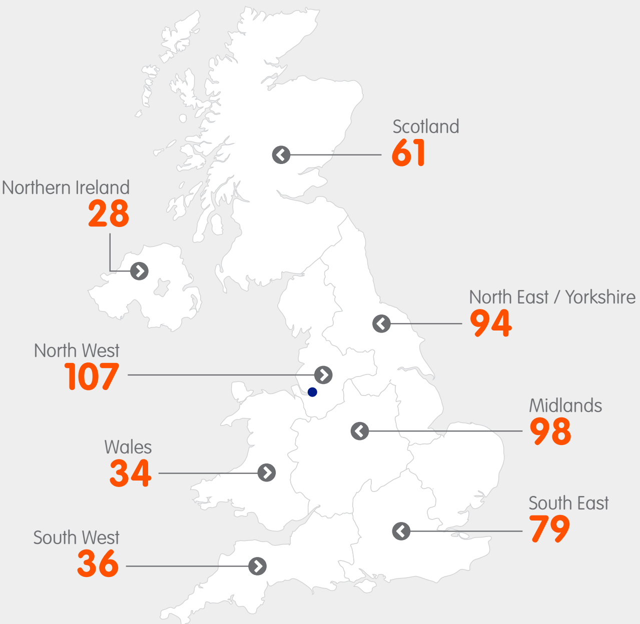
Our numbers

B&M is a growth company. The strong appeal of our offer to customers both in the UK and Germany, the small market shares we have in our chosen product categories and the fact that so many communities don't have access to our stores, means that we have a very long runway for growth ahead of us.

UK store growth

537 B&M stores in the UK **2017**

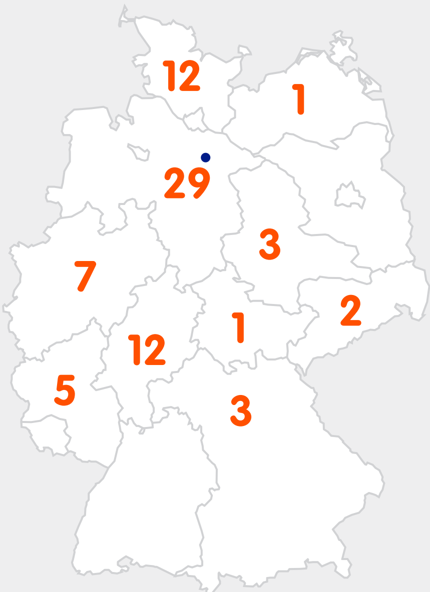
• Liverpool – Head office



Germany store growth

75 Jawoll stores in Germany **2017**

• Soltau – Head office



Revenue	Adjusted EBITDA
£2,252.3m	**£223.2m**
+18.4%	+23.4%

Employees	New locations
24,536	**38**
+9.8%	+7.6%

Revenue	Adjusted EBITDA
£178.4m	**£11.7m**
+34.4%	+0.4%

Employees	New locations
1,514	**19**
+21.9%	+33.9%

Product range

We deliver great value for money to customers right across our product categories.

We stock a wide variety of products but a narrow assortment within categories. There's something for everyone, whether it's for the home, garden or food & drink. Our limited product assortment of best-selling products within each range is key to providing customers with bargain prices, so that they want to return again and again.

Our brand

Our UK stores trade under the B&M brand, with out-of-town stores predominantly being the larger B&M Homestore formats, and B&M Bargain facia's for smaller in-town store locations. Our German stores trade under the Jawoll brand in all locations.

Our offer includes the following categories:

- Home furnishings & adornment
- Electricals
- Toys
- Clothing & footwear
- Household goods
- Toiletries
- Food
- Confectionery
- Soft drinks
- Alcohol
- Halloween & Christmas goods
- Giftware
- Stationery & crafts
- Gardening, outdoor & leisure
- Petcare
- DIY & decorating
- Travel accessories

Store expansion

We know that customers in Bradford and Bedford or Swinton and Swindon are really no different, they want the same great value, week-in, week-out on the things they buy regularly for their homes and families. So making our offer more accessible to the hundreds of communities that don't yet have one of our stores is a top priority for us. That's why we opened 53 new stores in the UK and 19 in Germany in the year, with another 55 to 65 planned for the year ahead.

The general merchandise discount sector remains an underpenetrated part of the retail landscape and B&M is one of the leaders in driving the structural shift towards value retailing. We believe there is potential for at least 950 B&M stores in the UK alone and hundreds more in Germany. Added to that, the excellent performance of our new stores across our chosen markets continue to give us the confidence to push on with expansion, while at the same time supporting our continuing investment in local jobs and communities.

The buying power we have of more than £1billion per annum is a big part of how we deliver great value for customers. Also, being a limited assortment discount retailer means we concentrate our purchasing into a narrow range of products in any given category, so that we maximise both the efficiency of our buying and of our store operations. Delivering low prices and big savings for customers is sustained by being highly efficient in everything we do.

Big Brands Big Savings

Our growth is also a big attraction for suppliers in a world in which growth is harder to find for many other retailers. We already sell many of the well-known consumer brands in product categories where brands are an important customer requirement, whether that's from packaged food to household goods, pet food to toys, or electrical goods to DIY. And every year more and more brand owners are joining us on our journey, which is great for customers and for us.

Digital marketing

We connect directly with our customers through digital marketing. We actively use social media, our online newsletter and our website to engage with customers and raise awareness of new store launches, new products, pricing and offers, competitions and seasonal campaigns as a means of driving sales and also as part of building the B&M brand.

As well as great value, newness in our ranges is a big part of our appeal for customers. There's always something new at B&M with 100 new products a week on our shelves, plus the changing seasonal emphasis across our categories, from garden and outdoor in the Spring and Summer to toys and Christmas through Autumn and Winter.

By responding to our customers' desire to keep up to date with what's new, we now have well over 1 million Facebook likes. Last December we had a record 5.5 million visits to the B&M website. Over 660,000 people have also actively requested that our regular on-line newsletter is sent straight to their email boxes, so they get to see what's new as soon as it's in the stores.

B&M has made excellent progress over the past twelve months, delivering outstanding results, making good progress with the implementation of its strategy for growth and a powerful return in its trading performance in the second half of the period.

"Through the strength of its unique business model and its continued rapid expansion, B&M is emerging as one of the clear leaders in the structural shift toward value retail which is increasingly shaping the retailing industry."

Sir Terry Leahy
Chairman

Revenue

£2,430.7m
+19.4%
2016: £2,035.3m

I am pleased to report to shareholders another successful year for B&M, following its third year as a public company. The business has made excellent progress over the past twelve months, delivering outstanding results, making good progress with the implementation of its strategy for growth and showing a powerful return to trading form during the second half of the financial year.

In 2016/17, B&M has achieved further strong increases in revenues, profits and cash generation. In the three years since the IPO, the business has grown revenues by 91.1%, adjusted EBITDA* by 85.6% and operating cash flow by 135.6%. Few retailers, whether online, through stores or multi-channel retailing, have delivered similarly outstanding, high returning growth consistently in that same period.

Through the strength of its unique business model and its continued rapid expansion, B&M is emerging as one of the clear leaders in the structural shift to value retail which is increasingly shaping the retailing industry, both in the UK and in Europe. We added 72 new stores in the UK and Germany combined during the year, being 57 net of closures and relocations, and we plan to open at least a further 55 during the current year in the UK and Germany together.

Given the high-returning nature of our store formats, we are confident the business has many years of profitable expansion ahead of it in its chosen markets.

One of the most pleasing features of B&M's performance has been the robust return of trading momentum in the UK business during the second half of the financial year, and also into the early weeks of the new financial year, with like-for-like sales picking up strongly in our third quarter, helped by a very successful Christmas period. Easter trading has also been very strong, benefitting from this year's later timing of the bank holidays as well as some warm, dry spring weather.

* The directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. See reconciliation of adjusted measures to statutory measures on page 25.

This stronger performance reinforces our confidence in the outlook for the business in the year ahead, for three important reasons:

- first, it helps to offset significant cost headwinds which all retailers are having to manage at present, particularly including the effect of the introduction of the living wage, rising business rates and the weakening of the pound against the US dollar from the onset of the Brexit referendum;
- secondly, it affirms that the B&M offer continues to resonate well with customers during a period of economic uncertainty and profound structural change in UK retailing in particular; and
- finally, our trading form is primarily driven by rising customer numbers, and this acceleration reinforces our belief that the business still has huge scope for further store expansion ahead, particularly given the large number of catchments where we have little or no representation presently.

Looking ahead, with the broader economic and consumer climate remaining uncertain, and with inflation returning to the UK economy for the first time in several years, we believe B&M is extremely well-positioned to prosper in a more challenging retailing environment generally.

Sir Terry Leahy
Chairman
24 May 2017

Well positioned

UK

We principally operate in the UK retail market and our store network comprises 537 stores. The UK market is broadly split into two main segments, grocery retailers and specialist retailers and there is also an emerging third segment; general merchandise discount retailers, in which we believe we are a leading player.

Germany

We have been operating in Germany since 2014, following our acquisition of an 80% stake in Jawoll in April of that year. The German retail market had store-based retail value sales of €416 billion in 2016 and has grown by a compound annual growth rate of 1.4% between 2011 and 2016. (Source: Euromonitor International)

There are a very significant number of catchments still without a B&M store in the UK and potential for considerable expansion looking ahead in Germany.

UK retail market

£301bn. approx

UK stores

Target 950

German retail market

€416bn. approx

German stores

UK merchandise

The UK retail market had total store-based retail sales of £301 billion in 2016 and has grown by a compound annual growth rate (CAGR) of 1.0% between 2011 and 2016. (Source: Euromonitor International)

Our market

Grocery retailers account for the largest segment with total store-based retail value sales of £164 billion, which have grown by a CAGR of 1.6% between 2011 and 2016. Specialist retailers, which include apparel, electronics, health and beauty, home and garden, leisure and department stores, had total store-based retail value sales of £130 billion in 2016, which remained flat between 2011 and 2016. General merchandise discount retailers, which principally include retailers that focus on a discount price model, including those that specialise on fixed prices but excluding grocery retail, had total store-based retail value sales of £7.0 billion in 2016, growing by a CAGR of 9.0% between 2011 and 2016. (Source: Euromonitor International).

Our multi-segment positioning allows us to compete across all three retail segments. We have several core categories we focus on within each segment. In the grocery segment, we focus mainly on ambient grocery products (confectionery, soft drinks, canned food, shelf-stable meals etc.); in the speciality segment, we focus on home and home related products (soft furnishings, decorative products, kitchen equipment, electrical products etc.), seasonal products (toys, garden, Christmas decorations) and DIY. However, there are certain large categories in which we do not compete significantly, such as fresh, chilled and frozen foods in the grocery segment and fashion apparel in the speciality segments, both of which constitute significant parts of the UK retail market.

UK opportunities

B&M has the ability to trade profitably across a range of retail locations including town centres, urban district malls, city centre secondary pitches, retail parks and solus standalone sites. We operate a wide range of store sizes in these locations from 5,000 sq ft to 40,000 sq ft. The stores we opened in FY17 averaged 20,000 sq ft and, given both the location and size flexibility, there are many towns and cities yet still that could support multiple stores. We believe that a store target of 950 stores in the UK is readily achievable, and we currently trade from 537 locations. We originally had a target of 850 stores at the time of the IPO in June 2014. We have recently updated the analysis based on external consultancy research to include those stores which have opened since 2014. We are now trading from 70 locations which were not included in the original 850 store target. Those stores either have a lower catchment population or a higher socio demographic profile, but the return on investment in those locations remains very attractive. We therefore now believe a UK store target of 950 is achievable.

German merchandise

The German retail market is broadly split into three main segments: grocery retailers, specialist retailers, and general merchandise discount retailers. Grocery retailers in Germany had total store-based retail value sales of €199 billion, which have grown by a CAGR of 1.5% between 2011 and 2016. Specialist retailers in Germany had total store-based retail value sales of €215 billion in 2016. General merchandise discount retailers, had total store-based retail value sales of €2 billion in 2016. (Sources: Euromonitor International, which includes all companies in the Euromonitor defined 'variety stores' segment except Tchibo due to the lack of comparability).

Jawoll principally competes in the German general merchandise discount segment with only a limited range of grocery items, thereby differentiating itself from the highly competitive grocery discount channel dominated by Aldi and Lidl. Jawoll's strength in seasonal goods, household goods and gardening products differentiate it from other non-grocery discount retailers. The partnership with B&M provides Jawoll with the opportunity to expand the breadth of its non-grocery range, as well as to potentially develop its branded grocery and FMCG offer.

German opportunities

We believe that Jawoll has the opportunity to expand both within its core regions and outside those regions. In the last financial year we opened 10 stores organically and we acquired a 9-store chain which we have converted to the Jawoll store facia and format.

The German value retail market appears fragmented without a leading variety goods retailer operating successfully on a national scale.

We have successfully trialled some smaller stores in the last financial year, which allow for more site opportunities than those typical of the current Jawoll estate which is largely out-of-town.

Note: Certain information on pages 12 and 13 above on the general merchandise discount retail market is from independent market research carried out by Euromonitor International Limited but should not be relied upon in making, or refraining from making, any investment decision. Any statements sourced from Euromonitor International regarding market data refer to data on estimated sales as of November 2016.

Value retailing

Inputs: Strengths

Modern store network
Our network of over 600 well-located and well-invested stores, mostly acquired or built in the last 10 years, are in convenient locations in high streets, popular district centres or modern retail parks close to where people live. They are easy to get to and easy to shop for customers.

See page 13 for more detail.

Well-invested infrastructure
We have a modern supply chain and scalable systems infrastructure to support the operations and growth of the business. In 2015/16 we increased our distribution centre operations with the commissioning of 2 large new further Distribution Centres, providing us with an additional 800,000 sq ft of distribution centre capacity.

Strong & growing brand reputation
The B&M brand in the UK and Jawoll in North-Western Germany each have a strong and growing reputation for delivering consistently great value, innovation and newness on the things people buy regularly for their homes and families and that's what keeps customers coming back to our stores week-in, week-out.

Skilled buying teams & lasting supplier relationships
Keeping our ranges at the leading edge of value as well as fresh and on-trend takes skill, experience and discipline. It's also about developing and maintaining strong long-term supplier relationships, and many of our suppliers have grown with us over many years.

Operation

1

Targeted grocery offering
We offer a targeted range of branded convenience grocery products at competitive prices which are located at the front of each B&M store, which delivers great value to our customers. The offer is complementary to, rather than a substitute for, a customer's weekly grocery shop. We enjoy long standing relationships with many global FMCG suppliers ensuring consistency of supply and delivery.

2

Compelling non-grocery offer
We sell non-grocery products across a broad range of product categories including housewares, electrical, gardening, toys and petcare. This broad choice of general merchandise at great value encourages a "treasure hunt" browsing experience, which is something customers enjoy and also offers us the opportunity to drive average transaction values.

3

Disruptive sourcing process
Our direct sourcing process is a key element of our ability to offer non-grocery products at competitive or disruptive prices without compromising on product quality. Our buying teams are constantly monitoring the prevailing consumer trends and we invest in our in-house design capability to develop new products and designs, which we then source directly from factories in the Far East without the need for a Far East exporter or UK distributor in the supply chain, ensuring we benefit from advantageous cost prices.

4

SKU discipline
We maintain a disciplined approach to SKUs ("Stock Keeping Unit"), focused on the "best sellers" only. This focus and hence volume for the selected SKU creates buying power and allows us to benefit from advantageous buying terms. This SKU discipline also ensures that our buying teams adopt a "clear as you go" markdown strategy since we aim to sell through an under-performing SKU prior to introducing a new product into the range.

B&M is a limited range discount retailer with stores across the UK and in Germany, selling an assortment of grocery and general merchandise products.

5

Seasonal flex

We actively change our store floor space throughout the year so that the product offering is aligned to seasonal trading patterns. The seasonal space is typically 20% of the store footprint and in the Spring/Summer season we offer a compelling range of garden and outdoor living products, whereas in the Autumn/Winter season this space is occupied by ranges of toys and Christmas decorations. This allows us to minimise seasonal low trading periods, unlike single category specialist retailers.

6

Format flexibility

We are able to successfully trade from both town centre and out of town locations. The town centre stores are well positioned to benefit from convenience shopping and have a greater emphasis on grocery and FMCG products, whereas the out of town stores carry the full product offering. This flexible approach ensures we have the ability to open new stores in a wide range of locations and that new store growth is not inhibited.

7

Cost efficiency

The adherence to a low cost discipline is key to ensuring we can maintain a price advantage over our competitors. We do not seek to open stores in prime shopping centres or prime city centre locations where there is more demand for retail space. We are therefore able to maintain a low store rent base. Our limited SKU discipline ensures that variable operating costs as a percentage of sales can be tightly controlled. We pass the savings from our low cost model to our consumers in the form of everyday low prices.

Outputs: Creating stakeholder value

Customers

Our key focus is on creating value for customers. B&M and Jawoll are about helping our customers spend less on the things they buy regularly for their homes and families; that's what the B&M business model is designed to deliver consistently whatever the broader economic outlook.

Employees

Our people are vital to the delivery of the B&M and Jawoll offer for customers and our growth provides job opportunities in the communities where we trade. Also importantly, there's plenty of scope for everyone to get on and build a career in our businesses as they continue to expand at a significant rate.

Partners

Growth is not just good for B&M and Jawoll, but it's very good for our suppliers, many of whom have been with us for a number of years, being well-known brands, or more recently as partners with us in the development of exclusive and other branded product ranges.

Investors

Creating value for our other stakeholders is an essential underpin to creating shareholder value for investors. B&M's characteristics of low capital-intensity and high returning cash generative growth, is a relatively rare and powerful combination in retailing today.

B&M is at the centre of one of the most appealing sweet spots in retailing today, with a winning, value-led, low cost, focused assortment offer aimed at customers who enjoy or who need a bargain.

"Our buying and store operations teams have delivered attractive, great value products in stores, which are increasingly set out well for customers with more consistent standards and quality of service."

Simon Arora
Chief Executive Officer

Profit Before Tax

£182.9m

+18.4%

2016: £154.5m

Overview

Almost three years have passed since the IPO of B&M and I am very pleased with the progress we have made in that time. During that period we have expanded our UK store network by 44%, grown our revenues by 91.1% and our adjusted EBITDA* by 85.6%, successfully integrated our first international acquisition of Jawoll and grown its store estate by over 50%. We now have over 26,000 colleagues in the UK and Germany and today we are a more regular part of customers' shopping habits in the locations where we currently trade.

The structural shift toward value in retailing, in which B&M has emerged as a UK leader, still has a long way to run, irrespective of the economic climate. Even with the very good progress we have made since our IPO, there remains a significant growth opportunity in both the UK and those European markets which are still underpenetrated by general merchandise discount formats. Our market shares within individual product categories remain very small which provides scope for the business to maintain an attractive level of growth in the UK and as we extend our geographic reach in the years ahead.

Our business is better equipped to grasp this opportunity than it has ever been before. Operationally we are in very good shape having invested in our stores, supply chain management and product assortment. Our product offering has been winning new customers, not just in new locations but also in existing stores. We had a strong Spring/Summer season this year, and at Christmas we delivered strong growth on top of an already very good performance in that period in the previous year, which contributed to our best-ever quarterly like-for-like sales performance in our third quarter this year.

Our buying and store operations teams have delivered attractive, great value products in stores, which are increasingly well set out for customers with more consistent standards and quality of service. Our supply chain infrastructure has grown significantly in the last three years to support our growth and we are benefiting from greater stability from the two additional distribution centres we commissioned in 2015. The combination of these things has helped to contribute to and underpin the stronger trading momentum we have achieved through the second half of the 2017 financial year and into the early weeks of the new financial year.

For many commentators, the current economic uncertainty is generating concern about UK consumers and the impact on the retail sector. At B&M we know we are at our best when household budgets are under pressure and consumers are looking even harder at making savings. In an environment of rising prices, we think that consumers become even more receptive to discount propositions such as ours. We are therefore confident that the business is well-positioned to deliver further growth in the year ahead, even in an uncertain political environment or challenging economy.

Strategic Development

B&M's strategy for driving sustainable growth in revenues, earnings and free cash flow has four key elements and the business has made good progress during the year with each of these priorities, strengthening its position as the UK's leading general merchandise value retailer:

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

* The directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. See reconciliation of adjusted measures to statutory measures on page 25.

Delivering great value for our customers

B&M has grown fast and built-up scale, but our customer offer remains a simple one. We sell a wide but disciplined range of products at everyday low prices which are consistently and significantly below those offered by both specialist and general retailers. We offer a range of categories from soft drinks to DIY and from pet care to stationery, but within each we focus on the best-selling products. This disciplined approach to ranging is integral to the efficiency of our business model and supports B&M's highly competitive pricing proposition.

We largely source products direct from producers, including major brands from the large multi-national FMCG companies, as well as our own exclusive ranges through long-established supplier relationships in the Far East. Our low cost, uncomplicated but disruptive model means that we can pass on big savings to our customers.

Our range is constantly changing so customers can always find something new in store. We also flex a big portion of our store space from season to season and also in non-seasonal promotional events for selected product categories. For example we emphasise toys in the period up to Christmas, gardening in the Spring and Summer months and non-seasonal promotions during 'shoulder' months such as home cleaning products, pet care and furniture. Customers increasingly see B&M as a destination for these types of products and more, from Christmas decorations and gifts to garden furniture and plants. We saw a very strong performance in each of these categories particularly during 2017, as well as in DIY and homewares.

Investing in new stores

We know that customers in Bradford and Bedford or Swinton and Swindon are really very similar to one another; they generally want the same great value, week-in, week-out on the things they buy regularly for their homes and families. Making our offer more accessible to the hundreds of communities that don't already have one of our stores today remains therefore a top priority for us. That is why we opened 53 more new stores in the UK (38 net of closures and relocations) and a further 19 net new stores in Germany in the financial year, with between 55 to 65 (40 to 50 in the UK and 15 in Germany) planned for the financial year ahead.

During the year, we took advantage of opportunities to relocate nine UK stores, replacing smaller, older, lower contribution Bargain format stores, many coming to the end of leases, with larger, modern and in some cases purpose-built Homestores, which have substantially higher revenue and profit potential. Overall, this activity delivered a step up in the quality of our store estate. Importantly, these new store opportunities are at attractive rental levels and our investment returns continue to be excellent.

As referred to above, the general merchandise discount sector remains a small, underpenetrated part of the retail landscape and our business is still under-represented in large areas of the UK. At the time of our IPO in 2014, we saw the opportunity for up to 850 B&M stores in the UK as we expanded successfully, both in our heartland regions and increasingly in the south of the country. Our experience over the last three years of trading in a wider variety of catchment types, including across towns and cities in southern England where previously we had few or no stores, has convinced us that we have more scope for high-returning expansion than we had assumed. Having looked at the potential for expansion again in light of the locations where we have opened stores over the last three years, we are confident today that there is demand and availability of suitable locations for at least 950 B&M stores in the UK.

We are now targeting new store numbers in the range 40 to 50 stores per annum and looking ahead, a larger proportion of our new UK stores are likely to be purpose-built. This will mean that more of our new stores will be developed to our own specification and will be predominantly in our preferred, larger Homestore format in retail park locations. Investment returns on these purpose-built stores also remain highly attractive.

Developing our international business

We are pleased with Jawoll's progress overall, particularly in delivering a demanding 19 net new store expansion programme in the year and a significant increase in Jawoll's existing supply chain infrastructure capacity last Summer. Our colleagues in Jawoll should be congratulated on delivering full year revenues of €212.6m against €181.5m the prior year, which is a rate of growth that is much higher than they had experience of prior to becoming part of the Group.

Progress has also been pleasing in terms of the growth in the proportion of directly-sourced general merchandise which has continued to grow.

However, a weak performance in its clothing and footwear category during the second half of the financial year, linked to unusually cold winter weather, has slightly depressed an otherwise good set of Jawoll results. Headline profitability was also affected by the requirement to take the one-off cost of stock clearance through the income statement in respect of the inventory in the nine store Knüller chain acquired by Jawoll in the year prior to refurbishment and rebranding as Jawoll. We are confident that the absence of these factors in the current financial year will see margins rebound.

Investing in our people and infrastructure

We have continued to invest in the recruitment of colleagues in the UK and Germany to support our new store opening programmes. The total headcount of colleagues in the UK rose from approximately 22,300 to 24,500 and in Germany from approximately 1,200 to 1,500 as at the 2016/17 financial year end.

During the financial year we recruited Andy Monk as our UK Supply Chain director. Andy brings with him over 30 years of supply chain distribution and logistics experience.

We have invested in a new warehouse management system in the UK which we successfully piloted first in one of our 6 distribution centres and are now in the process of the next phase of rolling it out across the whole warehouse estate.

In Germany following the commissioning of a significant extension to the distribution centre at Jawoll's head office site in Soltau last year, I am pleased to report that the additional space is fully operational with the project having been very successfully executed by our Jawoll team.

Corporate social responsibility

B&M is about doing what we can to help our customers spend less on everyday things for their homes and families, helping tight household budgets go further. While this is our key purpose, we also fully recognise that as a responsible business we have obligations to other key stakeholders, particularly our colleagues and our suppliers, as well as to the wider community and the environment.

We have made good progress this year on our broader corporate responsibility agenda. To highlight a few areas, we have:

- created 2,500 new local jobs in the UK and Germany together, mainly through our store expansion;
- maintained our commitment to our long-term supplier relationships;
- continued to recycle high levels of supply chain waste, with 100% of trade packaging in the UK being recycled and 94.0% in Germany.

Outlook

We look forward to the year ahead and beyond with confidence. The business has made an excellent start to the new financial year, even allowing for the helpful timing of Easter. We are confident that the first quarter as a whole will represent a period of continued strong momentum for B&M.

We have a strong, high returning business model, a clear and deliverable strategy for growth and excellent, experienced management and operational teams. B&M is at the centre of one of the most appealing sweet spots in retailing today; a winning, value-led, low cost, focused assortment offer aimed at customers who enjoy or who need a bargain. Importantly, the improving operational performance of the business, which has driven a powerful return of trading momentum over recent months can, we believe, continue to provide these very appealing qualities to more customers, more consistently than ever before.

On behalf of the Board, I would like to thank all our colleagues for their hard work this year. Their passion and loyalty is at the heart of our current success.

The retail industry remains competitive and there are of course uncertainties around the broader economy and consumer sentiment, but we believe B&M is well positioned for whatever challenges and opportunities lie ahead.

Simon Arora
Chief Executive Officer
24 May 2017

Long-term focus

Aims	Progress
Deliver great value to our customers We offer our shoppers very attractive prices across a range of both grocery and general merchandise products. Within our grocery areas our emphasis is on leading brands at Every Day Low Prices. Within our general merchandise areas we look to develop our licensed brand products and maintain a focus on directly sourcing these products.	We continue to expand our own label brands in the general merchandise product categories which has allowed us to continue to increase our mix of directly sourced products from the Far East. Our direct to retail licensing model, where we use heritage brands to enhance the product quality and value to the customer, has been expanded into new areas including electrical goods and small appliances, kitchenware and general household goods, and motor and cycling maintenance and accessories.
Develop our international business We wish to replicate our variety retailing model in appropriate markets outside of the UK. In April 2014 the Group acquired a majority stake in Jawoll in Germany. We have continued to integrate the Jawoll business in relation to our sourcing and retail format and to prepare it for greater expansion.	Jawoll opened 10 new stores by organic growth and 9 new stores from a small independent chain acquisition this year. Those 19 stores now take Jawoll's total estate to 75 stores overall as at the end of the financial year 2016/17. Jawoll has completed a significant extension to its main distribution centre at its head office in Soltau, to provide the necessary supply chain capacity to support its store opening expansion plans. This extension was successfully executed and is now operational.
Invest in new stores We believe that B&M has the potential for at least 950 stores in the UK over the long term and for significantly increasing our German store estate over the years ahead.	In the UK we have opened 53 new stores in the financial year 2016/17 (38 net of closures and relocations). This includes vacant existing properties and new build stores. In Germany our new store expansion in the year was 19 (see further above).
Invest in our people and infrastructure The Group invests in recruitment and the promotion of colleagues as new store expansion continues in both the UK and Germany. Opening new stores and refreshing existing ones is an ongoing programme across our store estates in the UK and Germany.	We have strengthened our Supply Chain team with the appointment of Andy Monk as UK Supply Chain Director, and we have continued to invest in other key functions across our businesses in the UK and Germany. In the UK we created approximately 2,200 new jobs and in Germany approximately 300 in the year under review. We have continued to recognise the need to continually refresh our existing store estate and we invested £14.4m across the Group in maintenance capital expenditure as part of a rolling programme of continuous investment in the store estate, in the financial year 2016/17.

How we plan to deliver our objectives:

Future objective	Performance KPIs
We aim to provide great value products to our customers, concentrating on best-selling lines of branded and private label products. We will continue to invest in modernising and refitting our store estate to provide our customers with a pleasant shopping experience and in a safe environment.	**UK revenue growth** **+19.4%** **UK Like-for-Like sales growth*** **+3.1%** For more information see page 23
We plan to grow our store estate in Germany through organic store openings by c. 10-15% in store numbers per annum, as well as looking for in-fill acquisition opportunities. We will ensure that appropriate investments in infrastructure and people are made to facilitate that growth. We look for acquisition opportunities in other European countries where we believe the business could provide a platform to roll out the B&M model in these locations, and where we believe the capital invested will provide an acceptable level of return.	**Germany new store growth** **+33.9%** For more information see page 18
We have a UK target to grow our estate to 950 stores. We currently have 537 stores and we are targeting to open 40-50 stores per annum, depending upon the availability of suitable locations. The achievement of this target will provide the UK business with at least another 8 years of growth.	**UK gross new store openings** **53** For more information see page 18
To ensure we can service the store estate in an efficient manner as we grow, we plan to invest in a new warehouse in the South of the UK in the next 3 years. Additionally, investments will be made in the HGV fleet and IT systems to ensure we continue to have a fit for purpose infrastructure. Growing our estate to 950 stores will require additional colleagues to work in those stores and the warehouses servicing them. We will continue to invest to ensure that we have appropriate processes to attract, retain and incentivise colleagues, as well as continuing to invest in strengthening the management team and the central head office functions.	**New colleagues across the Group** **+9.4%** For more information see page 19

* Like-for-like revenues includes each store's revenue for that part of the current period that falls at least 14 months after it opened; and it is compared with its revenue for the corresponding part of the previous period. This 14 month approach has been taken as it excludes the two month halo period which new stores experience following opening.

Our revenues, gross margin, profit and cash generation all showed a strong performance in the year.

"The like-for-like store estate has benefitted from the operational improvements in the supply chain leading to better on-shelf product availability and strong seasonal ranging."

Paul McDonald
Chief Financial Officer

Increase in store estate FY17

+10.3%

Number of stores 25 March 2017

612
2016: 555

Adjusted Profit Before Tax[3]

£190.1m
+25.6%
2016: £151.4m

Accounting period
The FY2017 accounting period represents the 52 trading weeks to 25 March 2017 and the comparative FY2016 period represents trading for the 52 weeks to 26 March 2016.

Revenue
The Group revenue in FY2017 was £2,430.7m (FY2016: £2,035.3m), this represents an increase of 19.4% and on a constant currency basis, an 18.3% increase[1].

In the UK, revenues increased by 18.4% to £2,252.3m, principally driven by the new store openings, including both the annualisation of revenues from the 74 net new store openings in FY2016 and the 38 net new store openings in FY2017.

There was a total of 53 new store openings and 15 store closures in the year. The 53 openings contributed revenues of £152.3m in FY2017, the new stores have performed well and returns on investment remain attractive. The 15 store closures include nine relocations, where we have taken advantage of opportunities to relocate stores to larger, more modern premises, with higher levels of store contribution. These relocations allow us to provide our customers with access to our full offer in those catchments.

Sales in the like-for-like store estate[2] grew by +3.1% (FY2016: +0.9%) with a particularly strong performance in the second half of the year. The exceptionally strong third quarter performance of +7.2% was followed by pleasing growth of +2.9% in the fourth quarter, despite the negative impact of Easter trading falling into our new financial year. In total, we achieved like-for-like growth of +5.4% during the second half of FY2017.

Some of the factors that had impacted the like-for-like performance in FY2016 have started to ease, including deflation on grocery retail prices and the cannibalisation of revenues from the record number of new store openings in FY2016. We have annualised the FY2016 new stores openings as the year has progressed and as the economy has entered a more inflationary environment towards the end of FY2017. Additionally, the like-for-like store estate has benefitted from the operational improvements in the supply chain leading to better on-shelf product availability and strong seasonal ranging.

In our German business Jawoll, revenues grew to £178.4m, which was a 34.4% increase over the £132.7m achieved in FY2016. In local currency revenues increased by 17.1% which was driven by the 19 new stores opened in the year and the annualisation of the 6 stores opened in FY2016 combined with modest like-for-like revenue growth.

Gross margin
Our gross margins increased by 26 basis points to 34.8% (FY2016: 34.5%). In the UK business the margin increased by 29 basis points. We managed to mitigate the adverse impact of US Dollar strength through a range of factors such as increased buying power, some product re-engineering and an improved sales mix towards higher margin general merchandise. In Germany we saw a margin deterioration of 55 basis points to 37.3%, affected by the strength of the US Dollar and the one-off impact of clearing the entirety of the stock in the nine store chain that we acquired in the year prior to those stores' conversion to the Jawoll format.

Operating costs and adjusted EBITDA[3]
Costs continue to be carefully controlled whilst allowing strategic investments to be made in the head office functions in both the UK and German businesses ahead of anticipated future growth. The operating costs of the Group in FY2017, excluding depreciation and adjusting costs, grew by 19.7% to £610.9m, including new store pre-opening costs. The depreciation and amortisation charge grew by 27.4% to £26.0m, largely reflecting the investment in new stores.

In the UK, operating costs excluding depreciation and adjusting costs increased to £556.0m (FY2016: £471.9m), an increase of 17.8% and costs as a percentage of revenues decreased by 12 basis points to 24.7%. The new store opening programme was the principal reason for the cost increases, driven by the number of new store openings in the year and the annualisation of costs from the new store openings in FY2016 and the variable operating costs required to service the new stores.

Additionally, within operating costs the UK business incurred an increase in fixed occupancy costs of £1.2m in the year, as a result of the annualisation of costs from the warehouses that were opened part way through FY2016. For the first time the UK business invested in a national TV advertising campaign in the run up to Christmas 2016 and some more localised TV advertising in the last quarter of the year at a total cost of £4.0m. New store pre-opening costs of £4.6m were £2.4m lower than last year as a result of the lower number of new store openings.

In Germany, costs excluding depreciation and adjusting costs increased by 42.1% to £54.9m, at constant currency 23.9%. This reflected the increase in costs as a result of the 19 stores that were opened in the year, the annualisation of costs from those stores opened in FY2016 and a further £1.1m incurred on new store pre-opening costs following the acceleration in the store opening programme. The business incurred additional costs associated with investments being made ahead of the planned new store growth, including those costs associated with the new warehouse as well as investments in head office teams including the new store acquisition team.

We report an adjusted EBITDA[3] to allow investors to understand better the underlying performance of the business, and the items that we have adjusted are detailed in note 3 on page 81, they totalled £3.4m in FY2017 (FY2016 £(3.6)m).

In the UK the adjusted EBITDA[3] increased by 23.4% to £223.2m (FY2016: £180.9m) and in Germany adjusted EBITDA[3] increased by 0.4% to £11.7m. The Group adjusted EBITDA[3] increased in the year by 22.0% to £234.9m (FY2016: £192.5m) and on a statutory accounting basis EBITDA[3] increased by 18.1% to £231.5m (FY2016: £196.1m).

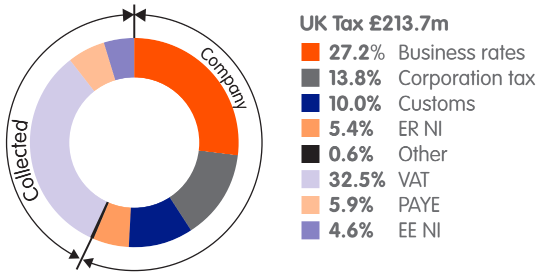
Financing costs
During the year the Group refinanced its existing debt and introduced a high yield bond, and we replaced the £440m bank debt and £150m revolving credit facility with a £300m bank term loan, maturing in August 2021, a £250m 5-year high yield bond at a coupon of 4.125% and a new £150m revolving credit facility. The Group has received a net inflow of cash of £104.8m after fees. The refinancing has allowed the Group to extend the term on its debt, to diversify the sources of capital with the introduction of a high yield bond, whilst ensuring that we have sufficient facilities to operate, invest and continue to grow the business.

The net interest charge in the year was £22.6m (FY2016: £21.1m), representing an increase of 7.0%. The interest cost can be split between the underlying cost of £18.7m which comprises bank and finance lease interest and interest receivable £17.3m (FY2016: £19.2m) amortised fees of £1.4m (FY2016: £1.4m). The balance is the exceptional non-cash cost of £3.7m for fees written off relating to the previous bank and debt facilities and the non-cash interest charge on the Jawoll put/call option £0.2m (FY2016: £0.4m).

Profit before tax
The statutory profit before tax was £182.9m, which compares to £154.5m in FY2016. We also report an adjusted profit before tax to allow investors to understand better the operating performance of the business. The adjusted profit before tax[3] was £190.1m (FY2016: £151.4m) which reflected a 25.6% increase.

Taxation
The tax charge for the year was £38.9m (£28.7m in FY2016). The FY2016 tax figure was impacted by a prior year adjustment of £1.8m relating to the FY2015 tax return which related to the treatment of interest on the pre-IPO capital structure and a non-cash credit of £2.0m relating to the deferred tax on the brand asset as a result of the future reduction in the rate of corporation tax. The underlying charge at 21.3% was in line with last year (FY2016: 21.1%). We expect the tax charge going forward to reflect the mix of the impact of the tax rates in the countries in which we operate, being 19% in the UK and 30% in Germany, with the effective rate likely to be approximately 70 basis points higher, reflecting non-qualifying expenditure.

As a Group we are committed to paying the right tax in the territories in which we operate. In the UK the total tax we paid was £213.7m. This is mostly those taxes which are ultimately borne by the company in the sum of £121.9m, which includes corporation tax, customs duties, business rates, employers national insurance contributions and stamp duty land taxes. The balance of £91.8m 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. A detailed breakdown is provided below.



Profit after tax and earnings per share
The profit after tax was £144.0m compared to £125.8m in FY2016 and the fully diluted earnings per share was 14.3p (FY2016: 12.4p), being an increase of 15.3%.

On an adjusted profit after tax basis[3], which we consider to be a better measure of performance due to the reasons outlined above, it was £149.9m which was a 21.5% increase over last year (FY2016: £123.4m) and the adjusted fully diluted earnings per share* was 14.9p (FY2016: 12.2p), being an increase of 22.1%.

Investing activities
The Group's net capital expenditure during the year was £50.4m. This was principally driven by the new store opening programme, with 72 gross stores having been opened in the year, with a capital expenditure of £28.1m and £4.4m in the UK and German businesses respectively. We ended the year with 537 stores in the UK and 75 in Germany.

The Group additionally incurred infrastructure expenditure of £3.5m including the expenditure associated with the warehouse extension in Germany and new warehouse management software in the UK.

The Group also continues to invest in its existing store estate, and an additional £14.4m was incurred on maintenance expenditure, representing 0.6% of revenues, including investments made in store refits and IT hardware.

We additionally incurred a further £2.4m on acquiring a nine store chain in Germany.

* The directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. See reconciliation of adjusted measures to statutory measures on page 25.

Net debt and cashflow

The Group continues to be strongly cash generative and during the year the cash flow from operations increased by 23.4% to £210.9m (FY2016: £170.9m). This reflects the continued growth in EBITDA[3] and the tight control over working capital, with the year end working capital as a percentage of revenue being 9.2% (FY2016: 9.4%), and the attractive cash paybacks from the new store opening programme.

During the year the Group paid £151.0m of dividends including a £100.0m special dividend and there was a net inflow of cash of £104.8m as a result of the refinancing.

The Group's net debt in the year has increased to £401.9m (FY2016: £354.2m) and the net debt to adjusted EBITDA[3] has fallen to 1.71 times from 1.84 times at the end of FY2016, remaining well within our 2.25 times target.

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.

Ordinary dividend

An interim dividend of 1.9p was paid in December 2016 and it is proposed to pay a final dividend of 3.9p per share. The total dividend of 5.8p for the 2016/17 financial year reflects the upper end of the dividend policy of 30 to 40% of normalised post IPO earnings**. Subject to approval of the dividend by shareholders at the AGM on 28 July 2017, the final dividend of 3.9p per share is to be paid on 4 August 2017 to shareholders on the register of the Company at the close of business on 23 June 2017. The ex-dividend date will be 22 June 2017.

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

Paul McDonald
Chief Financial Officer
24 May 2017

1 Constant currency comparison involves restating the prior year Euro revenues using the same exchange rate as used to translate the current year Euro revenues.
2 Like-for-like revenues includes each store's revenue for that part of the current period that falls at least 14 months after it opened; and it is compared with its revenue for the corresponding part of the previous period. This 14 month approach has been taken as it excludes the two month halo period which new stores experience following opening.
3 EBITDA, adjusted EBITDA and Adjusted Profit are non-IFRS measures and therefore we provide a reconciliation from the statement of comprehensive income opposite. EBITDA represents profit on ordinary activities before net finance costs, taxation, depreciation and amortisation.

Summary operating profit

£ millions	2017	2016	%
Number of stores			
UK	**537**	499	**+7.6%**
Germany	**75**	56	**+33.9%**
Total stores	**612**	555	**+10.3%**
Revenue	**2,430.7**	2,035.3	**+19.4%**
Gross profit	**845.8**	703.0	**+20.3%**
%	**34.8%**	34.5%	**0.3%**
Adjusted operating costs			
UK	**(556.0)**	(471.9)	**+17.8%**
Germany	**(54.9)**	(38.6)	**+42.1%**
Adjusted EBITDA	**234.9**	192.5	**+22.0%**
%	**9.7%**	9.5%	**+0.2%**
Depreciation	**(26.0)**	(20.4)	**+27.4%**
Interest	**(18.7)**	(20.7)	**-9.4%**
Adjusted profit before tax	**190.1**	151.4	**+25.6%**
Exceptional costs	**(3.4)**	3.6	**-194.2%**
Exceptional interest costs	**(3.9)**	(0.4)	**+765.6%**
Profit before tax	**182.9**	154.5	**+18.4%**

Reconciliation of adjusted items

Period to	**52 weeks ended 25 March 2017 £'000**	52 weeks ended 26 March 2016 £'000
Profit on ordinary activities before interest and tax	**205,508**	175,658
Add back depreciation and amortisation	**26,015**	20,426
EBITDA	**231,523**	196,084
Effect of derivatives in cost of sales	**1,479**	–
Effect of derivatives in administrative expenses	**1,890**	(3,577)
Adjusted EBITDA	**234,892**	192,507

For further information and segmental detail of adjusted measures see note 3 to the financial statements on page 81.

KEY PERFORMANCE INDICATORS

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

Strategy key

Deliver great value to our customers

Develop our international business

Invest in new stores

Invest in our people and infrastructure

Financial KPIs

Total sales growth (%)

19.4%

2017	19.4
2016	23.6
2015	29.5

Rationale

The strategy is to grow our business in new markets both in the UK and in Germany and this measure alongside the number of new store openings demonstrates whether we are achieving that goal.

2017 Performance

The business grew revenues by 19.4% and store numbers by 10.3% and we remain on track.

Capital expenditure (£m)

£50.4m

2017	50.4
2016	56.2
2015	35.7

Rationale

Given our growth is mainly derived from the investment in new stores, we monitor capital expenditure to ensure that expenditure on new store investments is not excessive and that we are also investing sufficient capital to maintain the existing store estate.

2017 Performance

We incurred £50.4m of net capital expenditure in the year which was within our budget targets.

Adjusted EBITDA (£m)*

£234.9m

2017	234.9
2016	192.5
2015	171.4

Rationale

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

2017 Performance

The Group's adjusted EBITDA* grew by +22.0%, which is slightly higher than the sales growth and our strategy remains on track.

Adjusted EBITDA (%)*

9.7%

2017	9.7
2016	9.5
2015	10.4

Rationale

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

2017 Performance

The Group's Adjusted EBITDA* grew by 21 basis points to 9.7%.

* The directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. See reconciliation of adjusted measures to statutory measures on page 25.

Adjusted diluted earnings per share (p)*

14.9p

2017	14.9
2016	12.2
2015	10.2

Rationale

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

2017 Performance

The adjusted diluted earnings per share* grew by 22.1%.

UK like-for-like sales growth (%)*

+3.1%

2017	3.1
2016	0.9
2015	4.9

Rationale

Although the main driver of growth in the Group is the new store opening programme, we are cognisant of the fact that we do not want to see any deterioration in the profitability of the existing store estate. The main indicator to ensure that the profitability of existing store estate is not deteriorating is like-for-like sales.

2017 Performance

We grew our UK like-for-like sales by +3.1%, which was a pleasing performance given the UK market remains relatively flat.

Cash generated from operations (£m)

£210.9m

2017	210.9
2016	170.9
2015	152.9

Rationale

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

2017 Performance

We grew our cash from operations by 23.4% in the year which was higher than the adjusted EBITDA* growth and we remain on track.

Profit before tax (£m)

£182.9m

2017	182.9
2016	154.5
2015	39.9

Rationale

We monitor our overall profit before tax growth in addition to EBITDA so that we monitor our depreciation and amortisation expenses and our interest costs.

2017 Performance

We grew our profit before tax by 18.4%.

Non-financial KPIs

Net new stores opened – 2017

57

UK market share

c.0.7%

Risk management

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.

Overall responsibility

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

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

Risk management

Identify and evaluate

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

Action plan

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

Implementation

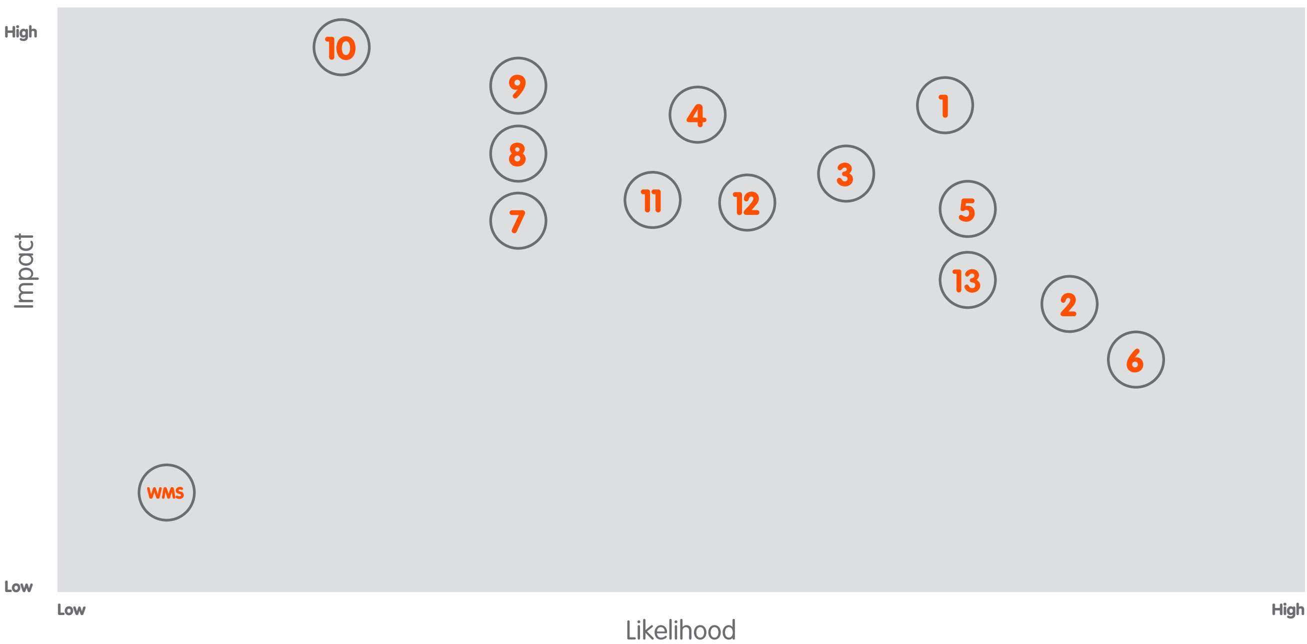
The responsibility for implementation of processes and controls in relation to the management of risk is delegated by the Board to the executive and operational senior management of the UK and German businesses.

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

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

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

Risk management



Changes in principal risks
Following review by the Board this year:

- the UK's exit from the EU has been added as a principal risk as there are uncertainties in the UK generally in relation to the outcome of the exit negotiations and how that might affect matters such as the economic and regulatory environment, customs duties, availability and cost of labour in the UK;
- during the last year a new warehouse management system ('WMS') was implemented as a pilot initially at 1 of our 6 UK warehouses. The pilot implementation was successful and the system is now in the process of being rolled out across the rest of the UK warehousing estate. The new WMS system is no longer considered to be a principal risk, as indicated on the heat map above going forward.

Risk type	Risk Nº	Description	Risk mitigations	Movement
Competition	1	The Group operates in a highly competitive retail market both in the UK and Germany and this could materially impact the Group's profitability and limit the growth opportunities.	• Continuous monitoring of competitor pricing and product offering. • Development of new product ranges within the product categories to identify new market opportunities to target new customers.	→
Economic environment	2	A reduction in consumer confidence resulting in a fall in customer spending as a result of the prevailing macro-economic conditions in the markets in which we operate.	• 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 extensive forecasting process that enables actions to be undertaken reflecting the economic conditions.	→
IT systems, cyber security and business continuity	3	The Group is reliant upon key IT systems, and disruption to these would adversely affect the businesses operations. Data protection failure may lead to a potential prosecution and reputational damage to the brand. This risk also encompasses the IT Security risk and the risk of management over-ride of controls. This risk has increased as cyber crime is a threat to all organisations and cyber attacks are increasing in scale and sophistication.	• All critical business systems have third party maintenance contracts in place and are industry standard. • We utilise the services of a third party IT consultancy support to ensure that any investments made in technology are fit for purpose; IT investments/budgets are approved at Board-level. • We have a disaster recovery strategy. • We have an on-going PCI compliance strategy. • IT Security is monitored at board level and includes penetration testing and up to date security software. • Significant decisions for the business are made by the Group or operational boards with segregation of duties enforced on key business processes, such as the payables process, and a robust IT control environment is in place.	↑
Regulation and compliance	4	The Group is exposed to regulatory and legislative requirements, including those surrounding the import of goods, the Bribery Act, Modern Slavery Act, health & safety, employment law, data protection, the environment and the listing rules, which could lead to financial penalties and reputational damage. This risk has decreased as B&M have introduced new anti-bribery & corruption measures which have been issued to Buyers and suppliers.	• We have a number of policies and codes across the business, including a code of conduct that incorporates an anti-bribery & corruption policy, outlining the mandatory requirements within the business. These are communicated to the staff via an employee handbook which is made available to anyone joining the company. • Operational management are responsible for liaising with the General Counsel and external advisors where required to ensure that we identify and manage any new legislation. • We have an internal audit function, and a whistle blowing procedure and policy which allows colleagues to confidentially report any concerns or inappropriate behaviour within the business.	↓
Credit risk and liquidity	5	The Group's level of indebtedness and exposure to interest rate and currency rate volatility could impact the business and its growth plans. This risk has increased as currency exchange rate volatility has increased due to the UK's planned exit from the European Union.	• A treasury policy is in place to govern foreign exchange, interest rate exposure and surplus cash. • Regular weekly cash flow forecasts are produced and monitored. • Forward looking cash flow forecasts and covenant test forecasts are prepared to ensure sufficient liquidity and covenant headroom exists.	↑
Commodity prices/cost inflation	6	Escalation of costs within the supply chain arising from factors such as increases in raw material and wage costs. Additionally, increased fuel and energy costs impacting on distribution and the store and warehouse overhead base.	• Freight rates, energy and currency are bought forward to mitigate volatility and allow the business to plan and maintain margins. • Wage increases are offset where possible by productivity improvements. • Forecasts and projections produced by the business include the expected impact of the national living wage and therefore the Board's strategic planning takes account of these effects.	→
Supply chain	7	The lead times in the supply chain could lead to a greater risk in buying decisions and potential loss of margins through higher markdowns. Disruption to the supply chain arising from civil unrest, natural disasters, ethical or quality standards failure could lead to reputational damage and a risk that consumers may be harmed.	• An experienced sourcing team is responsible for maintaining an efficient and effective supply chain. • A range of alternative supply sources are maintained across the product categories and we are not over reliant on any single supplier. • The combination of individual buyers and supplier employees conduct factory visits.	→

Risk type	Risk No	Description	Risk mitigations	Movement
Stock management	8	Ineffective controls over the management of stock could impact on the achievement of our gross margin objectives. Lack of product availability could impact on working capital and cashflows	• Highly disciplined SKU count by season and effective and regular markdown action on slow moving product lines. • Initial stock orders do not exceed c. 14 weeks of forecast sales and action is undertaken after c. 4 weeks of trading to either repeat the order, refresh the product design or delete the product line. • Consistent levels of stock cover by product category are maintained through regular reviews of open to buy, supported by the disciplined SKU count.	→
Infrastructure	9	The Group could suffer the loss of one of its warehousing facilities which would impact short/ medium term trading and could materially impact the profitability of the business. Failure to maintain and invest in the warehousing and transport infrastructure as the business continues to grow the store portfolio. This risk has increased as B&M's store expansion means that the loss of a warehouse would impact on a larger number of stores and customers.	• Forward plans are in place for additional warehousing capacity to support the new store opening programme. The Group in the UK has 6 separate warehousing locations and conducts disaster recovery planning. • The Group maintains adequate business interruption and increased cost of working insurance in the event of such a loss.	↑
Key management reliance	10	The Group is reliant on the high quality and ethos of the executive team as well as strong management and operational teams.	• The key senior and operational management are appropriately incentivised through bonus and share arrangements such that talent is retained. • The composition of the executive team is kept under constant review to ensure that it is appropriate to the delivery of the Group's plans.	→
Store expansion	11	The ability to identify suitably profitable new store locations is key to delivering our growth plans.	• Our Chief Executive Officer 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 store sizes and locations. • Each new store opening is approved by the CEO ensuring that property risks are minimised and ensuring that lease lengths are appropriate. • Where new locations may impact on existing locations, the cannibalisation effects are estimated and then monitored and measured to ensure an overall benefit to the Group is realised.	→
International expansion	12	The ability to develop into new territories is important to the Group's future growth plans. Expanding into new markets creates additional challenges and risks.	• Significant international experience on the main Board. The senior leadership team in Germany is experienced and incentivised. • Clear focus on markets in which we operate to ensure they are appropriate for value retailing and the product ranges are developed and selected by local buying teams rather than through the parent company. • Continuing to invest in both the infrastructure and technology of our international subsidiaries. • Monitoring and investigating potential new opportunities for growth in strategically identified locations.	→
UK exit from the European Union	13	The UK's planned exit from the European Union has several potential impacts in the areas of economic & regulatory environment; withholding tax paid on internal dividends; import of goods due to currency exchange volatility & increased import duties; availability & cost of labour; and several potentially as yet unknown impacts.	• Short-term exchange rate volatility has been mitigated by our currency forward position. Any continued volatility will affect the economic inflationary environment as a whole. • Regarding the more fundamental changes, the level of risk is currently unknown due to significant uncertainty regarding the outcome of the exit negotiations and British leadership's position on these. • The board will continue to monitor developments and understand the interpretations with respect to potential risks, and then act accordingly.	NEW

Movement key

↑ Increased risk → No change ↓ Decreased risk

Viability statement
In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group. This assessment has been based upon the Group's three year strategic plan (the"plan") and has taken into account the current position of the Group, the principal risks and uncertainties as detailed on pages 30 and 31 of the strategic report and the Group's prospects.

In making their assessment the Directors considered:
- the Group's current balance sheet, its strong track record of generating operational cash flows and returns to shareholders and stress testing of the key trading assumptions within the Group's plan;
- the potential impact of one or more of the principal risks set out on pages 30 and 31 occurring in the period on the Group's business model, future trading expectations and liquidity; and
- the likely degree and effectiveness of possible mitigating actions in relation to the principal risks.

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

We operate in a competitive retail environment and need to be able to react to changes in retail markets and consumer trends. Accordingly we set our strategic plan on a 3-year cycle, which is also common in the retail industry.

Based on the assessment 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 28 March 2020.

Going concern statement
As a discount 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, the Directors are confident that the Group has adequate resources to continue its successful growth. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Our approach

We are committed to operating our business as a good corporate citizen, which means managing environmental, social and ethical business matters in a way which is responsible, progressive and recognises the interests of all our stakeholders.

B&M's approach to CSR is to look where we can for continuous improvement in all our areas of operation. This includes:

- providing job opportunities through our continued expansion in local communities and central operations;
- training and career progression opportunities to help colleagues step-up to the next level and retain them in our business;
- maintaining and building on long term trading relationships with our suppliers and promoting ethical and responsible trading relationships with them;
- in relation to the environment, monitoring our existing operations and investing in initiatives which help to limit our impact overall where feasible; and
- supporting local communities by contributing to good causes on a regional and more localised level.

Packaging waste recycled by the Group in 2017

99.4%

+101bps

2016: 98.4%

Keeping costs and unnecessary waste down throughout our supply chain operations, both from sourcing to port and from distribution centres to stores, is a key component of our business model. This approach is an example of what we mean in practical terms about actually being a 'good corporate citizen' at B&M, by delivering both cost and environmental efficiency throughout our business as it continues to expand and grow at a considerable pace.

Customers
B&M is about doing what we can to help our customers get better value for money on everyday and other items for their homes and families and helping tight household budgets go further. At the heart of this and underpinning our aim to deliver value for money to our customers day-in, day-out, is a passion for reducing waste and unnecessary consumption wherever we can, to keep costs down and at the same time ensure that we have as sustainable and environmentally friendly a business as possible.

We work hard to provide a high quality customer experience for shoppers across all our stores in the UK and Germany. We invest in our stores to present them in a light, clean and tidy format, with new store fit-outs and refurbishments including investments in LED lighting and refreshed floor coverings. This provides environmental benefits in terms of energy consumption (as referred to below) as well as an enhanced store environment for our customers to shop in.

We also aim to provide customers with a fun and exciting shopping experience and our store colleagues are focussed on taking a helpful and friendly approach with customers so they enjoy coming back to our stores time and time again. Our 'no quibble' customer returns policy highlights our emphasis on great value for money and good quality rather than just aiming to be cheaply priced.

Environment
We are committed to try and minimise where we can the environmental impacts of our retailing and distribution operations. In particular this relates to management of waste recycling, utility usage and fuel efficiency relating to our carbon footprint. Our performance and initiatives in each of those areas in the year are set out below.

Packaging recycling
We have dedicated facilities to recycle waste at our warehousing locations. They allow us to collect waste cardboard, plastic, metal and wood from our 537 stores in the UK back to our central distribution locations. The main source of waste comes from packaging. We seek with our suppliers to minimise where we can the packaging of products beyond what is necessary for the safe carriage of them.

64.2% of waste in our UK business in the financial year 2016/17 was directly recycled through our in-house facilities. This was an increase on the previous financial year which was 63.7%.

The remainder of the waste is processed by a specialist third party for recycling, which leads to a further 35.8% of waste being recycled.

In total for the year under review we are pleased to report that 100% of our waste in the UK was recycled. This was an increase from the previous financial year of 99.2%, as even our residual waste is recycled into energy production.

Our German business, Jawoll recycled 94.0% of its waste packaging in the year. This was a significant increase from the previous financial year which was 79.77%.

The total level of packaging waste recycled by the overall Group in the financial year 2016/17 was 99.4%.

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

We donate the proceeds from the levy in relation to the carrier bags used to a number of good causes. Colleagues across the UK business were consulted on appropriate recipients of charitable grants from the levy proceeds. In the financial year 2016/17 we have donated over £960,000 to a range of charities, including children's hospitals, hospices, air ambulance and educational and arts trusts, often being at a regional level in different parts of the UK as well as some national charities.

Greenhouse gas emissions reporting
In the year around 79% of our carbon footprint in the UK is as a result of our electricity and gas usage from our stores and our warehouse facilities. Diesel accounts for the remaining 21%. Our store estate in both the UK and Germany is continuing to increase at a significant rate and is expected to do so into the future also. Consequently therefore our overall carbon footprint has and will inevitably continue to increase.

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

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

In the UK our overall intensity ratio has improved by 9.2% to 47.19 T/CO_2. The intensity ratio for Jawoll in Germany improved by 16.8% to 79.79 T/CO_2 and for the overall Group for the period there was an improvement of 9.6% to 49.58 T/CO_2.

Greenhouse gas data

FY2017 relates to the period from April 2016 to March 2017 and FY2016 relates to the period from April 2015 to March 2016:

	FY2017			FY2016			%	%	%
	UK	**GER**	**TOTAL**	UK	GER	Total	UK	GER	Group
Scope 1	**22,377**	**802**	**23,179**	23,902	639	24,541	-6.4%	25.4%	-5.6%
Scope 2	**83,910**	**13,433**	**97,343**	75,014	12,115	87,129	11.9%	10.9%	11.7%
Total	**106,287**	**14,235**	**120,522**	98,916	12,753	111,669	7.5%	11.6%	7.9%

	FY2017			FY2016			%	%	%
	TCo2/£m	**TCo2/£m**	**TCo2/£m**	TCo2/£m	TCo2/£m	TCo2/£m	UK	GER	Group
Scope 1	**9.94**	**4.49**	**9.54**	12.56	4.80	12.05	-20.9%	-6.5%	-20.9%
Scope 2 = Elec & Gas	**37.26**	**75.30**	**40.05**	39.42	91.09	42.79	-5.5%	-17.3%	-6.4%
Total	**47.19**	**79.79**	**49.58**	51.98	95.89	54.85	-9.2%	-16.8%	-9.6%

Tonnes CO_2 / £m Revenues

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

- as we purchase new cars for our company car fleet, we are moving to either hybrid or low emission cars. Given that these have lower $C0_2$ emissions, and currently 51% of our car fleet are now hybrid models. We plan to increase this level by a further 10-15% as company cars become due for replacement;
- on directly imported merchandise from the Far East, we use slow steamer container ships which are more environmentally friendly;
- our UK warehouses are based in the North West of England and approximately 70% of imported goods are shipped to the Port of Liverpool, thereby reducing the extent of overland transport from ports in the South of England;
- we invest in energy efficient LED lighting in our new stores, and as part of existing store estate maintenance programme we invest in switching to LED lighting;
- we continue to upgrade our transport fleet and we have recently placed an order for delivery of new HGV tractor units that have the latest fuel efficient engines;
- we have continued to invest in double-decker trailers and we have recently placed an order for new "wedge" trailers which increase trailer capacity by 20% for our store delivery HGV fleet to maximise transport utilisation and therefore minimise distribution mileage travelled; and
- additionally to improve the efficiency of our fleet and save on miles driven, fuel and emissions we are introducing a new transport scheduling system to optimise routes and reduce mileage.

Suppliers

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

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

It is important, both in terms of ensuring our products are safe and fit for sale and that the factories we use comply with local laws and regulations, that our customers can be assured of the safety, quality and integrity of the products they buy from our stores.

In relation to anti-slavery and human trafficking, we prohibit slavery, forced labour and human trafficking of any kind in relation to our business and supply chain. We support the promotion of ethical business practices and policies to protect workers from any kind of abuse or exploitation in relation to our business and supply chain.

In the last year we have taken the following steps in relation to our policy on anti-slavery and human trafficking:

- we have communicated our Workplace Policy Statement to our suppliers, sourcing agents and employees, which sets out the standards and principles which we expect our suppliers and employees to adhere to in relation to our supply chain; and
- we have revised our standard terms and conditions of purchase, making it a condition that our suppliers adhere to our Workplace Policy standards, which enhances the profile and importance of the principles and standards we require them to agree to as a condition of their trading relationships with us.

A copy of our anti-slavery policy statement and our Workplace Policy are available under the Corporate Responsibility section of our websites at www.bmstores.co.uk and www.bandmretail.com

In relation to the Group's assessment of risk, a balance is drawn between reasonable reliance on blue-chip brand suppliers who have their own comprehensive procedures and policies in place, and, those where other forms of verification processes are required by B&M or our sourcing agents.

The vast majority of products which are imported into the UK by B&M are sourced from China. These are mainly machine manufactured goods, as opposed to labour intensive handmade products.

Where necessary overseas suppliers are required by B&M or its sourcing agents to provide social compliance reports, as a check on compliance with local laws and regulations including labour practices.

B&M's main Hong Kong based sourcing agent and, where practicable, members of our UK buying team, visit new suppliers also as part of our verification processes.

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

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

Health and safety

The Board has overall responsibility for ensuring that we maintain high standards of health and safety in our business. The Board and the executive management monitor on a monthly basis key performance indicators in relation to trends in the business, including reports on the number of accidents and those 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 policy is communicated to all our colleagues.

In the financial year 2016/17 there were 119 reported accidents (0.2 per store) reportable to the Health & Safety Executive, (FY2016: 46 reported accidents and 0.1 per store), which should be viewed in context of 196 million shopper visits per annum.

Employees

We now employ over 26,000 people, the vast majority of which are based in the UK. We look to ensure that all colleagues are treated fairly and with respect, that no employee is discriminated against on grounds of gender, race, colour, religion, disability, sexual orientation and that B&M is recognised as a responsible employer providing all our colleagues with a great place to work.

In financial year 2016/17 we have created over 2,200 new jobs in our UK stores. With our continued store roll out plans for the year ahead we will continue to create jobs in various communities in the UK where those new store openings take place.

Our apprenticeship programme across our UK stores now has over 350 colleagues enrolled.

We also have a successful initiative focused on getting the long-term unemployed back into work. In the year under review, 96 long term unemployed people secured a role within B&M.

We develop our own talent from within our own business wherever we can, under our Step-Up programme in the UK. Under this programme we encourage our store colleagues to put themselves forward to progress to deputy and store manager positions.

We reward our store management teams through an annual bonus scheme and we also run regular incentive schemes to drive performance and excite the teams. B&M also has a share incentive plan which is open to all employees after 12 months service to take-up the opportunity to participate in the future success of B&M.

We communicate to our teams through our newsletter, the "B&M Standard", with updates on business strategy, new stores, new products, and the work of our support centre teams.

National Living Wage

The National Living Wage was introduced in April 2016 and we have included the impact of it into our business model and plans. We have seen some increase in store wage costs which we have absorbed and made some productivity improvements to mitigate the overall impact.

At B&M we want to attract and retain great people; they make a real difference to our business. The implementation of the living wage supports this aim by ensuring our teams are motivated. We anticipate that we will also see benefits through higher retention rates, and therefore lower staff turnover, which reduces the cost of recruitment and training new colleagues and brings improved productivity as a result.

Diversity
Under B&M's equal opportunities policy we recognise and actively encourage the benefits of having a diverse workforce across our business. Our Board comprises one female member who is an Independent Non-Executive Director and Chair of the Board's Remuneration Committee. Full details of the composition of B&M's Board are set out on pages 38 and 39. Below the Board and at the senior management level the percentage of employees who are female increased to 29.2% from 19.0% in the previous year, and for all employees the female percentage of colleagues increased to 55.3%.

	Male	Female
Directors	7	1
Senior Managers	17	7
All Employees	11,601	14,358

Community
We are keen to ensure that B&M plays an important part in the life of the places where we trade. We have an internal team to manage the distribution of the proceeds of the carrier bag levy to a variety of local (as well as national) worthy causes as referred to above on page 34. This helps us to build relationships within communities where we operate our stores and our store colleagues' work and live. When we open a new store, we like to try and find a 'local hero' as a member of the local community known for their charitable or other work in the community, to perform the ribbon cutting ceremony on the opening day, to support their good work within the local community.

At a regional and national level, we are proud sponsors of 'Mission Christmas', an initiative run by Cash4Kids, a children's charity. In addition to sponsorship funding, our stores in participating towns act as collection points for toys and gifts to be distributed to underprivileged children at Christmas. The appeal, in which we play an important part, was able to distribute more than £15m of gifts and vouchers in Christmas 2016.

The Company's Strategic Report is set out on pages 1 to 37. Approved by the Board on 24 May 2017 and signed on its behalf by:

Simon Arora
Chief Executive Officer
B&M European Value Retail S.A.