFRS 16 depreciation and amortisation	(66)	(62)
Net adjusted finance costs (see Note 5)	(29)	(24)
Adjusted profit before tax	524	540
Adjusted tax	(107)	(105)
Adjusted profit for the period	417	435
Attributable to owners of the parent	417	435

Notes to the Consolidated Financial Statements continued

3 Reconciliation of non-IFRS measures from the statement of comprehensive income continued

The effects of IFRS 16 on administrative costs caption reflects the difference between IAS 17 and IFRS 16 accounting and largely consists of the additional rent expense the Group would have incurred under the IAS 17 standard.

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 26 March 2022 £'m	52 weeks ended 27 March 2021 £'m
Adjusted EBITDA (above)	619	626
Include other effects of IFRS 16 on EBITDA	209	208
Adjusted EBITDA (IFRS 16)	828	834
Depreciation and amortisation	(227)	(216)
Interest costs related to lease liabilities (Note 5)	(59)	(61)
Net adjusted other finance costs	(29)	(24)
Adjusted profit before tax (IFRS 16)	513	533
Adjusted tax	(101)	(106)
Adjusted profit for the period (IFRS 16)	412	427

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.

The exceptional French stock provision was recognised in 2019/20 when the first French lockdown was put into place resulting in the closure of the French store estate with significant uncertainty regarding when stores would be able to reopen. Ultimately the stock provision was largely released during 2020/21, as the stock was sold through once the stores were reopened and this release was treated as adjusting to match the treatment when recognising the provision. No new adjusting items have been recognised in respect of the pandemic in either of the presented years.

The following table reconciles the statutory figures to the adjusted (IFRS 16) and adjusted figures in the statutory P&L format on a line by line basis.

	Statutory figures £'m	Adjusting items £'m	Adjusted (IFRS 16) £'m	Impact of IFRS 16 £'m	Adjusted figures £'m
52 week period to 26 March 2022					
Revenue	4,673	–	4,673	–	4,673
Cost of sales	(2,921)	–	(2,921)	–	(2,921)
Gross profit	1,752	–	1,752	–	1,752
Depreciation and amortisation	(227)	–	(227)	161	(66)
Other administrative expenses	(915)	(12)	(927)	(209)	(1,136)
Operating profit	610	(12)	598	(48)	550
Share of profits in associates	3	–	3	–	3
Profit before interest and tax	613	(12)	601	(48)	553
Finance costs relating to right of use assets	(59)	–	(59)	59	–
Other finance costs	(29)	–	(29)	–	(29)
Finance income	0	–	0	–	0
Profit before tax	525	(12)	513	11	524
Income tax expense	(103)	2	(101)	(6)	(107)
Profit for the period	422	(10)	412	5	417

52 week period to 27 March 2021	Statutory figures £'m	Adjusting items £'m	Adjusted (IFRS 16) £'m	Impact of IFRS 16 £'m	Adjusted figures £'m
Revenue	4,801	–	4,801	–	4,801
Cost of sales	(3,031)	(7)	(3,038)	–	(3,038)
Gross profit	1,770	(7)	1,763	–	1,763
Depreciation and amortisation	(216)	–	(216)	154	(62)
Other administrative expenses	(941)	10	(931)	(208)	(1,139)
Operating profit	613	3	616	(54)	562
Share of profits in associates	2	–	2	–	2
Profit before interest and tax	615	3	618	(54)	564
Finance costs relating to right of use assets	(61)	–	(61)	61	–
Other finance costs	(29)	5	(24)	–	(24)
Finance income	0	–	0	–	0
Profit before tax	525	8	533	7	540
Income tax expense	(97)	(9)	(106)	1	(105)
Profit for the period	428	(1)	427	8	435

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 in the prior year.

The segmental split in EBITDA (IFRS 16) and Adjusted EBITDA (IFRS 16) reconciles as follows:

52 week period to 26 March 2022	UK B&M £'m	UK Heron £'m	France B&M £'m	Corporate £'m	Total £'m
Profit before interest and tax	559	11	30	13	613
Add back depreciation and amortisation	170	23	34	–	227
EBITDA (IFRS 16)	729	34	64	13	840
Adjusting items detailed above	–	–	–	(12)	(12)
Adjusted EBITDA (IFRS 16)	729	34	64	1	828

52 week period to 27 March 2021	UK B&M £'m	UK Heron £'m	France B&M £'m	Corporate £'m	Total £'m
Profit/(loss) before interest and tax	597	15	8	(5)	615
Add back depreciation and amortisation	162	20	34	–	216
EBITDA	759	35	42	(5)	831
Adjusting items detailed above	–	–	–	3	3
Adjusted EBITDA (IFRS 16)	759	35	42	(2)	834

Adjusted EBITDA and related measures are not measures of performance or liquidity under IFRS and should not be considered in isolation or as a substitute for measures of profit, or as an indicator of the Group's operating performance or cash flows from operating activities as determined in accordance with IFRS.

Notes to the Consolidated Financial Statements continued

4 Operating profit

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

Period ended	52 weeks ended 26 March 2022 £'m	52 weeks ended 27 March 2021 £'m
Auditor's remuneration	1	1
Payments to auditors in respect of non-audit services:		
Taxation advisory services	–	–
Other assurance services	0	0
Other professional services	–	–
Cost of inventories recognised as an expense (included in cost of sales)	2,921	3,031
Depreciation of owned property, plant and equipment	62	57
Amortisation (included within administration costs)	2	3
Depreciation of right of use assets	163	156
Impairment of right of use assets	2	5
Operating lease rentals	2	(1)
Loss on sale of property, plant and equipment	1	1
(Gain)/loss on sale and leaseback	(1)	0
(Gain)/loss on foreign exchange	(9)	9

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 26 March 2022 £'m	52 weeks to 27 March 2021 £'m
Interest on debt and borrowings	(27)	(22)
Ongoing amortisation of finance fees	(2)	(2)
Total adjusted finance expense	(29)	(24)
Non-capitalised fees incurred on refinancing	–	(3)
Release of remaining unamortised fees on previous facilities	–	(2)
Total other finance expense	(29)	(29)
Finance costs on lease liabilities	(59)	(61)
Total finance expense	(88)	(90)

The finance expense reconciles to the statement of cash flows as follows:

Period ended	52 weeks to 26 March 2022 £'m	52 weeks to 27 March 2021 £'m
Cash		
Finance costs paid in relation to debt and borrowings	24	23
Finance costs paid in relation to lease liabilities	59	61
Fees paid in relation to refinancing	3	11
Finance costs paid	86	95
Non cash		
Movement of accruals in relation to debt and borrowings	3	(1)
Capitalisation of amortised fees in relation to new facilities	(3)	(8)
Release of capitalised fees held in relation to previous facilities	–	2
Ongoing amortisation of finance fees	2	2
Total finance expense	88	90

5 Finance costs and finance income

Period ended	52 weeks to 26 March 2022 £'m	52 weeks to 27 March 2021 £'m
Interest income on loans and bank accounts	0	0
Total finance income	0	0

There are no adjusting items related to financial income.

Total net adjusted finance costs are therefore:

Period ended	52 weeks to 26 March 2022 £'m	52 weeks to 27 March 2021 £'m
Total adjusted finance expense	(29)	(24)
Total adjusted finance income	0	0
Total net adjusted finance costs	(29)	(24)

6 Employee remuneration

Expense recognised for employee benefits is analysed below:

Period ended	52 weeks to 26 March 2022 £'m	52 weeks to 27 March 2021 £'m
Wages and salaries	530	515
Social security costs	32	30
Share based payment expense	2	2
Pensions – defined contribution plans	8	7
	572	554

There are £1m of defined contribution pension liabilities owed by the Group at the period end (2021: £1m).

B&M France operates a scheme where they must provide a certain amount per employee to pay upon their retirement date. The accrual on this scheme at the period end was £2m (2021: £2m).

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

Period ended	52 weeks to 26 March 2022	52 weeks to 27 March 2021
Sales staff	39,804	37,981
Administration	1,070	854
	40,874	38,835

Notes to the Consolidated Financial Statements continued

7 Key management remuneration

Key management personnel and Directors' remuneration includes the following:

Period ended	52 weeks to 26 March 2022 £'m	52 weeks to 27 March 2021 £'m
Directors' remuneration:		
Short term employee benefits	4	3
Benefits accrued under the share option scheme	1	1
Pension	0	0
	5	4
Key management expense (includes Directors' remuneration):		
Short term employee benefits	9	8
Benefits accrued under the share option scheme	1	1
Pension	0	0
	10	9
Amounts in respect of the highest paid director emoluments:		
Short term employee benefits	2	2
Benefits accrued under the share option scheme	1	1
Pension	0	0
	3	3

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.

8 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.

No awards have been issued under this scheme since August 2016 with the final 11,049 options exercised in the prior year. No options were held at either period end date.

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 Executive ("A") awards

- 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 2016A	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
LTIP 2021A	March-24	45.0p	37.0p

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 period 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 Restricted ("B") awards

- 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

There have been several awards of the LTIP, with the details as follows.

Note that the LTIP Executive awards 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 TSR awards market condition has been included in the fair value calculation for those awards, all non-market conditions have not been included. Expected volatility has been calculated based upon the historic share price volatility of the Group and those of comparable companies.

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
2016A-TSR	18 Aug 16	122,385.5	164p	0.09%	5	26%
2016A-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%
2021A-TSR	3 Aug 21	218,861	354p	0.23%	5	37%
2021A-EPS	3 Aug 21	218,861	560p	0.23%	5	37%
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%
2021/B1	3 Aug 21	281,950	560p	0.12%	3	42%

Notes to the Consolidated Financial Statements continued

8 Share Options continued

Scheme	Options at 27 Mar 21	Granted	Dividend credit	Forfeited	Exercised	Options at 26 Mar 22
2016A-TSR	122,385.5*	–	–	–	(122,385.5)	–
2016A-EPS	70,982.5*	–	–	–	(70,982.5)	–
2017A-TSR	27,557*	–	–	–	–	27,557*
2017A-EPS	18,071*	–	–	–	–	18,071*
2018A-TSR	262,012	–	14,692	(74,239)	–	202,465*
2018A-EPS	262,012	–	18,356	–	–	280,368*
2019A-TSR	259,633	–	19,760.5	–	–	279,393.5
2019A-EPS	259,633	–	19,760.5	–	–	279,393.5
2020A-TSR	157,438.5	–	11,922.5	–	–	169,361
2020A-EPS	157,438.5	–	11,922.5	–	–	169,361
2021A-TSR	–	218,861	10,799.5	–	–	229,660.5
2021A-EPS	–	218,861	10,799.5	–	–	229,660.5
2017/B1	73,667	–	–	–	(20,091)	53,576
2017/B2	13,379	–	–	–	–	13,379
2018/B2	234,759	–	4,876	(7,657)	(193,689)	38,289
2019/B1	395,455	–	27,849	(31,782)	–	391,522
2019/B2	3,163	–	240	–	–	3,403
2020/B1	300,724	–	22,073	(25,694)	–	297,103
2021/B1	–	281,950	13,600	(24,530)	–	271,020

Scheme	Options at 28 Mar 20	Granted	Dividend credit	Forfeited	Exercised	Options at 27 Mar 21
2015A-TSR	40,616*	–	–	–	(40,616)	–
2015A-EPS	31,477*	–	–	–	(31,477)	–
2016A-TSR	122,385.5*	–	–	–	–	122,385.5*
2016A-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

* 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 a specified proportion 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 are annual awards of the scheme. The 2022 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 27 Mar 21	Granted	Dividend credit	Forfeited	Exercised	Options at 26 Mar 22
2019 Bonus allocation	67,920	–	4,989	–	–	72,909
2020 Bonus allocation	50,748	–	3,843	–	–	54,591
2021 Bonus allocation	–	85,340	4,210	–	–	89,550

Scheme	Options at 28 Mar 20	Granted	Dividend credit	Forfeited	Exercised	Options at 27 Mar 21
2019 Bonus allocation	61,008	–	6,912	–	–	67,920
2020 Bonus allocation	–	45,682	5,066	–	–	50,748

The fair values of the presented schemes are £479k (2021), £175k (2020) and £217k (2019).

The summary period end position is as follows:

Period ended	26 March 2022	27 March 2021
Share options outstanding at the start of the year	2,736,978	2,467,125
Share options granted during the year (including via dividend credit)	1,004,705	886,127
Share options forfeited or lapsed during the year	(163,902)	(379,484)
Share options exercised in the year	(407,148)	(236,790)
Share options outstanding at the end of the year	3,170,633	2,736,978
Of which;		
Share options that are not vested	2,319,878	2,292,268
Share options that are in holding	745,511	357,664
Share options that are vested and eligible for exercise	105,244	87,046

All exercised options are satisfied by the issue of new share capital. The weighted average share price on exercise was £5.64 (2021: £5.09).

All outstanding options have a £nil (2021: £nil) exercise price and the weighted average remaining contractual life is 2.0 years (2021: 2.2 years).

In the year, £2m has been charged to the consolidated statement of comprehensive income in respect to the share option schemes (2021: £2m).

At the end of the year the outstanding share options had a carrying value of £5m (2021: £4m).

Notes to the Consolidated Financial Statements continued

9 Taxation

The relationship between the expected tax expense based on the standard rate of corporation tax in the UK of 19% (2021: 19%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

Period ended	52 weeks to 26 March 2022 £'m	52 weeks to 27 March 2021 £'m
Current tax expense	90	104
Deferred tax charge/(credit)	13	(7)
Total tax expense recorded in profit and loss	103	97
Deferred tax charge/(credit) in other comprehensive income	4	(5)
Total tax charge/(credit) recorded in other comprehensive income	4	(5)
Result for the year before tax	525	525
Expected tax charge at the standard tax rate	100	100
Effect of:		
Expenses not deductible for tax purposes	4	4
Income not taxable	(4)	(2)
Lease accounting	(0)	0
Foreign operations taxed at local rates	2	0
Changes in the rate of corporation tax	2	1
Adjustment in respect of prior years	(2)	(7)
Hold over gains on fixed assets	1	1
Other	(0)	(0)
Actual tax expense	103	97

'Changes in the rate of corporation tax' includes the differences arising due to the change in the future corporation tax rate to 25% from April 2023.

Deferred taxation

Statement of financial position	26 March 2022 £'m	27 March 2021 £'m
Accelerated tax depreciation	(6)	(2)
Relating to intangible brand assets	(28)	(22)
Fair valuing of assets and liabilities (asset)	0	3
Fair valuing of assets and liabilities (liability)	(6)	(2)
Temporary differences relating to the tax accounting for leases	24	19
Movement in provision	1	2
Relating to share options	3	2
Held over gains on fixed assets	(3)	(1)
Losses carried forward	3	6
Other temporary differences	0	0
Net deferred tax (liability)/asset	(12)	5
Analysed as;		
Deferred tax asset	31	32
Deferred tax liability	(43)	(27)

	52 weeks to 26 March 2022 £'m	52 weeks to 27 March 2021 £'m
Statement of comprehensive income		
Accelerated tax depreciation	(4)	1
Relating to intangible brand assets	(6)	(1)
Fair valuing of assets and liabilities	(7)	5
Temporary differences relating to the tax accounting for leases	5	(1)
Movement in provision	(1)	1
Relating to share options	1	1
Held over gains on fixed assets	(2)	(1)
Brought forward losses	(3)	7
Other temporary differences	0	0
Net deferred tax (charge)/credit	(17)	12
Analysed as:		
Total deferred tax (charge)/credit in profit or loss	(13)	7
Total deferred tax (charge)/credit in other comprehensive income	(4)	5

During the prior period, the Group recognised £7m 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. In the above tax reconciliation the recognition of these losses is included in the caption 'Adjustment in respect of prior years'.

There were no unrecognised deferred tax assets in relation to losses carried forward within the Group at the period end (2021: same).

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.

10 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 8) 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	26 March 2022 £'m	27 March 2021 £'m
Profit for the period attributable to owners of the parent	422	428
Adjusted profit for the period attributable to owners of the parent	417	435
Adjusted (IFRS 16) profit for the period attributable to owners of the parent	412	427
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	1,001,061	1,000,695
Dilutive effect of employee share options	1,893	1,382
Weighted average number of ordinary shares adjusted for the effect of dilution	1,002,954	1,002,077
	Pence	Pence
Basic earnings per share	42.2	42.8
Diluted earnings per share	42.1	42.7
Adjusted basic earnings per share	41.6	43.4
Adjusted diluted earnings per share	41.6	43.4
Adjusted IFRS 16 basic earnings per share	41.2	42.7
Adjusted IFRS 16 diluted earnings per share	41.1	42.6

Notes to the Consolidated Financial Statements continued

11 Investments in associates

Period ended	26 March 2022 £'m	27 March 2021 £'m
Net book value		
Carrying value at the start of the period	4	5
Disposal of holding in Home Focus Group Ltd	–	0
Dividends received	–	(2)
Share of profits in associates since the prior year valuation exercise	3	2
Effect of foreign exchange on translation	1	(1)
Carrying value at the end of the period	8	4

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 was retail sales with a registered address of Boole House, Beech Hill Office Campus, Beech Hill Road, Clonskeagh, Dublin 4. This holding was sold in December 2020 for €350k. Home Focus Group is immaterial for further disclosure.

None of the entities have discontinued operations or other comprehensive income, except that on consolidation both entities have a foreign exchange translation difference.

Period ended	26 March 2022 £'m	27 March 2021 £'m
Multi-lines		
Non-current assets	15	5
Current assets	94	74
Non-current liabilities	–	–
Current liabilities	(99)	(72)
Net assets	10	7
Revenue	324	240
Profit	3	2

Period ended	26 March 2022 £'m	27 March 2021 £'m
Centz		
Non-current assets	16	11
Current assets	20	25
Non-current liabilities	(8)	(10)
Current liabilities	(15)	(19)
Net assets	13	7
Revenue	78	61
Profit	5	3

The figures for both associates show 12 months to December 2021 (prior year: 12 months to December 2020), being the period used in the valuation of the associate.

12 Intangible assets

	Goodwill £'m	Software £'m	Brands £'m	Other £'m	Total £'m
Cost or valuation					
At 28 March 2020	922	10	115	1	1,048
Additions	–	1	–	–	1
Disposals	–	–	–	–	–
Effect of retranslation	(1)	(0)	(0)	(0)	(1)
At 27 March 2021	921	11	115	1	1,048
Additions	–	3	1	–	4
Disposals	–	–	–	–	–
Effect of retranslation	(1)	(0)	(0)	(0)	(1)
At 26 March 2022	920	14	116	1	1,051
Accumulated amortisation/impairment					
At 28 March 2020	–	6	1	–	7
Charge for the year	–	2	1	–	3
Disposals	–	–	–	–	–
Effect of retranslation	–	(0)	(1)	–	(1)
At 27 March 2021	–	8	1	–	9
Charge for the year	–	2	0	–	2
Disposals	–	–	–	–	–
Effect of retranslation	–	(0)	(0)	–	(0)
At 26 March 2022	–	10	1	–	11
Net book value at 26 March 2022	920	4	115	1	1,040
Net book value at 27 March 2021	921	3	114	1	1,039

At the period end, no software was being developed that is not yet in use (2021: £1m), and the Group was committed to the purchase of trademarks worth £2m (2021: £nil).

Impairment review of intangible assets held with indefinite life

The Group holds the following assets with indefinite life:

Segment	26 March 2022 Goodwill £'m	26 March 2022 Brand £'m	27 March 2021 Goodwill £'m	27 March 2021 Brand £'m
UK B&M	807	98	807	96
UK Heron	88	14	88	14
France B&M	25	–	26	–

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 B&M France goodwill is held in Euros, with an underlying balance of €30m (2021: €30m).

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.

Notes to the Consolidated Financial Statements continued

12 Intangible assets continued

The impairment test methodology has been refined in the year. The prior year sensitivities and headroom have been restated to reflect the refined methodology. The impact on the prior year headroom was B&M -£181m, Heron +£12m, France +€32m, with all three entities headroom remaining significant. The adjustment has therefore had no material impact. The refined methodology had a small impact on the disclosed discount rates.

The key assumptions in assessing the value in use as at 26 March 2022 were;

The Group's discount rate

This was calculated using an internal CAPM model which includes external estimates of the risk-free-rate, cost of debt, equity beta and market risk premium. It is adjusted for which country the segment is in, how large the segment is and includes an alpha rate estimate made by management.

The inflation rate for expenses

This is based upon the consumer price index for the relevant country, as well as official reports from the appropriate central bank.

The like for like sales growth

This is an estimate made by management which encompasses the historical sales trends of the entity and management's assessment of how each segment will perform in the context of the current economic environment.

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, in the context of the macro growth level of the economic environment in which that segment operates.

The assumptions were as follows:

As at	26 March 2022	27 March 2021
Discount rate (B&M)	10.8%	12.1%
Discount rate (Heron)	13.7%	12.6%
Discount rate (B&M France)	12.9%	13.6%
Inflation rate for costs (B&M & Heron)	3.5%	1.2%
Inflation rate for costs (B&M France)	1.5%	0.0%
Like for like sales growth (B&M)	3.5%	2.0%
Like for like sales growth (Heron)	4.0%	2.0%
Like for like sales growth (B&M France)	4.5%	2.0%
Terminal growth rate (B&M)	0.5%	0.5%
Terminal growth rate (Heron)	1.2%	1.2%
Terminal growth rate (B&M France)	1.2%	0.0%

These assumptions are reflected for five years in the CGU forecasts and beyond this a perpetuity calculation is performed using the assumptions made regarding terminal growth rates.

The B&M Retail impairment model assumptions were moderated in year one of the forecast due to the significant Covid impact on trade from January to April 2021 within the base year, reducing both the like-for-like sales growth and the costs that feed through to the final contribution figures.

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 £4,833m, Heron £43m and B&M France €349m (2021: £3,261m, £154m and €201m respectively).

Heron's result demonstrated a lower level of headroom when compared to the other two segments, but the directors consider that the assumptions made are reasonably prudent and that it is unlikely that a situation will arise where an impairment would be required in that segment.

Such a situation would include like for like sales falling 50bps below inflation for each year in the projection, or nil LFL's in year 1, both of which would lead to an impairment of significantly under £10m. It should be noted that the impairment test does not include the projected new store openings in the segment which are accretive to the forecast results, nor the impact of management actions to be taken. We further sensitised the assumptions to the most recent board approved plan, making appropriate adjustments to exclude new stores, which resulted in a projected headroom of £33m.

No other indicators of impairment were noted in the segments and the impairment tests were 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 like sales and terminal growth rates.
- Sales prices failing to keep pace with inflation such that the local inflation rates increase 50bps without a corresponding increase in like for like sales.
- 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, except as noted above for Heron.

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, when applied to all years, whilst assuming each other key assumption is held level (e.g. for inflation sensitivity, the LFL was not adjusted):

	26 March 2022	27 March 2021
B&M		
Discount rate	61.7%	60.0%
Inflation rate for expenses	14.1%	13.5%
Like for like sales	(7.3)%	(8.8)%
Terminal growth rate	Not sensitive	Not sensitive
B&M France		
Discount rate	55.1%	49.5%
Inflation rate for expenses	6.9%	4.2%
Like for like sales	(0.5)%	(1.8)%
Terminal growth rate	Not sensitive	Not sensitive
Heron		
Discount rate	17.1%	23.9%
Inflation rate for expenses	4.7%	4.9%
Like for like sales	3.0%	(2.4)%
Terminal growth rate	(5.0)%	(30.2)%

13 Property, plant and equipment

	Land and buildings £'m	Motor vehicles £'m	Plant, fixtures and equipment £'m	Total £'m
Cost or valuation				
At 28 March 2020	86	16	380	482
Additions	18	5	64	87
Disposals	(4)	(1)	(6)	(11)
Effect of retranslation	—	—	(2)	(2)
At 27 March 2021	100	20	436	556
Additions	18	2	76	96
Disposals	(8)	3	(5)	(10)
Effect of retranslation	—	(0)	(1)	(1)
At 26 March 2022	110	25	506	641
Accumulated depreciation and impairment charges				
At 28 March 2020	19	6	146	171
Charge for the period	4	4	49	57
Disposals	(0)	(1)	(6)	(7)
Effect of retranslation	—	—	(1)	(1)
At 27 March 2021	23	9	188	220
Charge for the period	5	3	54	62
Disposals	(0)	1	(4)	(3)
Effect of retranslation	—	—	(1)	(1)
At 26 March 2022	28	13	237	278
Net book value at 26 March 2022	82	12	269	363
Net book value at 27 March 2021	77	11	248	336

Under the terms of the loan and notes facilities in place at 26 March 2022, fixed and floating charges were held over £82m of the net book value of land and buildings, £12m of the net book value of motor vehicles and £242m of the net book value of the plant, fixtures and equipment. (2021: £77m, £11m, £223m respectively).

At the period end <£1m of assets were under construction (2021: <£1m).

Included within land and buildings is land with a cost of £6m (2021: £6m) which is not depreciated.

Capital commitments

There were £5m of contractual capital commitments not provided within the Group financial statements as at 26 March 2022 (2021: £12m).

Notes to the Consolidated Financial Statements continued

14 Right of use assets

	Land and buildings £'m	Motor vehicles £'m	Plant, fixtures and equipment £'m	Total £'m
Net book value				
As at 28 March 2020	1,061	18	7	1,086
Additions	153	3	3	159
Modifications	7	0	–	7
Disposals	(13)	(0)	(0)	(13)
Impairment	(5)	–	–	(5)
Depreciation	(146)	(6)	(4)	(156)
Foreign exchange	(7)	(0)	(0)	(7)
As at 27 March 2021	1,050	15	6	1,071
Additions	160	0	2	162
Modifications	23	–	–	23
Disposals	(18)	(1)	(0)	(19)
Impairment	(2)	–	–	(2)
Depreciation	(154)	(6)	(3)	(163)
Foreign exchange	(6)	–	–	(6)
As at 26 March 2022	1,053	8	5	1,066

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 period 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 £30m.

There are no material covenants imposed by our right-of-use leases.

In the year the Group expensed £2m (2021: £2m) in relation to low value leases and <£1m (2021: <£1m) in relation to short term leases for which the Group applied the practical expedient under IFRS 16.

The Group has expensed <£1m (2021: <£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 £2m (2021: £3m) 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 <£1m, Heron £1m, B&M France <£1m (2021: B&M £4m, Heron £1m, B&M France <£1m).

The current and future cashflows for the right-of-use assets are:

	26 March 2022 £'m	27 March 2021 £'m
This year	218	202
Within 1 year	219	213
Between 1 and 2 years	210	205
Between 2 and 3 years	194	190
Between 3 and 4 years	177	174
Between 4 and 5 years	160	156
Between 5 and 10 years	478	514
More than 10 years	167	159
Total	1,605	1,611

The change in lease liability reconciles to the figures presented in the consolidated statement of cashflows as follows:

	26 March 2022 £'m	27 March 2021 £'m
Lease liabilities brought forward	1,302	1,295
Cash		
Repayment of the principal in relation to right of use assets	(159)	(141)
Payment of interest in relation to right of use assets	(59)	(61)
Non-cash		
Interest charge	59	61
Effects on lease liability relating to lease additions, modifications and disposals	172	156
Effects of foreign exchange	(5)	(8)
Total cash movement in the year	(218)	(202)
Total non-cash movement in the year	226	209
Movement in the year	8	7
Lease liabilities carried forward	1,310	1,302
Of which current	170	163
Of which non-current	1,140	1,139

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:

	26 March 2022	27 March 2021
Weighted average discount rate		
Property	4.5%	4.7%
Equipment	3.2%	3.3%
All right of use assets	4.5%	4.7%
	£'m	£'m
Effect on finance costs with a change of 50bps to the discount rate		
Property	7	6
Equipment	0	0
All right of use assets	7	6

Notes to the Consolidated Financial Statements continued

14 Right of use assets continued

Sale and Leaseback

During the year the business has undertaken two sale and leasebacks (2021: one).

The details of the transactions were as follows:

	26 March 2022 £'m	27 March 2021 £'m
Consideration received	14	6
Net book value of the assets disposed	(7)	(3)
Costs of sale when specifically recognised	–	–
Profit per pre-IFRS 16 accounting standards	7	3
Opening adjustment to the right of use asset	(6)	(3)
Profit/(loss) recognised in the statement of comprehensive income	1	(0)
Initial right of use asset recognised	6	3
Initial lease liability recognised	(11)	(6)

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.

15 Inventories

As at	26 March 2022 £'m	27 March 2021 £'m
Goods for resale	863	605

Included in the amount above was a net release of £14m related to inventory provisions (2021: £4m net charge). In the period to 26 March 2022 £2,921m (2021: £3,031m) was recognised as an expense for inventories. In the year, £21m of supplier rebates were received (2021: £22m).

16 Trade and other receivables

	26 March 2022 £'m	27 March 2021 £'m
Non-current		
Other receivables	7	7
	7	7
Current		
Trade receivables	6	4
Deposits on account	13	2
Provision for impairment	(2)	(0)
Net trade receivables to non-related parties	17	6
Prepayments	20	14
Related party receivables	3	8
Other tax	3	8
Other receivables	10	6
	53	42

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.

There are no individually non-related significant balances held at the current period end. See Note 26 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	26 March 2022 £'m	27 March 2021 £'m
Provision for impairment at the start of the period	(0.4)	(0.2)
Impairment during the period	(1.6)	(0.2)
Utilised/released during the period	0.3	0.0
Effect of foreign exchange	0.0	0.0
Balance at the period end	(1.7)	(0.4)

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	26 March 2022 £'m	27 March 2021 £'m
Neither past due nor impaired	2	2
Past due less than one month	1	0
Past due between one and three months	2	1
Past due for longer than three months	1	1
Balance at the period end	6	4

17 Cash and cash equivalents

As at	26 March 2022 £'m	27 March 2021 £'m
Cash at bank and in hand	173	218
Overdrafts	–	–
Cash and cash equivalents	173	218

As at the period end the Group had available £142m of undrawn committed borrowing facilities (2021: £142m).

18 Trade and other payables

As at	26 March 2022 £'m	27 March 2021 £'m
Current		
Trade payables	388	343
Other tax and social security payments	62	66
Accruals and deferred income	75	100
Related party trade payables	27	9
Other payables	12	6
	564	524

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 26.

During the period the Group implemented a supply chain financing facility. The facility is operated by a major banking partner with high credit ratings and is limited to \$50m total exposure at any one time.

The exposure at the period end was \$21m relating to one supplier, the average balance since inception has been \$19m.

The purpose of the arrangement is to enable our participating suppliers, at their discretion, to draw down against their receivables from the Group prior to their usual due date.

Notes to the Consolidated Financial Statements continued

18 Trade and other payables continued

From the Group's perspective, the invoices subject to the scheme are treated in the same way as those not subject to the scheme. That is that they are approved under our usual processes (and cannot be drawn down against until they have been approved) and paid on the usual due date, which is in line with the payment terms of our other international suppliers. We do not benefit from the margin charged by the bank for any early draw down, and the bank does not benefit from additional security when compared to the security originally enjoyed by the supplier. There is no impact on potential liquidity risk as the cash flow timings and amounts are unchanged for those invoices in the scheme against those not in the scheme.

There would be no impact on the Group if the facility became unavailable and there are no fees or charges payable by the Group in regards to this arrangement.

As these invoices continue to be part of the normal operating cycle of the Group, the scheme does not change the recognition of the invoices subject to the scheme, so they continue to be recognised as trade payables, with the associated cash flows presented within operating cash flows and without affecting the calculation of Group net debt.

19 Other financial assets and liabilities

Other financial assets

As at	26 March 2022 £'m	27 March 2021 £'m
Current financial assets at fair value through profit and loss:		
Foreign exchange forward contracts	9	3
Current financial assets at fair value through other comprehensive income:		
Foreign exchange forward contracts	16	1
Total current other financial assets	25	4
Total other financial assets	25	4

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	26 March 2022 £'m	27 March 2021 £'m
Current financial liabilities at fair value through profit and loss:		
Foreign exchange forward contracts	0	6
Current financial liabilities at fair value through other comprehensive income:		
Foreign exchange forward contracts	–	10
Total current other financial liabilities	0	16
Total other financial liabilities	0	16

The other financial liabilities through profit or loss reflect the fair value of those foreign exchange forward contracts that are not designated as hedge relationships but are nevertheless intended to reduce the level of risk for expected sales and purchases.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

	Total £'m	Level 1 £'m	Level 2 £'m	Level 3 £'m
26 March 2022				
Foreign exchange contracts	25	–	25	–
27 March 2021				
Foreign exchange contracts	(12)	–	(12)	–

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 relevant interbank floating interest rate levels.

20 Financial liabilities – borrowings

As at	26 March 2022 £'m	27 March 2021 £'m
Current		
B&M France loan facilities	3	3
Heron loan facilities	3	4
	6	7
Non-current		
High yield bond notes	646	397
Term facility bank loan	297	296
B&M France government backed facilities	–	22
Other B&M France loan facilities	7	5
Heron loan facilities	–	3
	950	723

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.

Bond issue

On 24 November 2021 the Group issued £250m of high yield bond notes. The maturity date of these notes is November 2028 and they have an interest rate of 4.00%. £56m of the bonds were purchased by a related party, see Note 26 for further details.

Fees incurred totalled £3m and these were capitalised. The carrying value of these bonds includes these fees which are amortised over the term of the bonds.

Prior year refinancing

In the prior year, 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 facilities are April 2025 and July 2025 respectively.

The previously held £150m revolving loan facility was also 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 26 for further details.

The following fees were expensed through other finance costs in relation to the loans and bonds which were repaid.

	£'m
Remaining unamortised fees associated with the repaid term loan	1
Remaining unamortised fees associated with the repaid acquisition loan	0
Remaining unamortised fees associated with the repaid high yield bonds	1
Early repayment charge associated with the corporate bonds	3
Breakage fees	0
Total fees expensed through other finance costs	5

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.

	£'m
Capitalised fees relating to the term loan facility	4
Capitalised fees relating to the high yield bonds	4
Total fees capitalised within the debt balances	8

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.

Notes to the Consolidated Financial Statements continued

20 Financial liabilities – borrowings continued

French government backed loan

In the prior year, in April 2020, the French government mandated that our B&M France 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 was interest free but attracted 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 extension period was until April 2022, attracted a guarantor's fee of 1.0% and an additional average interest rate margin of 0.2%. The loan was fully repaid in November 2021.

The loan was 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 or bond decisions taken in the presented periods.

Other loans

The B&M France and Heron loan facilities are carried at their gross cash amount. The B&M France 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	26 March 2022 £'m	27 March 2021 £'m
Revolving facility loan	1.75% + SONIA	N/A	–	–
Term facility bank loan A	2.00% + SONIA	Apr-25	300	300
High yield bond notes (2020)	3.625%	Jul-25	400	400
High yield bond notes (2021)	4.00%	Nov-28	250	–
Heron loan facilities – Melton	3.58%	Jul-22	3	3
Heron loan facilities – Term	2.50%	N/A	–	3
B&M France – Government Guaranteed	1.10-1.34%	N/A	–	22
B&M France – BNP Paribas	0.75-0.76%	Jul 23–Sep 24	1	1
B&M France – Caisse d'Épargne	0.75-1.51%	Aug 22-Oct 24	1	2
B&M France – CIC	0.71-1.20%	Nov 22-Jan 27	3	2
B&M France – Crédit Agricole	0.39-0.81%	Aug 23-Jan 28	1	2
B&M France – Crédit Lyonnais	0.68-0.74%	Nov 24-Mar 27	4	1
B&M France – Société Générale	0.63%	Jun-23	0	1
			963	737

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 and all B&M France facilities have gross values in euros, and the values above have been translated at the period end rates of €1.2009/£ (2021: €1.1691/£).

The movement in the loan liabilities during the year breaks down as follows:

As at	26 March 2022 £'m	27 March 2021 £'m
Borrowings brought forward	730	772
Cash		
Repayment of revolving loan facilities	–	(120)
Repayment of term facility	–	(300)
Repayment of corporate bonds	–	(250)
Draw down of new term facility	–	300
Issue of new corporate bonds	250	400
Repayment of acquisition facility	–	(82)
Repayment of Heron loan facilities	(4)	(5)
(Repayment)/receipt of B&M France loan guaranteed by the French government	(22)	23
Receipt/(repayment) of other B&M France loan facilities	1	(1)
Capitalised fees on refinancing	(3)	(11)
Non-cash		
Foreign exchange on loan balances	2	(3)
Refinancing fees directly expensed	–	3
Ongoing amortisation of fees capitalised on refinancing	2	2
One-off fee amortisation on refinancing	–	2
Total cash movement in the year	222	(46)
Total non-cash movement in the year	4	4
Movement in the year	226	(42)
Borrowings carried forward	956	730
Of which current	6	7
Of which non-current	950	723

21 Provisions

	Property provisions £'m	Other £'m	Total £'m
At 28 March 2020	2	5	7
Provided in the period	8	4	12
Utilised during the period	(1)	(3)	(4)
Released during the period	(0)	(2)	(2)
At 27 March 2021	9	4	13
Provided in the period	5	2	7
Utilised during the period	(1)	(2)	(3)
Released during the period	(2)	(0)	(2)
At 26 March 2022	11	4	15
Current liabilities 2022	7	4	11
Non-current liabilities 2022	4	–	4
Current liabilities 2021	4	4	8
Non-current liabilities 2021	5	–	5

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 £9k per claim (£11k in 2021).

Notes to the Consolidated Financial Statements continued

22 Share capital

	Shares	£'m
Allotted, called up and fully paid		
<i>B&M European Value Retail S.A. ordinary shares of 10p each</i>		
As at 28 March 2020	1,000,582,898	100
Release of shares related to employee share options	236,790	0
As at 27 March 2021	1,000,819,688	100
Release of shares related to employee share options	407,148	0
As at 26 March 2022	1,001,226,836	100

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 2,970,995,386 ordinary shares.

23 Cash generated from operations

Period ended	52 weeks ended 26 March 2022 £'m	52 weeks ended 27 March 2021 £'m
Profit before tax	525	525
Adjustments for:		
Net interest expense	88	90
Depreciation on property, plant and equipment	62	57
Depreciation on right of use assets	163	156
Impairment of right of use assets	2	5
Amortisation of intangible assets	2	3
(Gain)/loss on sale and leaseback	(1)	0
Loss on disposal of property, plant and equipment	1	1
Loss on share options	2	2
Change in inventories	(260)	(20)
Change in trade and other receivables	(12)	9
Change in trade and other payables	40	105
Change in provisions	2	6
Share of profit from associates	(3)	(2)
(Profit)/loss resulting from fair value of financial derivatives	(13)	7
Cash generated from operations	598	944

24 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
B&M France SAS	France	November 1977	100%	General retail
Centz N.I. Limited	UK	January 2021	100%	Property management

Registered Offices

- The Luxembourg entities are all registered at 68-70 boulevard de la Pétrusse, L-2320 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.
- B&M France is registered at 8 rue du Bois Joli, 63800 Cournon d'Auvergne.

SAS Babou were renamed as B&M France SAS during the year, BRP SAS were also merged into this entity.

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 11.

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.

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.

25 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 previously 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 either period end date.

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 that part of the forward contract 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.

Notes to the Consolidated Financial Statements continued

25 Financial risk management continued

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 gain of £30m (2021: £22m loss) and a pre-tax loss in other comprehensive income of £27m (2021: £20m gain).

The net effective hedging loss transferred to the cost of inventories in the year was £5m (2021: net loss of £5m). At the period end the amount of outstanding US Dollar contracts covered by hedge accounting was \$487m (2021: \$474m). The change in fair value of the hedging instruments used as the basis for recognising hedge ineffectiveness was £nil (2021: £nil).

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	26 March 2022 £'m	27 March 2021 £'m
Effect on profit before tax	+2.5%	(4)	(5)
	-2.5%	5	6
Effect on other comprehensive income	+2.5%	(9)	(8)
	-2.5%	10	9

Profit before tax and other comprehensive income are not sensitive to the effects of a reasonably possible change in the Euro period end exchange rates.

These calculations have been performed by taking the period 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 until December 2021 and SONIA since that date.

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 floating 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	26 March 2022 £'m	27 March 2021 £'m
Effect on profit before tax	+50	(1)	(1)
	-50	1	1

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.

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, (2021: A, A-1 (or better) respectively). The principal credit risk arises therefore from the Group's trade receivables.

Credit risk is further limited by the fact that the vast majority of sales transactions are made through the store registers, direct from the customer at the point of purchase, leading to a low trade receivables balance.

In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. Provisions against bad debts are made where appropriate.

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 £'m	Between 1 and 2 years £'m	Between 2 and 5 years £'m	More than 5 years £'m	Total £'m
26 March 2022					
Interest bearing loans	48	44	794	290	1,176
Lease liabilities	219	210	531	645	1,605
Trade payables	415	–	–	–	415
27 March 2021					
Interest bearing loans	28	48	754	0	830
Lease liabilities	213	205	520	673	1,611
Trade payables	352	–	–	–	352

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	26 March 2022 £'m	27 March 2021 £'m
Financial assets		
Fair value through profit and loss		
Forward foreign exchange contracts	9	3
Fair value through other comprehensive income		
Forward foreign exchange contracts	16	1
Loans and receivables		
Cash and cash equivalents	173	218
Trade receivables	20	14
Other receivables	10	6
Financial liabilities		
Fair value through profit and loss		
Forward foreign exchange contracts	0	6
Fair value through other comprehensive income		
Forward foreign exchange contracts	–	10
Amortised cost		
Overdraft	–	–
Lease liabilities	1,310	1,302
Interest-bearing loans and borrowings	956	730
Trade payables	415	352
Other payables	12	6

Notes to the Consolidated Financial Statements continued

26 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).

There was a significant related party transaction in the period as SSA Investments participated in the Corporate Bonds issued by the Group in November 2021 by purchasing £56m of the 4.00% bonds with an eight year maturity. In the prior year they also participated in the Corporate Bonds issued by the Group in July 2020 by purchasing £100m of these 3.625% bonds with a five year maturity. In December 2020 and February 2021, the 3.625% bonds were transferred to Rani 2 Holdings Limited (£50m) and Rani 1 Holdings Limited (£50m), also related parties, respectively.

£4m of interest expense was incurred on these bonds during the year with £2m accrued at the period end (2021: £3m, £1m respectively). Further details on these bonds are given in Note 20.

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	26 March 2022 £'m	27 March 2021 £'m
Sales to associates of the Group		
Centz Retail Holdings Limited	44	45
Home Focus Group Limited	–	1
Total sales to related parties	44	46
Purchases from associates of the Group		
Multi-lines International Company Ltd	279.4	230.4
Purchases from parties related to key management personnel		
Fulland Investments Limited	0.2	0.1
Golden Honest International Investments Limited	0.2	0.0
Hammond Investments Limited	0.2	0.1
Joint Sino Investments Limited	0.2	0.1
Ocean Sense Investments Limited	0.2	0.1
SSA Investments	0.0	0.2
Total purchases from related parties	280.4	231.0

The IFRS 16 Lease figures in relation to these related parties, which are all related to key management personnel, are as follows:

	Depreciation charge £'m	Interest charge £'m	Total charge £'m	Right of use asset £'m	Lease liability £'m	Net Liability £'m
Period ended 26 March 2022						
Rani Investments	0	0	0	1	(1)	(0)
Ropley Properties	1	1	2	8	(11)	(3)
TJL UK Limited	1	1	2	11	(13)	(2)
Triple Jersey Limited	9	3	12	54	(67)	(13)
	11	5	16	74	(92)	(18)
	Depreciation charge £'m	Interest charge £'m	Total charge £'m	Right of use asset £'m	Lease liability £'m	Net liability £'m
Period ended 27 March 2021						
Rani Investments	0	0	0	1	(1)	(0)
Ropley Properties	2	1	3	9	(13)	(4)
TJL UK Limited	1	0	1	12	(14)	(2)
Triple Jersey Limited	9	4	13	64	(78)	(14)
	12	5	17	86	(106)	(20)

Included in the current year figures above is one new lease entered into by Group companies during the current period with the Arora related parties (2021: two new). The total expense on this lease in the period was <£1m (2021: <£1m). There were no conditionally exchanged leases with Arora related parties in the current period with a long stop completion date (2021: none).

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

As at	26 March 2022 £'m	27 March 2021 £'m
Trade receivables from associates of the Group		
Centz Retail Holdings Ltd	3	8
Total related party trade receivables	3	8
	26 March 2022 £'m	27 March 2021 £'m
Trade payables to associates of the Group		
Multi-lines International Company Ltd	25	8
Trade payables to companies owned by key management personnel		
Ropley Properties Ltd	0	0
Triple Jersey Ltd	2	1
Total related party trade payables	27	9

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 balance with Multi-lines International Company Ltd includes \$21m (2021: \$nil) held within a supply chain facility. See Note 18 for more details.

The business has not recorded any impairment of trade receivables relating to amounts owed by related parties at 26 March 2022 (2021: 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.

Notes to the Consolidated Financial Statements continued

26 Related party transactions continued

The future lease commitments on the Arora related party properties are:

As at	26 March 2022 £'m	27 March 2021 £'m
Not later than one year	15	16
Later than one year and not later than two years	14	16
Later than two years and not later than five years	36	40
Later than five years	47	59
	112	131

See Note 11 for further information on the Group's associates.

For further details on the transactions with key management personnel, see Note 7 and the remuneration report.

27 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	26 March 2022 £'m	27 March 2021 £'m
Interest bearing loans and borrowings (Note 20)	963	737
Less: Cash and short term deposits – overdrafts (Note 17)	(173)	(218)
Net debt	790	519

28 Post balance sheet events

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

29 Dividends

A Special dividend of 25.0 pence per share (£250.3m), was declared in December 2021 and has been paid.

An interim dividend of 5.0 pence per share (£50.1m) was declared in November 2021 and has been paid.

A final dividend of 11.5 pence per share (£115.1m), giving a full year dividend of 16.5 pence per share (£165.2m), is proposed.

Relating to the prior year;

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 prior year.

An interim dividend of 4.3 pence per share (£43.0m) was declared in November 2020 and has been paid in the prior year.

A final dividend of 13.0 pence per share (£130.1m), giving a full year dividend of 17.3 pence per share (£173.1m) was declared in July 2021 and has been paid in the current year.

30 Contingent liabilities and guarantees

As at 27 March 2021 and 26 March 2022, 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 (2021: £300m), with the balance held in B&M European Value Retail Holdco 4 Ltd, and £650m (2021: £400m) for the notes, with the balance held in B&M European Value Retail S.A.

As at 27 March 2021 and 26 March 2022, 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 £3m (2021: £6m) with the balance held in Heron Foods Ltd.

31 Directors

The directors that served during the period were:

Peter Bamford (Chairman)
 Simon Arora (CEO)
 Alex Russo (CFO)
 Ron McMillan
 Tiffany Hall
 Carolyn Bradley
 Paula MacKenzie (Appointed 9 November 2021)
 Gilles Petit (Resigned 29 July 2021)

On 22 April 2022, Simon Arora announced his intention to retire from his position as CEO in twelve months' time.

All directors served for the whole period except where indicated above.

Independent Auditor's Report

To the Shareholders of B&M European Value Retail S.A.

68-70, boulevard de la Pétrusse L-2320 Luxembourg Luxembourg

Report of the Réviseur d'Entreprises agree 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 2022, 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 2022 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 judgement, 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.

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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of 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 to 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The management report on pages 92 to 96 of the annual report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

Luxembourg, 30 May 2022

KPMG Luxembourg
Société anonyme
Cabinet de révision agréé

Thierry Ravasio
Partner

Company Profit and Loss Account

For the financial year ended 31 March 2022

	Notes	31 March 2022 £	31 March 2021 £
Raw materials and consumables and other external expenses			
Other external expenses	8	(3,660,768)	(4,852,505)
Staff costs	9		
Wages and salaries		(102,273)	(248,586)
Social security costs			
relating to pensions		(7,470)	(12,812)
other social security costs		(4,248)	(8,042)
Other operating expenses	10	(969,095)	(1,470,968)
Income from participating interests	11		
Derived from affiliated undertakings		420,000,000	633,300,000
Other interest receivable and similar income	12		
Derived from affiliated undertakings		18,394,763	17,596,604
Other interest and similar income		345,359	1,300,441
Interest payable and similar expenses	13		
Other interest and similar expenses		(18,251,003)	(16,847,735)
Tax on profit or loss	14	2,541	–
Profit or loss after taxation		415,747,806	628,756,396
Other taxes not included in the previous caption	14	(4,073)	(2,134)
Profit or loss for the financial year		415,743,733	628,754,262

Company Balance Sheet

As at 31 March, 2022

	Notes	31 March 2022 £	31 March 2021 £
Fixed assets			
Financial assets	3		
Shares in affiliated undertakings		2,624,999,999	2,624,999,999
Other loans		5,467	5,467
		2,625,005,467	2,625,005,467
Current assets			
Debtors			
Amounts owed by affiliated undertakings becoming due and payable within one year	4	760,370,073	521,637,888
Other debtors becoming due and payable within one year	5	216,238	325,200
		760,586,311	521,963,089
Cash at bank and in hand		110,965	140,585
Total assets		3,385,702,743	3,147,109,140
Equity	6		
Subscribed capital		100,122,684	100,081,969
Share premium account		2,473,832,360	2,473,832,360
Reserves			
Legal reserve		10,010,000	10,010,000
Profit or loss for the financial year		415,743,733	628,754,262
Profit or loss brought forward		23,471,198	18,225,651
Interim dividends		(300,368,051)	(493,361,441)
		2,722,811,923	2,737,542,801
Creditors	7		
Debenture loans			
Non-convertible loans becoming due and payable within one year		6,520,833	3,020,833
becoming due and payable after more than one year		650,000,000	400,000,000
Trade creditors becoming due and payable within one year		134,918	92,602
Amounts owed to affiliated undertakings becoming due and payable within one year		6,100,386	6,266,338
Other creditors			
Tax authorities		11,409	9,284
Other creditors becoming due and payable within one year		123,274	177,282
		662,890,820	409,566,339
Total equity and liabilities		3,385,702,743	3,147,109,140

Notes to the Annual Accounts

For the financial year ended 31 March 2022

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 amended during the previous financial year 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. 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. 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.

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.

Dividends

Dividends receivable are recognised when the company's right to receive the dividend has been established. This is considered to be on the date that the dividend is agreed by the board of a subsidiary or when the dividend is to be received from any other investee.

Dividends payable are recognised when the company's obligation to pay the dividend is established. This is considered to be for interim dividends on the date that the dividend is approved by the board and for final dividends on the date that the dividend has been approved by shareholders.

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.

Notes to the Annual Accounts continued

For the financial year ended 31 March 2022

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 2022 £	Net result for the financial year ended 31 March 2022 £	Net book value as at 31 March 2022 £
B&M EVR 1*	Luxembourg	100%	646,879,528	420,001,391	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 2 November 2021 an interim dividend of GBP 40 million was declared and distributed by B&M EVR 1 to the Company.

On 8 December 2021 an interim dividend of GBP 250 million was declared and distributed by B&M EVR 1 to the Company.

On 17 March 2022 an interim dividend of GBP 130 million was declared and distributed by B&M EVR 1 to the Company.

4 Amount owed by affiliated undertakings

	March 2022 £	March 2021 £
<i>Becoming due and payable within one year:</i>		
B&M European Value Retail Holdco 4 Ltd. ("B&M Holdco 4")	737,864,994	518,464,555
Accrued income in relation to intercompany UK audit fees	465,000	—
Accrued income in relation to intercompany loan agreements (interest receivable)	22,040,079	3,173,333
Total	760,370,073	521,637,888

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 2022 £	March 2021 £
<i>becoming due and payable within one year:</i>		
Prepaid VAT	—	38,250
Prepaid income and net wealth taxes	5,176	1,057
Other advances	211,062	285,893
Total	216,238	325,200

6 Capital and reserves

Subscribed capital and share premium account

As at 31 March 2022, the issued share capital of the Company is set at GBP 100,122,683.60 divided into 1,001,226,836 ordinary shares with a nominal value of GBP 0.10 each and the unissued but authorised share capital is set at GBP 297,099,538.60. 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, 407,148 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	2,473,832,360	10,010,000	18,225,651	628,754,262	(493,361,441)	2,637,460,832
Allocation of prior period's result	–	–	628,754,262	(628,754,262)	–	–
Allocation of legal reserve	–	–	–	–	–	–
Proceeds from share options	–	–	(40,715)	–	–	(40,715)
Allocation of dividends	–	–	(493,361,441)	–	493,361,441	–
Final dividend (June 2021)	–	–	(130,106,559)	–	–	(130,106,559)
Interim dividend (November 2021)	–	–	–	–	(50,061,342)	(50,061,342)
Special dividend (December 2021)	–	–	–	–	(250,306,709)	(250,306,709)
Profit for the financial year	–	–	–	415,743,733	–	415,743,733
As at the end of the financial year	2,473,832,360	10,010,000	23,471,198	415,743,733	(300,368,051)	2,622,689,240

On 2 June 2021 the Board of Directors unanimously approved the distribution of a final dividend of 13.0 pence per ordinary share, being a total aggregate distribution of GBP 130,106,559.44 paid by the Company on 6 August 2021.

On 10 November 2021 the Board of Directors unanimously approved the distribution of an interim dividend of 5.0 pence per ordinary share, being a total aggregate distribution of GBP 50,061,341.80 paid by the Company on 17 December 2021.

On 8 December 2021 the Board of Directors unanimously approved the distribution of a special dividend of 25.0 pence per ordinary share, being a total aggregate distribution of GBP 250,306,709.00 paid by the Company on 14 January 2022.

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. As a result there will follow an allocation to the legal reserve at the closure of these accounts.

7 Creditors

Amounts due and payable for the accounts shown under "Debenture loans" are as follows:

	Within one year £	After one year and within five years £	After more than five years £	March 2022 £	March 2021 £
Debenture Loans					
Non-convertible loans – Bonds interest	6,520,833	–	–	6,520,833	3,020,833
Non-convertible loans – Bonds principal	–	650,000,000	–	650,000,000	400,000,000
	6,520,833	650,000,000	–	656,520,833	403,020,833

On 13 July 2020, the Company issued GBP 400,000,000 3.625% Senior Secured Notes (the "2020 Notes") which are due on 15 July 2025. Interest on the 2020 Notes is paid semi-annually in arrears on 15 January and 15 July each year, commencing on 15 January 2021. The 2020 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 2020 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 2020 Notes at a redemption price equal to 100% of the principal amount of the 2020 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 2020 Notes with the net proceeds from certain equity offerings. Additionally, the Issuer may redeem the 2020 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 2020 Notes at 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of such repurchase.

Notes to the Annual Accounts continued

For the financial year ended 31 March 2022

7 Creditors continued

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.

On 24 November 2021, the Company issued GBP 250,000,000 4.000% Senior Secured Notes (the "2021 Notes") which are due on 15 November 2028. Interest on the 2021 Notes will be paid semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2022. The 2021 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 2021 Notes in whole or in part at any time on or after 15 November 2024, in each case, at the redemption prices set out in the Offering Circular.

Prior to November 15, 2024, 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 2021 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 November 15, 2024, 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 2021 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 2021 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 £250 million 2021 Notes will rank pari passu in right of payment with the Company's obligations in respect of its existing senior credit facilities and its existing £400 million 3.625% senior secured notes due 2025.

Both Notes are senior obligations of the Company, guaranteed on a senior basis by its various affiliated companies.

Other amounts due and payable for the accounts shown under "Creditors" are as follows:

	Within one year £	After one year and within five years £	After more than five years £	March 2022 £	March 2021 £
Trade creditors					
Suppliers	25,980	—	—	25,980	13,808
Suppliers – Invoices not yet received (Note 7.1)	108,938	—	—	108,938	78,794
	134,918	—	—	134,918	92,602
Amounts owed to affiliated undertakings B&M EVR 2 (Note 7.2)	6,100,386	—	—	6,100,386	6,266,338
Other creditors					
Tax authorities					
<i>Corporate income tax</i>	—	—	—	—	2,541
<i>Net wealth tax</i>	8,176	—	—	8,176	4,103
<i>Other taxes</i>	3,233	—	—	3,233	2,640
	11,409	—	—	11,409	9,284
Dividend payable	—	—	—	—	—
Other creditors	123,274	—	—	123,274	177,282
Total	6,369,987	—	—	6,369,987	6,545,506

Note 7.1 The balance of suppliers' invoices not yet received relates mostly to audit fees.

Note 7.2 Dividend payments in GBP received by the Company on behalf of B&M EVR 2.

8 Other external expenses

	March 2022 £	March 2021 £
Advisory and consultancy fees	–	254,522
Fees relating to redemption and issue of bond debt	2,627,204	3,502,988
Marketing, communication and travel expenses	148,124	115,975
Staff recruitment expenses	39,967	19,983
Accounting and administrative fees	153,232	181,006
Audit fees	89,427	92,173
Government regulatory fees	129,194	112,581
Stock exchange fees	201,650	164,003
Rentals	46,162	46,978
Repairs and maintenance	7,207	8,520
Others	218,601	353,775
Total	3,660,768	4,852,505

9 Staff costs

As at 31 March 2022, the Company employed one part time employee and one full time employee. (2021: one part time and 1 full time)

10 Other operating expenses

	March 2022 £	March 2021 £
Director fees	690,827	612,508
Non-deductible VAT	278,269	825,501
Others	–	32,959
Total	969,095	1,470,968

11 Income from participating interests

	March 2022 £	March 2021 £
Derived from affiliated undertakings:		
Dividend income (Note 11.1)	420,000,000	633,300,000
Total	420,000,000	633,300,000

Note 11.1 Dividend income relates to dividends distributed by B&M EVR 1.

12 Other interest receivable and similar income

	March 2022 £	March 2021 £
Derived from affiliated undertakings (Note 12.1)		
Interest recharge	18,394,763	14,090,771
Other income	–	3,505,833
	18,394,763	17,596,604
Other interest and similar income		
Realised foreign exchange gain	345,359	1,300,441
Other income	–	–
	345,359	1,300,441
Total	18,740,122	18,897,045

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.

Notes to the Annual Accounts continued

For the financial year ended 31 March 2022

13 Interest payable and similar expenses

	March 2022 £	March 2021 £
Other interest and similar expenses:		
Interest expense on bonds payable (Note 7)	18,000,000	13,301,910
Realised foreign exchange loss	251,003	968,325
Others	–	2,577,500
Total	18,251,003	16,847,735

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. Long Term Incentive Plan 2016 (LTIP 2016).
- (2) The B&M European Value Retail S.A. Long Term Incentive Plan 2017, split into three; (i) LTIP 2017A (ii) LTIP 2017B1 (iii) LTIP 2017B2
- (3) The B&M European Value Retail S.A. Long Term Incentive Plan 2018, split into two; (i) LTIP 2018A (ii) LTIP 2018B
- (4) The B&M European Value Retail S.A. Long Term Incentive Plan 2019, split into three; (i) LTIP 2019A (ii) LTIP 2019B1 (iii) LTIP 2019B2
- (5) The B&M European Value Retail S.A. Long Term Incentive Plan 2020, split into two; (i) LTIP 2020A (ii) LTIP 2020B1
- (6) The B&M European Value Retail S.A. Long Term Incentive Plan 2021, split into two; (i) LTIP 2021A (ii) LTIP 2021B
- (7) The B&M European Value Retail S.A. Deferred Benefit Share Plan 2019 (DBSP19)
- (8) The B&M European Value Retail S.A. Deferred Benefit Share Plan 2020 (DBSP20)
- (9) The B&M European Value Retail S.A. Deferred Benefit Share Plan 2021 (DBSP21)

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 2016, LTIP 2017A, LTIP 2018A, LTIP 2019A, LTIP 2020A and LTIP 2021A 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 2021	Number of options granted/(forfeited or lapsed) in the year	Number of options exercised in the year	Number of options outstanding at 31 March 2022
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	18,071	–	–	18,071
LTIP 2017A/TSR	7 Aug 2017	7 Aug 2020	2.72	27,557	–	–	27,557
LTIP 2018A/EPS	22 Aug 2018	22 Aug 2021	4.09	262,012	18,356	–	280,368
LTIP 2018A/TSR	22 Aug 2018	22 Aug 2021	2.40	262,012	(59,547)	–	202,465
LTIP 2019A/EPS	2 Aug 2019	2 Aug 2022	3.61	259,633	19,760.5	–	279,393.5
LTIP 2019A/TSR	2 Aug 2019	2 Aug 2022	2.51	259,633	19,760.5	–	279,393.5
LTIP 2020A/EPS	30 Jul 2020	30 Jul 2023	4.64	157,438.5	11,922.5	–	169,361
LTIP 2020A/TSR	30 Jul 2020	30 Jul 2023	4.09	157,438.5	11,922.5	–	169,361
LTIP 2021A/EPS	3 Aug 2021	3 Aug 2024	5.60	–	229,660.5	–	229,660.5
LTIP 2021A/TSR	3 Aug 2021	3 Aug 2024	3.54	–	229,660.5	–	229,660.5
LTIP 2017B1	7 Aug 2017	7 Aug 2020	3.61	73,667	–	(20,091)	53,576
LTIP 2017B2	14 Aug 2017	14 Aug 2020	3.60	13,379	–	–	13,379
LTIP 2018B2	23 Jan 2018	23 Jan 2021	4.06	234,759	(2,781)	(193,689)	38,289
LTIP 2019B1	2 Aug 2019	2 Aug 2022	3.48	395,455	(3,933)	–	391,522
LTIP 2019B2	18 Sept 2019	18 Sept 2022	3.73	3,163	240	–	3,403
LTIP 2020B1	30 Jul 2020	30 Jul 2023	4.63	300,724	(3,621)	–	297,103
LTIP 2021B1	3 Aug 2021	3 Aug 2024	5.60	–	271,020	–	271,020

LTIP 2016/EPS, LTIP 2016/TSR and LTIP 2018B1 have been fully exercised.

LTIP 2017A and LTIP 2018A have vested and are in a two year holding period.

LTIP 2017B1, 2017B2 and LTIP 2018B2 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
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%	N/A
LTIP 2018A/TSR	0.97%	5	29%	N/A
LTIP 2019A/EPS	0.37%	5	31%	N/A
LTIP 2019A/TSR	0.37%	5	31%	N/A
LTIP 2020A/EPS	-0.11%	5	48%	N/A
LTIP 2020A/TSR	-0.11%	5	48%	N/A
LTIP 2021A/EPS	0.23%	5	37%	N/A
LTIP 2021A/TSR	0.23%	5	37%	N/A
LTIP 2017B1	0.25%	3	32%	1%
LTIP 2017B2	0.25%	3	32%	1%
LTIP 2018B1	0.25%	3	32%	1%
LTIP 2018B	0.25%	3	30%	N/A
LTIP 2019B1	0.47%	3	30%	N/A
LTIP 2019B2	0.47%	3	30%	N/A
LTIP 2020B1	-0.12%	3	39%	N/A
LTIP 2021B1	0.12%	3	42%	N/A

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.

Notes to the Annual Accounts continued

For the financial year ended 31 March 2022

15 Off balance sheet commitments and contingencies continued

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 2021	Number of options granted/(forfeited or lapsed) in the year	Number of options exercised in the year	Number of options outstanding at 31 March 2022
DBSP 2019	4 Jun 2019	4 Jun 2022	N/A	67,920	4,989	–	72,909
DBSP 2020	30 Jun 2020	30 Jun 2023	N/A	50,748	3,843	–	54,591
DBSP 2021	14 Jul 2021	14 Jul 2024	N/A	–	89,550	–	89,550

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).

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 2022 £	March 2021 £
Director fees paid to the non-executive directors of the Group	686,113	602,392
	686,113	602,392

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

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 30 May 2022 and signed on its behalf by:

Simon Arora
Chief Executive Officer

Alejandro Russo
Chief Financial Officer

Corporate Directory

Registered Office & Company Number

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Listing

The ordinary shares of B&M European Value Retail S.A. are listed with a premium listing on the London Stock Exchange.

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