Big Brands Big Savings

B&M European Value Retail S.A.
Annual Report and Accounts 2016

B&M is a limited range discount retailer with stores across the UK and in Germany, serving over three million customers weekly and offering an assortment of housewares, home textiles, small electrical goods, DIY, garden, grocery and FMCG products.

Our unique offer is all about helping our customers' household budgets go that bit further by delivering great value day in, day out, so that they can spend less on everyday items for their homes and families.

B&M's UK store estate at the year-end 2015/16 was 499 stores and we passed another milestone on our journey to create a chain of 850 or more stores nationwide in the UK with the opening of our 500th store in April following the year end.

In Germany our Jawoll store estate at the year-end totalled 56 stores with expansion plans in place to accelerate the growth of our network during the year ahead as we build our position in another of Europe's largest consumer markets.

Highlights

Group revenues

+23.6%

2016: £2,035.3m
2015: £1,646.8m

- Group revenues have increased by 23.6% to £2,035.3m

Adjusted EBITDA

+16.2%

2016: £202.5m
2015: £174.2m

- Group adjusted EBITDA increased by 16.2% to £202.5m
- Adjusted profit before tax increased by 19.5% to £161.4m

Operating cash flow

+11.8%

2016: £170.9m
2015: £152.9m

- Net cash flow from operations £170.9m, an increase of 11.8%
- Continued investment in infrastructure and a reduction in net debt to Adjusted EBITDA to 1.75 times

UK Store estate

+17.4%

- 74 net new UK stores opened, growing the estate by 17.4% to 499 stores in the UK
- Strong pipeline of new stores and on track to achieve 50 net new UK store openings in FY17

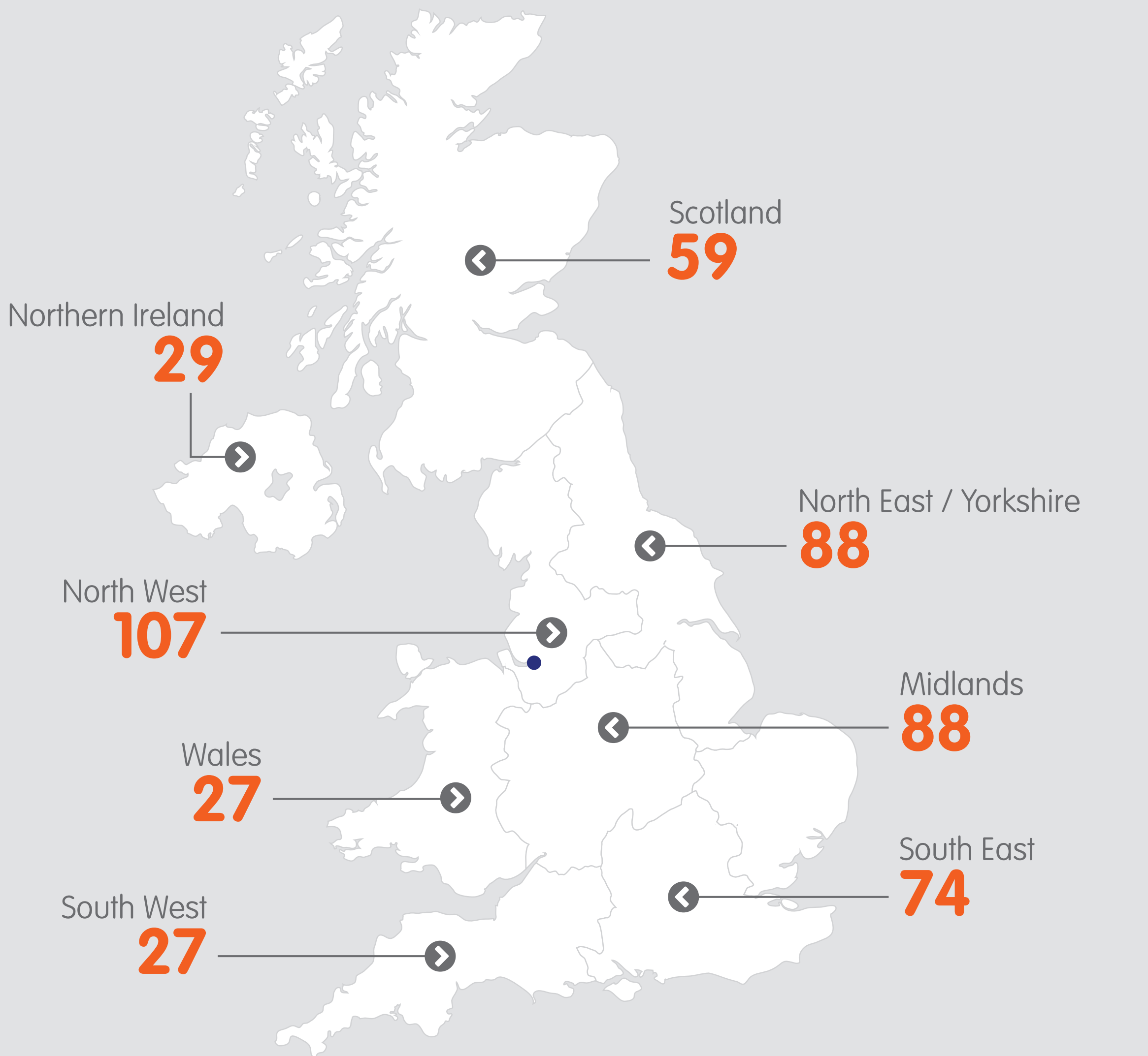
Company overview

Our objective is to deliver great value for money to customers across a broad range of product categories, together with a fun and appealing shopping experience throughout our fast growing chain of stores in the UK and Germany.

Geographical overview

499 B&M stores in the UK 2016

• Liverpool – Head office



Revenue	Adjusted PBT	New locations
£1,902.6m	£151.9m	74
+24.7%	+19.3%	+17.4%

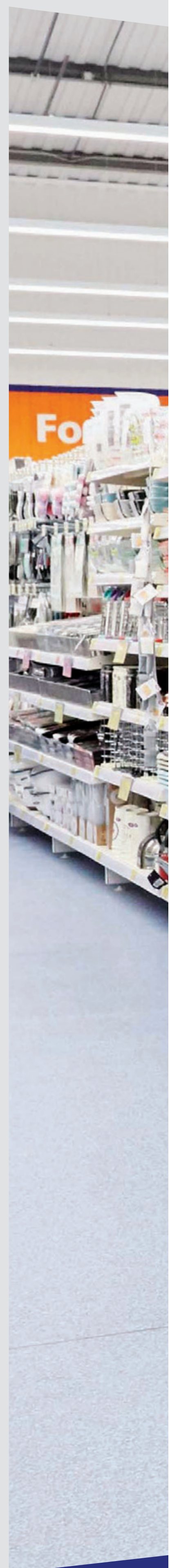
Employees
22,351
+18.8%

56 Jawoll stores in Germany 2016

• Soltau – Head office

Revenue	Adjusted PBT	New locations
£132.7m	£9.5m	6
+10.0%	+23.5%	+12.0%

Employees
1,242
+8.4%



Product overview

We sell FMCG, grocery, housewares, electrical goods, toys, DIY, garden and Christmas products across our B&M stores in the UK and Jawoll stores in Germany.

Product categories

DIY & decorating
Electricals
Household goods
Gardening, outdoor & leisure
Petcare

Seasonal goods (Halloween and Christmas)
Toys
Clothing & footwear
Stationery
Giftware

Home adornment
Food
Confectionery
Soft drinks
Alcohol
Toiletries

Chairman's statement

B&M has continued to deliver strong growth in revenues, profits and cash generation, while delivering a record number of new store openings this year.

"I believe the business is positioned well to deliver further strong growth in 2016/17 and beyond."

Sir Terry Leahy
Chairman

Revenue

+23.6%

2016: £2,035.3m
2015: £1,646.8m

Overview
I am pleased to be able to report to shareholders a year of good progress at B&M. The business has continued to deliver growth in sales, profits and cash generation by pushing ahead with rapid expansion in the UK market. In Germany we are now preparing to accelerate our store opening programme, having laid the foundations for that this year. Importantly, the good progress B&M has achieved overall is in the context of highly competitive retail markets.

Property market conditions have been particularly favourable for our business in the UK during 2015 and these had a marked influence on the scale of B&M's store opening programme in the year. Having originally had plans to open around 50 net new stores, as the year progressed it became clear that the flow of new opportunities, driven in part by the desire of a number of large format retailers to rationalise their portfolios, was exceptionally strong. Consequently, we chose to accelerate our plans for the year to take on some attractive packages of high quality store assets, with the result that we opened 74 net new B&M stores in the UK in 2015/16, being almost 50% more openings than initially planned.

The strength of our opening programme is not just about quantity. We were also able to build further on our presence in the South of England as well as our traditional heartlands with 24 new store openings this year in the home counties and Greater London.

Rapid expansion brings challenges of course and the demands of taking on a substantial number of additional new store openings had to be managed by both our operations and distribution teams. The underlying business of B&M has remained strong notwithstanding testing operational challenges. A combination of sales cannibalisation on existing stores, the disruptive effects of bringing significant new distribution capacity quickly on stream and the need to spread certain stock lines which were ordered several months ahead for fewer stores, undoubtedly took some of the gloss off an otherwise very solid overall performance.

The operational issues have not helped like-for-like performance during the second half of the 2015/16 financial year although December trading was strong. That said, distribution issues were short term growing pains only and the function is now performing to expectations.

The additional new stores opened this year are among some of the best performing in the Group and are expected to be high returning and significant cash generators for years to come. The window of opportunity to acquire such attractive packages of existing stores has now effectively closed and so from a broader strategic perspective the Board is confident that the choice made to go faster on expansion while the opportunity was there was the right one.

Importantly, I believe that the business is positioned well to deliver further strong growth in 2016/17 and beyond. We will see a full year's sales and profit contribution in 2016/17 from the 74 new stores. We also now have sufficient new distribution warehouse capacity in place for at least the next two years of continued expansion in the UK. We have put in place a strong pipeline of new stores to support 50 net new openings in 2016/17, with some already in the pipeline for 2017/18 also. Together, these elements give the UK business a strong platform from which to make further good progress, even whilst broader retail market conditions remain challenging.

In Germany we have taken important steps forward this year to create a platform for growth in 2016/17 and beyond. B&M and Jawoll have worked hard introducing Jawoll to B&M's supply chain in China for sourcing a variety of product lines. Jawoll has completed a further phase of expansion of its main warehouse facility in Soltau which will support store expansion of up to 25 additional stores in the future. Jawoll has established a store acquisition team and is confident of opening 19 net new stores in 2016/17, having entered into a conditional agreement to acquire 9 stores in the second half of the year. The German market is a huge opportunity for the Group and we are setting it on course to be a significant driver for growth in the Group in years ahead along with our UK business.

Results
Overall, B&M delivered strong results in 2015/16. Total Group revenues reached £2.0bn, representing growth of over 23% on a 52 week comparison basis, largely reflecting the pace of a record year of new store growth in the UK. UK like-for-like revenues were broadly flat across the year as a whole, impacted by a combination of the short term operational challenges described above linked to the acceleration of new store expansion during the year, the persistence of deflation in our grocery categories and the effects of unseasonal weather conditions in key seasonal trading periods in the second half of the financial year.

Group profits and earnings per share (EPS) grew well, despite the necessary investment in bringing on significant new distribution capacity in the UK and in Germany in the year, with adjusted profit before tax up by 19.5% and adjusted EPS by 26.2%.

With the solid financial performance of the Group in 2015/16, an interim dividend of 1.6p was paid in January 2016 and the Board is recommending a final dividend of 3.2p per share. The total dividend of 4.8p is in line with the upper end of the Group's stated dividend policy payout range.[1]

The Group is giving shareholders a return of surplus capital in the form of a special dividend of 10p per share to be paid on 8 July 2016. As the Group is strongly cash generative and delivering strong profits growth, the total amount being returned to shareholders by the special dividend is £100m. This return is not made at the expense of capital investment in the Group, with the business model generally not being capital intensive.

Further details of the trading and financial performance of the business during the year are provided in the Financial Review section of this report, beginning on page 16.

Governance & the Board
The Board operates effectively and has the right skill sets, and importantly, depth of experience to bring insightful independent judgment and oversight to the Group.

We have carried out a programme of internal evaluation this year of the Board and its Committees and next year we will have an external evaluation. Following our evaluation this year, we are planning to continue with a programme throughout the year ahead with store and distribution centre visits and meetings with senior management by our Non-Executive Directors, which along with our cycle of Board meetings and strategy day provide opportunities for continued engagement with other levels of operation of the business.

Full details of the Committees' responsibilities and activities during the year are contained in the Corporate Governance Report, beginning on page 34 and the reports of the Nomination Committee, Audit & Risk Committee and the Remuneration Committee, which begin on pages 36, 39 and 42 respectively of this report.

Outlook
We look forward to the future with confidence. We have a strong management team, a customer offer with potent appeal, a high returning business model and a proven growth strategy with a long runway for growth. With the good progress made during the year in terms of distribution capacity infrastructure, our new store pipeline going forward and the increased capability and depth in our teams, both in the UK and Germany, I believe we are well positioned to deliver further growth in the year ahead.

Sir Terry Leahy
Chairman
25 May 2016

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

£2,035.3m
Total Group revenues

Our business model

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.

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 sensational value encourages a "treasure hunt" browsing experience, which is something the customer enjoys and also offers us the opportunity to drive average transaction values.

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

Customers

B&M's unique business model is designed to deliver great value to our customers, day in day out. Our disruptive approach to product sourcing, combined with the disciplines of carefully edited ranges plus an obsession with low cost operations is how we keep our prices low and our ranges new and relevant.

Employees

Our rapid expansion delivers a constant flow of opportunities for staff, either in new stores or distribution centres, or to develop careers in supervisory or managerial roles. A high proportion of the management positions in new stores opened in the year were filled internally and we have record numbers of managers in training.

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" strategy since we aim to sell through an under-performing SKU prior to introducing a new product into the range.

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.

Partners

Suppliers benefit from our growth too and we like to work in partnership with them because long-term relationships have always been central to the way B&M does business. We pay on time and we aim to be straightforward to deal with. Our stores are also encouraged to play an active part in the communities they serve.

Investors

Our owners, pension and investment funds in the UK and elsewhere, benefit from the performance and growth that our business model supports. If we look after our customers and our other stakeholders well, our shareholders will benefit though B&M's share price, dividends and the return of surplus capital that the business does not need to fund its expansion.

Chief Executive's review

We aim to help customers spend less on everyday items for their homes and families, so household budgets go further.

"B&M's disruptive pricing, unique sourcing model and range discipline has continued to drive our business forward to win market share."

Simon Arora
Chief Executive Officer

Adjusted Profit Before Tax

+19.5%

2016: £161.4m
2015: £135.0m

Overview

B&M's strategy for driving sustainable long-term revenue and earnings growth has four key elements:

1. delivering great value to our customers;
2. investing in new stores;
3. developing our international business; and
4. investing in our colleagues and infrastructure.

By focusing on these four priorities B&M has continued to strengthen its position as the UK's leading multi-price general merchandise value retailer. We have also taken significant steps forward in preparing Jawoll, our German business acquired in 2014, to become over time the second engine of growth for the Group.

The strength of our unique, high returning and cash generative business model underscores our potential to increase significantly the scale of our business. We continue to believe there is scope to grow from over 500 stores today to at least 850 stores in the UK. Additionally the German market also offers exciting potential where we are working hard to accelerate the pace of expansion in our Jawoll store estate in Europe's largest consumer retail market. We are pleased that the B&M product sourcing and store format business model is proving to be a success for Jawoll.

Delivering great value

B&M's retail proposition is all about helping our customers spend less on everyday items for their homes and their families, doing what we can to enable tight household budgets go further. Our aim is to provide customers not only with great value for money across a broad range of product categories but also a fun and appealing shopping experience so that they want to return again and again to a B&M store.

Like-for-like sales for the year were +0.3%, which compares with +4.4% in 2014/15. Like-for-like performance is against a back-drop of deflationary pressures on grocery sales, but also more importantly the effect of the cannibalisation we have chosen to absorb from our record new store opening programme this year of 79 new stores.

Although trading conditions in the general retail sector were as competitive as ever in 2015/16, B&M's disruptive pricing, unique sourcing model and range discipline has continued to enable us to win market share. More people are able to access our stores as a result of our successful store opening programme and we now regularly serve 3.3 million customers on average each week compared to 2.6 million at the time of our IPO in June 2014. We only carry out very limited targeted advertising and our customers remain our most powerful advocates, with word of mouth continuing to help make B&M increasingly a familiar household name across the UK.

The competitiveness of our offer has continued to drive excellent growth during 2015/16, particularly in bulkier product categories that have benefited from the strong growth this year in the number of our larger Homestore units.

Investing in new stores

2015/16 was a record year for new store openings. We invested a total of £38.2m opening 79 new stores in the UK and a further 6 new stores in Germany. A modest number of UK store closures meant our estate grew by a net 74 stores in the UK whilst there were no closures in Germany.

New stores remain the main driver of B&M's revenue and earnings growth. A good pipeline of suitable leasehold store opportunities, the strong customer appeal and flexibility to trade across a wide range of store sizes and locations, combined with the low capital store intensity of our model means that we are able to grow fast and profitably. We believe we have a long runway of growth ahead, with at least 350 suitable catchments in the UK alone still without access to a B&M store. Securing a good flow of suitable, high quality new stores at attractive rents remains therefore a key strategic priority for the business over the medium term.

Property market conditions in the UK were unusually favourable in 2015/16, supporting our record new store programme including the availability of some very good store portfolio packages from national retailers who had decided to rationalise their retail estates. The availability of those packages of stores was the principal reason in the UK that we were able to open significantly more stores than originally planned for the year. However we believe these conditions are unlikely to be quite so favourable in 2016/17.

We have however assembled a good pipeline of new stores for 2016/17 with 50 net new stores planned for the UK and (as referred to below) around 19 for Germany. In the UK, we are seeing an increasing level of confidence from retail property developers to design and build new stores specifically for us, often on retail park locations alongside one or more other retailers. We expect this to be an attractive and useful source of new store opportunities going forward and, as a result, we already have some new store developments in our pipeline for 2017/18.

Developing our international business
Germany is a large, highly fragmented and underserved market for our variety retailing format. In the two years since B&M bought a majority stake in Jawoll our UK and German teams have made very good progress bringing the Jawoll business closer to the B&M model in terms of sourcing, assortment and store format. There is more to do and there are three key areas which we are focusing on as we prepare for more expansion:

- Accessing the B&M sourcing model: While appreciating differences in consumption patterns and tastes between UK and German customers, B&M and Jawoll have worked hard to increase access for Jawoll to B&M's differentiated general merchandise sourcing from China in areas from garden furniture and homewares to small electrical appliances. From a standing start Jawoll now sources over 2,000 products through B&M's supply chain network. There is more to do in terms of category coverage and growing volumes for Jawoll to access further buying efficiencies, but we are very pleased with progress so far.

- Store format convergence: We have been successfully trialling a small number of new format Jawoll stores over the last twelve months. They are smaller stores and have a lower SKU count than the regular Jawoll stores, and so are closer to the retail operating model of B&M. We are encouraged by their performance to date and are now confident that this will allow us to pick-up the rate of store expansion in Germany. There are 10 organic new store acquisitions planned for the 2016/17 financial year. We have also reached conditional agreement for the acquisition of a portfolio of 9 stores from a privately owned retail chain in the second half of 2016/17. This is an acceleration from 6 new stores opened in the year under review and 1 in the previous year when we acquired the business.

- Preparing for accelerated growth: Gearing up for acceleration in Jawoll's rate of expansion has required investment in infrastructure and people. The extension to our main Distribution Centre at Jawoll's head office in Soltau has almost been completed, and it has sufficient capacity to serve an additional 25 more stores to Jawoll's current store estate, with scope on the site still for further expansion. We have invested in IT infrastructure and Jawoll now has access to similar systems to those which have underpinned the success of B&M in the UK. Investment in our teams at Jawoll has also been continuing, with additional resource now concentrated on property acquisitions and overall head count growth in all key commercial areas.

Jawoll is a profitable business with a strong economic model, which is close to B&M's. Having taken the time to build patiently on its existing strengths and working with its established management team, we are now ready to accelerate Jawoll's pace of growth in the highly fragmented German general merchandise retail market.

Investing in our colleagues and infrastructure
We have continued to invest in physical infrastructure and in the skills and capability of our teams to support the long-term growth of the business.

During the financial year we added two new warehouses in the North West of the UK, in Runcorn and Middlewich. This provides us with the capacity we need to support our growth for at least the next two years. These two additional warehouses were brought on stream earlier than originally planned to support the additional stores that we acquired during the year. They did not become operational until the second half of the calendar year 2015, which was close to the build-up in stock levels ahead of the seasonal peak. Consequently, with those pressures, service levels from the distribution network were impacted and we experienced some disruption to store operations and trade for a number of weeks. Although December trading was itself pleasing with strongly positive like-for-like, the distribution function was not at budgeted productivity until the last few weeks of the financial year 2015/16. This resulted in higher than budgeted distribution costs in 2015/16 overall, but they have now settled to normal levels.

The total headcount of employees in the UK rose from 18,813 to 22,351 at the year ended 2015/16. Within that increase 674 new jobs having been created in the 2 additional UK Distribution Centres and 2,812 new jobs in UK stores.

Corporate Social Responsibility
B&M's approach to CSR is rooted firmly in the belief that our core purpose 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, helping tight household budgets go further. We also recognise of course that as a responsible business we have obligations as well to other key stakeholders, particularly our colleagues, suppliers and the wider community and the environment.

I am proud to say that our expansion continues to create many opportunities for new colleagues to join B&M and for others to progress within the business. On behalf of the Board of the Group I would like to thank the whole team, both in the UK and Germany. The hard work and commitment of all our colleagues in the Group delivering the best value we can for our customers in the UK and Germany, day-in, day-out, is the basis of our success.

We have made further good progress this year on our broader corporate responsibility agenda, in particular:

- created 3,634 new local jobs together in the UK and Germany through our expansion programme;
- maintained our record of strong, long-term supplier relationships;
- maintained our commitment to prompt supplier payment, with UK and German suppliers paid on average 24.6 days after delivery;
- maintained our strong record of reduced supply chain waste, with 99% of trade packaging in the UK still being recycled and 79% in Germany; and
- continued to build on the management reporting protocols established in 2014/15 in areas such as greenhouse gas emissions, health & safety, employee diversity and supporting charitable activity.

Outlook
We made very good strategic progress in 2015/16. The business grew rapidly, opening a record number of new stores, making a step-change in its Distribution Centre infrastructure capacity in the UK and pushing ahead with its preparations for accelerated growth in Germany in relation to product sourcing, format development, infrastructure and creation of a store expansion team. We achieved this whilst also generating significant cash flow, demonstrating the attractiveness of our unique business model.

We are confident that we now have an even stronger platform from which to deliver future growth in the current year and into the long-term, both in the UK and Germany. Whilst we are mindful that the general economic outlook is uncertain, and the market remains fiercely competitive, we have made a solid start to the new financial year. We believe our unique business model places us in a strong position and we look forward to the year ahead with confidence.

Simon Arora
Chief Executive Officer
25 May 2016

Our markets

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.

Our Markets
We are well-positioned to grasp the huge white space opportunity within our chosen markets by continuing to roll out our successful high returning formats in locations either where we do not yet have stores or are still under-represented.

UK
Our key store network is in the UK, today comprising over 500 stores. We view the retail market in the UK broadly as being represented by retail sales through grocery retailers and sales by general merchandise retailers.

Grocery
The grocery market in the UK was approximately £163 billion in 2015. B&M's UK grocery sales are focused on a limited assortment of ambient food, drink and confectionery lines, which are typically convenience or impulse buys across a number of market leading brands. Despite the competitive character of this market, our small market share combined with our simple targeted and low cost model means, we are well placed for future growth.

General merchandise
We believe the UK market for general merchandise is around £130 billion. In the UK speciality retail segment we compete against a wide range of the category specialist retailers, but we only carry a limited assortment in each individual product category. This disciplined limited assortment offering allows us to buy in volumes on the lines we stock, source direct from manufacturers and keep our costs down. We can achieve acceptable net financial returns with highly competitive gross margins, which means our pricing can be highly disruptive. We look to avoid products that would add complexity and cost to our business, such as products that require a high level of administration, customer returns, home delivery or technical customer service.

Our policy of passing on savings from our direct sourcing model and our limited advertising spend means that consumers are our greatest advocates, as they tell friends and family about our value for money. We also flex our range according to the selling season, so for example in the Spring/Summer season we will carry ranges of the best-selling gardening and outdoor products whereas in the Autumn/Winter season this space will be used to sell the most popular toys and seasonal Christmas products. We believe we offer consumers a compelling proposition based on convenience and value within these important seasonal categories. The size of the general merchandise market in the UK is such that we continue to believe we can still grow our estate significantly without reaching constraints on market share.

New store opportunity
B&M is able to trade profitably across a broad range of locations in the UK: town centres, urban district centres, shopping malls, city centre secondary pitches, retail parks and solus standalone sites. We operate a broad range of store sizes, with the sales areas of our UK stores typically ranging from 5,000 sq ft to 40,000 sq ft, with an average of approximately 24,000 sq ft for the FY2016 UK openings. This location and size flexibility increases the potential size of our UK store estate, indeed many towns and cities could support multiple stores both in-town and out-of-town.

UK store target
Prior to our IPO in 2014, we commissioned external consultancy research on the white space opportunity within the UK. That research employed six filters to identify the total number of potential catchments that could support a B&M store. The conclusion (see box, page 11) was a UK store target of 850 stores, which we conservatively believe (based on the experience gained from opening nearly 150 stores since that research was commissioned) is readily achievable without compromising on key site selection criteria such as (for example) population density or affordability of store rental costs.

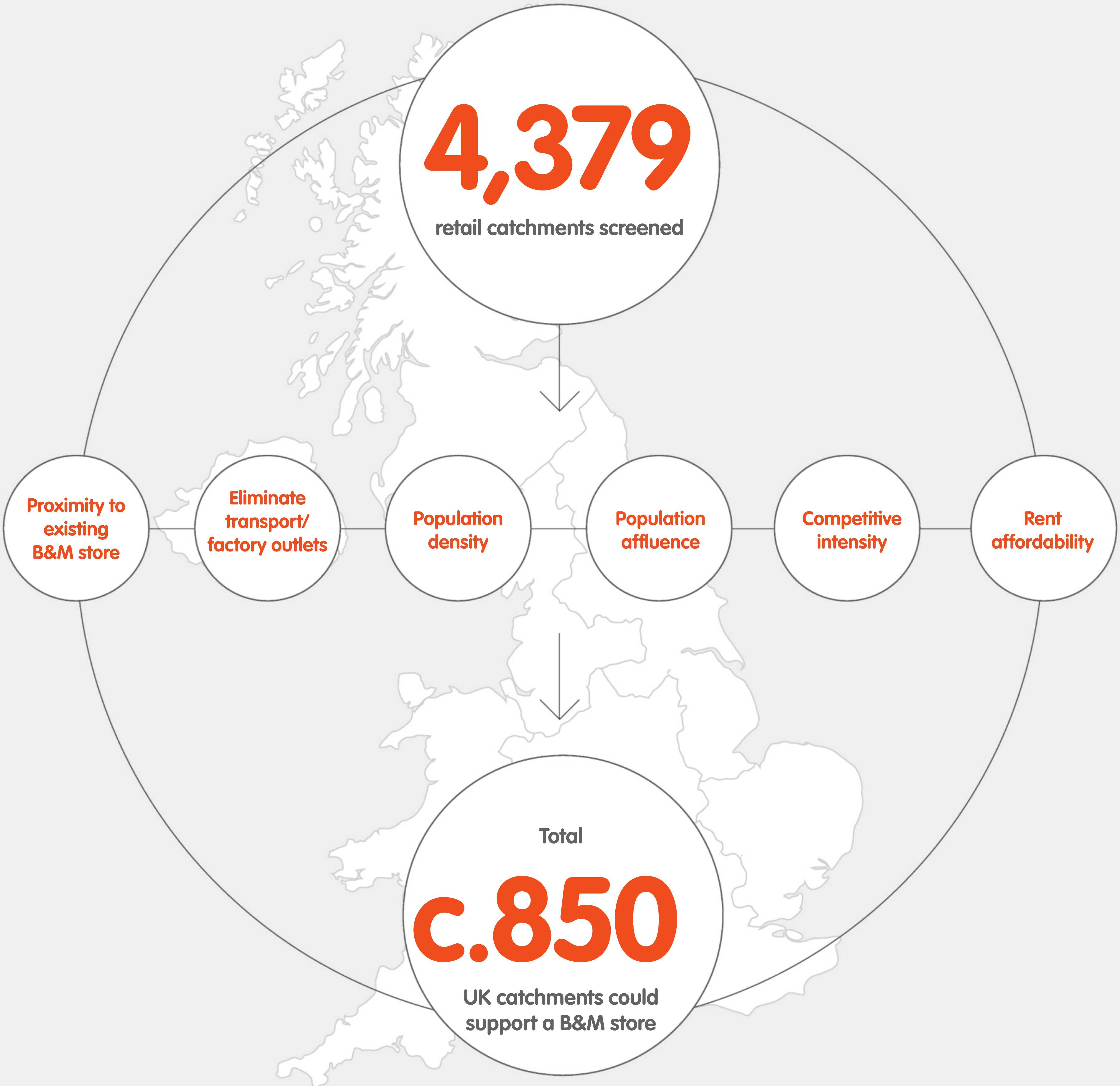
Germany
We have been operating in Germany since April 2014 following the acquisition of a majority stake in Jawoll at that time. The size of the German retail market in 2015 by total store based sales of grocery and general merchandise retailers was around €400 billion.

Jawoll principally competes in the variety retailing market segment with only a limited range of grocery items and therefore differentiates itself from the highly competitive and pervasive grocery discount channel.

Our 56 Jawoll stores to date average sales area is approximately 23,000 sq ft. All the stores have a garden centre, with the gardening category being one in which Jawoll has a particular strength.

We believe the Jawoll business has the opportunity to expand both within and also outside its present core region, particularly as the industry appears fragmented without a leading variety goods retailer operating successfully on a national basis throughout Germany. We have successfully trialled over almost a full year trading cycle in 2015/16 a few smaller format stores of 10,000 sq ft sales area, with encouraging results. This format will therefore form part of our accelerated store expansion programme going forward.


Exit Only
500


4,379
retail catchments screened
Proximity to existing B&M store
Eliminate transport/ factory outlets
Population density
Population affluence
Competitive intensity
Rent affordability
Total
c.850
UK catchments could support a B&M store

Our strategy

How we plan to deliver our objectives:

Aims	Objective	Progress
1 Deliver great value to our customers	We plan to continue to offer our shoppers very attractive prices across a range of both grocery and general merchandise products. This leaves us well placed to take advantage of the structural shift in the UK retail market to value-led retailing. 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 own label expertise and maintain a focus on directly sourcing these products. Our sourcing strategy and in-house design capability allows us to have a high proportion of goods sourced directly from factories in the Far East, the benefits of which we pass on to our customers.	We have continued to expand our own label programme 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, whereby we utilise heritage brands to enhance the product quality and value to the customer has been expanded into new areas such as electrical.
2 Develop our international business	We wish to replicate our variety retailing model in appropriate markets outside of the UK and we believe that there exists a significant opportunity for growth through a disciplined expansion in the European market. In April 2014 the Group acquired a majority stake in Jawoll, an out of town variety goods retailer based in Germany. Over the past two years we have worked hard to give the Jawoll business access to our sourcing network, develop a retail format which is closer to the B&M model and to prepare it for greater expansion.	The Jawoll business has traded in line with our expectations and it has made good progress on a number of strategic initiatives. The Group has provided the Jawoll buying team access to the Group's Far East supplier base and approximately 2,000 lines have already been introduced into the Jawoll stores for the Spring/Summer season in 2016.
3 Invest in new stores	We believe that the UK has the potential for at least 850 B&M stores over the long term and our flexible store format and product offering allows us to successfully trade in both out-of-town and town-centre locations across a wide range of store sizes, ranging from sales areas of 5,000 to 40,000 sq ft.	The UK property market remains favourable to support our new store opening programme and we have opened 74 net new stores in the financial year 2015/16, this includes vacant existing properties, space from national retailers who are "right-sizing" their estates and design and build new development.
4 Invest in our people and infrastructure	The Group will continue to invest in its infrastructure to support the long-term growth opportunities including both the physical infrastructure and its people.	In FY2016 we invested in additional warehouse capacity to support the new store opening programme and in a new warehouse management system to drive efficiencies and enhance resilience, creating 674 new jobs in our 2 additional UK Distribution Centres and 2,812 new jobs in UK stores. Although this new capacity is now fully on stream and operating well, we did encounter some disruption to normal store service levels during the commissioning period which was quite late in the calendar year, coinciding with our busiest quarterly trading period. Whilst strategically this represented substantial progress, in the short term there were some pressures on service levels from our distribution network to stores. While those issues have now been satisfactorily resolved, they did impact store operations and trade for a number of weeks during the financial year 2015/16.

		Performance KPIs	
	We constantly look to develop new product sub-categories within our existing product mix to which we can apply our sourcing model and this year we have introduced a range of directly sourced DIY products.	– UK sales growth +24.7%	**+24.7%** UK sales growth
	Jawoll has invested in a small number of new trial stores during the last 12 months and we have been pleased with their performance. This has encouraged us to enlarge Jawoll's expansion programme to 10 organic new stores per annum and to actively look for additional portfolios of stores for acquisition. Jawoll has also commissioned 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.	– Opened 6 further new format pilot Jawoll stores increasing the store estate to 56 stores. – Conditional agreement entered into to acquire 9 stores from a private retail chain in the second half of 2016/17. – 800 further B&M product lines introduced into Jawoll.	**800** Further new product lines introduced
	The stores have been opened across a wide geographical area of the UK, including both new markets and infill within our existing heartland. The new stores are trading in line with our expectations.	– Opened 79 new B&M stores (net 74 stores), increasing the UK estate by 17.4% to 499 stores. – Opened 6 new Jawoll stores (net 6 stores), increasing the German estate by 12.0% to 56 stores.	**74** Net new UK stores **6** Net new German stores
	We continue to recognise the need to continually refresh our existing store estate and we invested £13.2m in maintenance capital expenditure as part of a rolling programme of continuous investment in the store estate. We have strengthened our Operations team with the appointment of Martin Roberts as UK Retail Operations Director, and we are continuing to invest in other key functions across our businesses in the UK and Germany.	– New distribution centres opened during the year in the UK in Middlewich and Runcorn increasing overall UK distribution warehouse capacity by another 800,000 sq ft. – Investment in maintenance capital expenditure, £13.2m.	**800,000 sq ft** Added to UK distribution centre capacity

Store expansion

B&M opened a record 79 new stores in the UK in 2015/16, being 74 net new store openings in the year, at a time when many large retailers were either cutting back on expansion or actively reducing the size of their store networks. Despite our fast pace of expansion there are still hundreds of places across the UK where we could trade profitably, but where we currently do not yet have a B&M store. By the end of the year we were still less than 60% of the way towards our long-term target of 850 UK stores.

As a value retailer with a flexible format, we like to keep things simple so we focus on getting the right stores, in the right places, at attractive rents. We can trade successfully across a very broad range of store sizes, with sales areas from 5,000 sq ft to 40,000 sq ft and on high streets, retail parks and stand-alone sites. Landlords like B&M not just because of that flexibility but also because our offer can attract thousands of customers week-in, week-out, wherever we trade, and that's good for property values.

Because our retail model is capital light, we keep to a fresh and clean look and fit-out for our stores too. Our typical investment per store is generally between £250k and £800k and, combined with the strength and breadth of our consumer appeal, this means that our investment returns are particularly strong for a retail business and with payback periods on average measured in months, as opposed to years.

One of the most important things for us to focus on is our strategy to fill in as much of the white space across the UK as we can where there are no B&M stores because we still have plenty of cash generative growth to come. Even when we get to 850 stores our market shares across our broad range of categories will still probably be mostly in single digits.

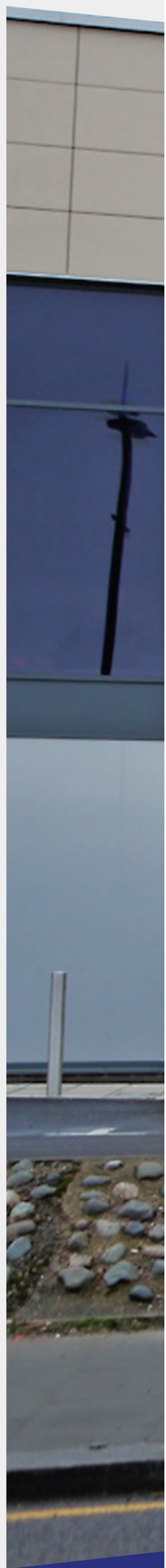
To see more, go to page 11

499

Total UK stores – 2016
B&M opened 79 new stores in the UK in 2015/16 (net: 74 new stores), being a record year with a good pipeline still ahead.

850

UK store opening target
At least 350 more suitable catchments in the UK still without a B&M store.



Focus on strategy

To fill as many suitable catchments across the UK where there are no B&M stores.

74

Net new stores opened in the UK in 2015/16

Financial review

Operating cash flow continued to remain strong whilst also investing in a record number of new stores and making a significant increase in our warehouse capacity.

"The new stores in the UK added over £40m of incremental EBITDA to the Group and we continue to see an attractive level of returns from our new store investment."

Paul McDonald
Chief Financial Officer

Adjusted EBITDA:

+16.2%

2016: £202.5m
2015: £174.2m

Accounting period
The FY2016 accounting period represents the 52 trading weeks to 26 March 2016 and the comparative FY2015 period represents trading for the 52 weeks to 28 March 2015.

Revenue
The Group achieved revenues in excess of £2 billion for the first time in FY2016 with actual revenues of £2,035.3m (FY2015: £1,646.8m), this represents an increase of 23.6% and on a constant currency basis this was a 24.3% increase.

In the UK, revenues increased by 24.7% to £1,902.6m, principally driven by the new store openings, including both the annualisation of revenues from the 52 net new store openings in FY2015 and the 74 net new store openings in FY2016.

There were a total of 79 openings and 5 store closures in the year. The 79 store openings represented a record number for the Group and the stores contributed revenues of £249.8m in FY2016, reflecting both the number of new stores and also their timing within the year, with 47 opened during the first half of the financial year. The new stores have performed well and returns from them remain attractive. The five closures that took place were relocations, where the business was able to open a new, better-located or larger store.

Sales in the like-for-like store estate grew sales by +0.3%. This growth was against a strong like-for-like comparable of +4.4% in FY2015. The like-for-like performance was adversely affected by deflationary pressures on grocery retail prices and predicted cannibalisation of revenue reflecting the record number of openings that took place in the year and the proximity of some of these stores to the existing store estate. On an underlying basis, like-for-like sales growth was +2.4%. The calculation of underlying like-for-like brings new stores into the like-for-like estate 14 months after opening (rather than 12 months), to avoid comparison with the opening 2 month 'halo' when a new store is opened, this equated to 0.6%. Similarly, it excludes existing stores within a three mile radius of a new store in the catchment for the first 12 months following the opening of a new store, this equated to 1.5%.

In our German business Jawoll, revenues grew to £132.7m, which was a 10% increase over the £120.6m achieved in the 11 months of the Group's ownership of the business in FY2015. In local currency, revenues increased by 18.1%, which was driven by 6 new stores opened in the year combined with modest like-for-like revenue growth.

Gross margin
Our gross margin decreased by 6 basis points to 34.5% (FY2015: 34.6%). In the UK business the margin reduced by only 12 basis points as the business managed to largely mitigate the adverse impact of US dollar strength, benefitting from increased buying power and an improved sales mix towards higher margin non-grocery product. In Germany we saw margin improvement of 105 basis points to 37.9% (FY2015: 36.8%).

Operating costs and adjusted EBITDA
The Group continues to manage costs carefully whilst also ensuring that strategic investments are made in both the UK and German businesses' head office functions and warehouse infrastructure in anticipation of future growth. The operating costs of the Group in FY2016, including depreciation, grew by 26.6% to £520.9m.

In the UK, operating costs excluding depreciation were £462.6m (FY2015: £361.9m), an increase of 27.8% and costs as a percentage of revenues increased by 60 basis points to 24.3% (FY2015: 23.7%). There were planned cost increases, driven by the number of new store openings in the year and the annualisation of costs from the new store openings in FY2015. The new stores in the UK added over £40m of incremental EBITDA to the Group and we continue to see an attractive level of returns from our new store investment.

The UK business incurred additional fixed occupancy costs of £3.4m in the year, following the opening of the two new UK warehouses in June and September to support the new store opening programme. There will be a further £1.3m of incremental costs incurred in FY2017 given the new warehouses were not operational for the full 12 month period in FY2016. During the year our variable transport

Summary operating profit

£millions

	2016	2015	%
Number of Stores			
UK	499	425	17.4%
Germany	56	50	12.0%
Total Stores	**555**	**475**	**16.8%**
Revenue	**2,035.3**	**1,646.8**	**23.6%**
Gross Profit	703.0	569.9	23.4%
%	34.5%	34.6%	-0.1%
Operating Costs			
UK	(462.6)	(361.9)	27.8%
Germany	(37.9)	(33.8)	12.1%
Adjusted EBITDA	**202.5**	**174.2**	**16.2%**
%	9.9%	10.6%	-0.6%
Depreciation	(20.4)	(15.6)	30.8%
Interest	(20.7)	(23.6)	-12.4%
Adjusted Profit Before Tax	**161.4**	**135.0**	**19.5%**
Exceptional Costs	(6.4)	(24.1)	-73.5%
Exceptional Interest Costs	(0.4)	(49.2)	-99.1%
Profit Before Tax	**154.5**	**61.7**	**150.6%**

555

Number of stores 26 March 2016

16.8%

Increase in store estate FY16

and warehouse costs as a percentage of revenues increased by 57 basis points to 4.0%, as we incurred unbudgeted short-term operating costs to ensure that the new warehouses adequately serviced the store estate in the important Autumn/Winter trading period. By the end of the year, as productivity improvements were made, the cost performance returned to budgeted levels.

In Germany, costs excluding depreciation increased by £4.1m to £37.9m, (FY2015: £33.8m) reflecting the additional month of trading in FY2016 compared to 11 months of Jawoll being part of our Group in FY2015, the impact of the new stores and investments made in buying and head office teams in Germany to support the future growth of the business.

We report an adjusted EBITDA to allow the Board and investors to understand better the underlying performance of the business, and the items that we have adjusted are detailed in notes 3 and 4 on pages 72 and 73 of the financial statements. These adjustments include costs totalling £6.4m in FY2016 (FY2015: £24.1m). In FY2016 the majority of those costs related to new store pre-opening costs.

In the UK the adjusted EBITDA increased by 16.4% to £190.2m (FY2015:£163.4m) and in Germany adjusted EBITDA increase by 13.8% to £12.3m (FY2015:£10.8m). The Group adjusted EBITDA increased in the year by 16.2% to £202.5m (FY2015: £174.2m) and on a statutory accounting basis EBITDA increased by 30.6% to £196.1m (FY2015: £150.1m).

Financing Costs

Following the capital restructuring of the Group prior to the IPO and subsequent refinancing in FY2015, FY2016 is the first year that fully reflects the finance costs of the post IPO capital structure. The underlying interest costs in the year reduced by 12.4% to £20.7m, (FY2015: £23.6m) which comprises bank and finance lease interest of £19.3m and amortised fees of £1.4m.

The exceptional interest costs of £0.4m relates to the non-cash charge on the Jawoll put/call option of £0.7m and a £0.3m credit on the mark to market value of interest rate hedges.

Financial review continued

In FY2015 the £49.2m comprised £28.8m of previously unamortised fees that were written-off in the year relating to the March 2013 refinancing, £16.2m of non-cash interest on the preferred equity certificates that were subsequently converted to equity, £2.2m mark to market value of interest rate hedges and £2.0m relating to the non-cash charge on the Jawoll put/call option.

Profit before Tax

The statutory profit before tax was £154.5m, which compares to £61.7m in FY2015, although FY2015 was distorted by the exceptional costs, largely relating to costs associated with the IPO and the previous financing structure. Hence we also report an adjusted profit before tax to allow the Board and investors to understand better the operating performance of the business. The adjusted profit before tax was £161.4m (FY2015: £135.0m) which reflected a 19.5% increase.

Taxation

The tax charge for the year was £28.8m (£21.9m in FY2015) and the underlying charge was 21.0% (FY2015: 22.9%). There was a prior year adjustment of £1.8m that reduced the corporation tax liability in the year relating to the treatment of interest costs on the pre-IPO capital structure. The tax charge in the year was also reduced by 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 corporation tax rate to 18%. 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 20% in the UK and 30% in Germany, with the effective rate likely to be approximately 70 basis points higher, reflecting non-qualifying expenditure.

Profit after tax and earnings per share

The profit after tax was £125.8m compared to £39.9m in FY2015, and, on an adjusted profit after tax basis which is a better measure of performance due to the reasons outlined above, it was £131.5m which was a 26.3% increase over last year (FY2015: £104.1m).

The basic and fully diluted adjusted earnings per share for the year ended 26 March 2016 was 13.0p; (FY2015: 10.3p), an increase of 26.2%.

Investing activities

The Group's net capital expenditure during the year was £56.2m. This was principally driven by the new store opening programme, with 85 stores having been opened in the year, with a capital expenditure of £36.9m and £1.3m in the UK and German business respectively. We ended the year with 499 stores in the UK and 56 in Germany.

Another major feature of the year was the investment in additional warehouse capacity, both in the UK and Germany ahead of planned store openings, with the fitting out of the two new warehouse locations in the UK at a total cost of £2.4m and a further £2.4m having been spent to date on the warehouse extension in Germany.

The Group also continues to invest in its existing store estate and an additional £13.2m was incurred on maintenance expenditure, representing 0.6% of revenues, including investments made in store refits and IT hardware.

Net debt and cashflow

The Group continues to be strongly cash generative and during the year the cash flow from operations increased by 11.8% to £170.9m (FY2015: £152.9m). This reflects the continued growth in EBITDA and the tight control over working capital in the UK. There was some planned additional working capital invested in Jawoll of £6.6m as the strategic aim of increasing the products sourced through the B&M supply chain continues to grow.

The Group's net debt in the year has reduced to £354.2m (FY2015: £381.0m) and the net debt to adjusted EBITDA has fallen to 1.75 times from 2.19 times at the end of FY2015.

Capital structure

The Group continues to grow rapidly, opening 133 new stores (net 126 stores) in the UK during the last two financial years, as well as acquiring a majority stake in Jawoll in Germany in June 2014. The cash generative qualities of our unique business model have enabled the Group to invest in infrastructure in the UK and Germany to support our store, revenue and earnings growth whilst at the same time paying (subject to shareholder approval at the AGM) an increase in our total dividend for FY2016 of 41.2% compared with FY2015 and reducing the net debt from a ratio at March 2014 of 3.3 times net debt to adjusted Group EBITDA to 1.75 times at the end of FY2016.

The Board remains committed to investing for future growth, to its progressive dividend policy and to maintaining an efficient balance sheet. In the context of our continuing growth, it has been concluded that an appropriate ratio of net debt to adjusted EBITDA should be around 2.25 times. In line with this capital structure policy the Board has declared a Special Dividend of 10.0p per share[1], which will be paid on 8 July 2016 to shareholders on the register of the Company as at close of business on 10 June 2016.

Restatements

As explained more fully in the basis of preparation (within note 1 on page 61 below), goods in transit from overseas suppliers are now reflected in the statement of financial position as from 29 March 2014. The comparative figures in the statements of financial position as at 28 March 2015 have, accordingly, been restated. These restatements have no impact whatsoever on the statements of comprehensive income, nor on net equity in the current financial year or in prior years .

Ordinary dividend

An interim dividend of 1.6p was paid in January 2016 and it is proposed to pay a final dividend of 3.2p per share. The total dividend of 4.8p for the 2015/16 financial year reflects the upper end of the dividend policy of 30 to 40% of normalised post IPO earnings.[1] Subject to approval of the dividend by shareholders at the AGM on 29 July 2016, the final dividend of 3.2p per share is to be paid on 5 August 2016 to shareholders on the register of the Company at the close of business on 24 June 2016. The ex-dividend date will be 23 June 2016.

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

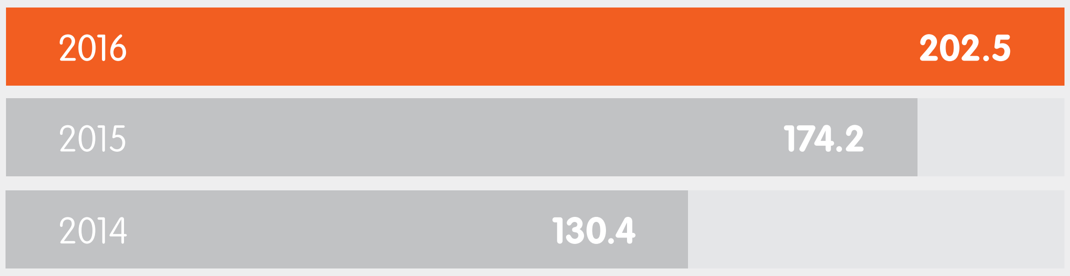
Paul McDonald
Chief Financial Officer
25 May 2016

Key performance indicators

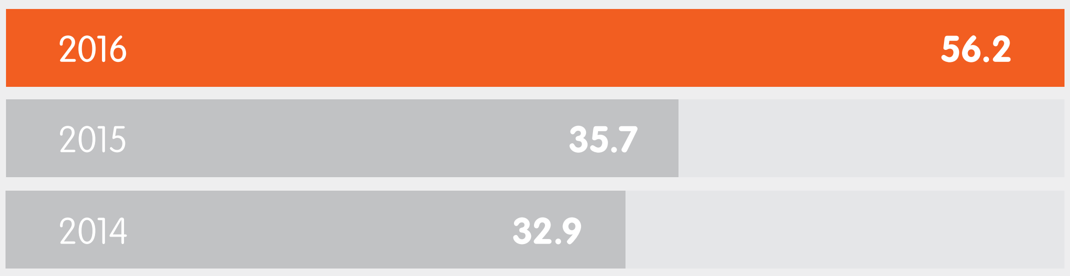
The key financial performance indicators we use to monitor the performance of the Group and how we performed against them are as follows:

Total sales growth (%)

Adjusted EBITDA (£m)

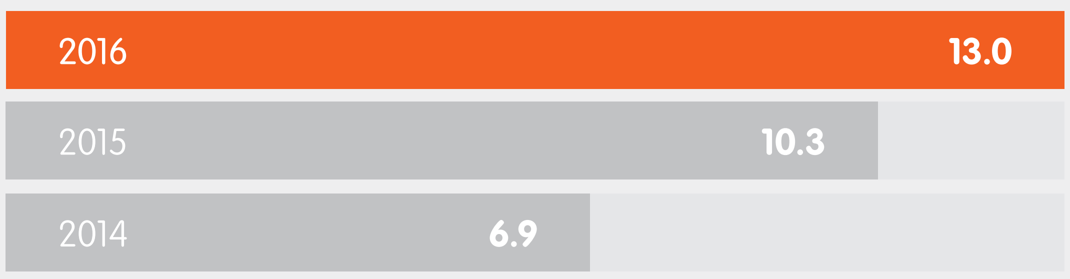


Capital expenditure (£m)

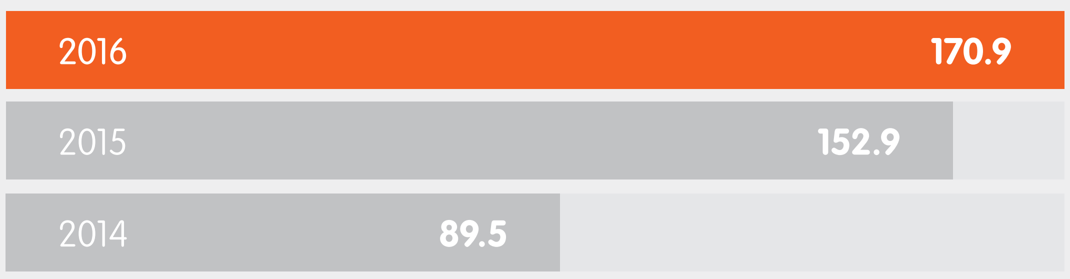


Adjusted EBITDA (%)

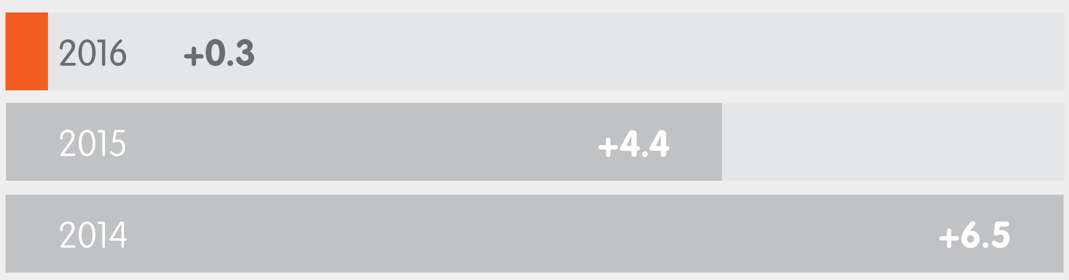
Adjusted diluted earnings per share (p)



Cash generated from operations (£m)



UK like-for-like sales growth (%)



Net new UK stores opened – 2016

74

Operational logistics

In retailing there is a big difference between simple and easy. B&M tries to keep things simple in everything it does, but getting the right products to customers at the right time, at the lowest cost is not easy across now more than 500 stores 7 days a week.

A signifcant number of lines are sourced directly in China, transported by ship to the UK and onward to our Distribution Centres in Speke, Knowsley, Middlewich, Runcorn and Blackpool for picking and transportation to stores.

In an environment of often long lead times, plus varying rates of sale and product volumes across our ranges, operational logistics is therefore one of the biggest challenges we face every day in B&M. Our highly skilled and experienced distribution team, which is now 2,089 strong, plays a key role in our success. And things never stand still; in 2015/16 we added 2 new warehouses in the UK giving us a further 800,000 sq ft of distribution centre capacity to support our UK store growth.

This kind of growth adds extra demands in an already complex environment and although the year was not without its challenges in terms of maintaining our high standards of store service levels, we did see some dips though the Autumn/Winter seasons as we brought that new capacity on stream. But we now have sufficient warehouse distribution capacity for at least the next two years of growth in the UK.

In Germany too our Jawoll teams have worked hard in 2015/16 to deliver a substantial new extension to Jawoll's main Distribution Centre. This has now added 46,500 sq ft to the warehouse capacity there to serve 25 more stores giving Jawoll the scope to forge ahead with its store expansion programme in Europe's largest consumer market.

See more, go to pages 12 and 13

800,000 sq ft

Added to our UK distribution centre capacity

Distribution Centres

In 2015/16 we added two further warehouses to our distribution centre network in the UK, giving us sufficient additional capacity for at least the next two years.

Principal risks and uncertainties

Risks and uncertainties

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

Risks and 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 annual internal audit plan, taking into account current business risks.

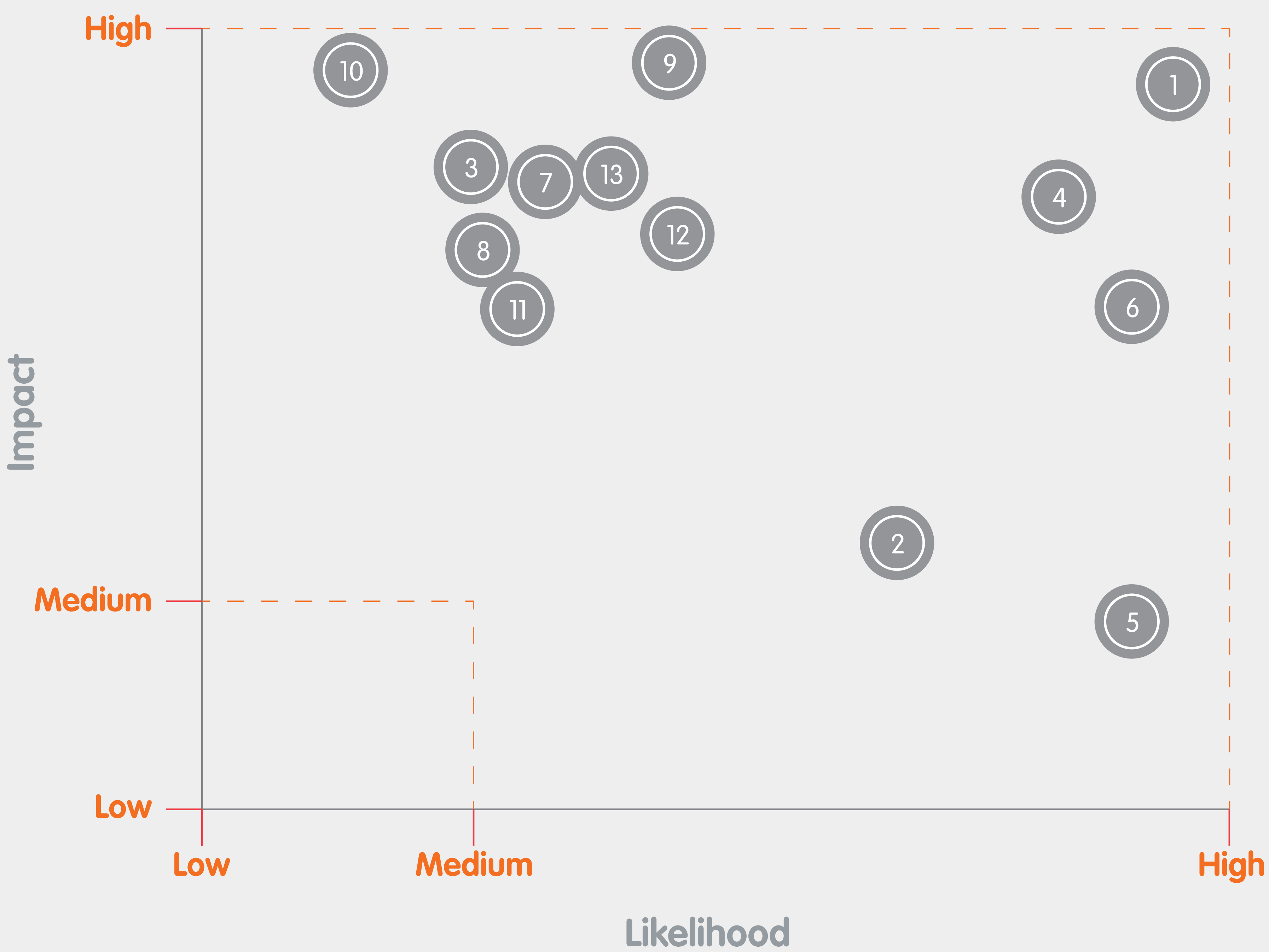
Risk Type	Risk Number	Description	Risk Mitigations
Competition	1	The Group operates in a highly competitive retail market both in the UK and Germany and this could materially impact the Group's profitability and limit the growth opportunities.	• Continuous monitoring of competitor pricing and product 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 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 risk of management over-ride of controls.	• 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. • We have a disaster recovery strategy. • We have an on-going PCI compliance strategy. • 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.	• We have a number of policies and codes across the business 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 also 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 allow colleagues to confidentially report any concerns or inappropriate behaviour within the business.

Risk Type	Risk Number	Description	Risk Mitigations
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.	• 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 covenants 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 no single supplier accounts for more than 3% of purchases. • The combination of individual buyers and supplier employees conduct factory visits.
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.	• Two new warehouses have been opened during the year and further 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.

Principal risks and uncertainties continued

Risk Type	Risk Number	Description	Risk Mitigations
Store Expansion	11	The ability to identify suitably profitable new store locations is key to delivering our growth plans.	• Our property acquisition managers actively monitor the availability of retail space with the support of 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 in to 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.
Warehouse Management	13	The failure to implement the new warehouse management system effectively.	• A project management team is in place and this is being headed by an experienced project leader. • External experts will provide support for the duration of the project.

All of these risks have an owner within the executive management team of the Group.



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 22 to 24 above 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 22 to 24 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.

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 30 March 2019.

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.

Product sourcing

Over some years B&M has developed a sophisticated and responsive sourcing network for the supply of its products. We source most of our grocery and FMCG ranges from global manufacturers, many of which have subsidiaries in the UK and Europe, but our general merchandise ranges are mostly sourced in China from many suppliers who we have worked with season after season.

This is integral to the B&M business model. We aim to deal direct with suppliers rather than through wholesale intermediaries, on short lead times, and our range discipline means that we concentrate our buying volumes on winning lines and the top sellers in each category. The cumulative effect of these elements of our sourcing model mean we can deliver very competitive pricing and constant refreshing to our ranges for customers.

Much of the product design is done by our 173 combined buying team colleagues in the UK and Germany. We know shortly after putting an item on the shelf whether it is selling; if it is, we repeat the order and will have more product in our stores which can be within as little as over eight weeks lead time, or we refresh it by improving our packaging or design, or we discontinue the line and clear slow-selling stock as we go. By working in this way we maintain stable stock turns and strong margins in our business.

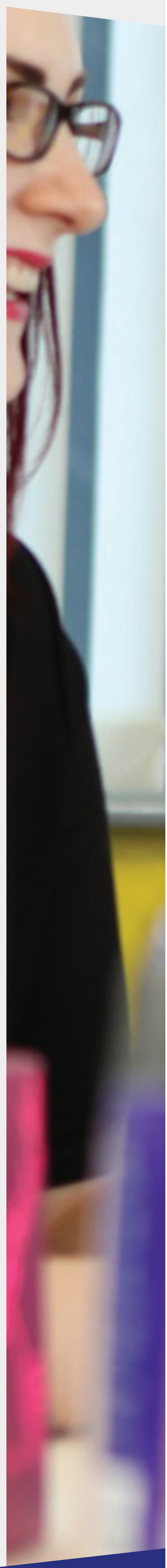
Our supplier relationships are very important to us. We see them as part of our competitive edge and a vital underpinning of our core purpose; to help our customers spend less on everyday products for their homes and families and give them a fun and appealing shopping experience. The way we deal with suppliers is therefore a key part of how we routinely do business and of our corporate social responsibility agenda.

We always seek to deal with suppliers in a fair and honest way; pay them in a timely manner, usually in full in advance of delivery for China sourced products and in return we expect our suppliers to adhere to ethical trading practices, as referred to further on page 29 below in relation to our Workplace Policy initiative.

See more, go to page 29

20,000

Over 20,000 containers shipped from our suppliers in the Far East in 2015/16.



In-house designers

We have a dedicated product design team within our 130 strong Buying and Merchandising UK team.

Corporate social responsibility

Our approach
B&M's approach to CSR is rooted firmly in the belief that our core purpose 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.

Our Corporate Social Responsibility strategy focuses on the following areas: the Environment, our Suppliers, Health and Safety and our Colleagues and members of the executive management team have responsibility for each of these areas and they form regular agenda items at our Board meetings.

This year we have continued to build on the management reporting protocols that we established in FY2015, in areas such as greenhouse gas emissions, health & safety, employment diversity and supporting charitable activity, and for the first time, we are incorporating reporting on these areas from our German business, Jawoll.

Environment
As a retailer we recognise that our supply chain and operations will impact the environment and that we have a corporate responsibility to minimise impacts both now and in the future. Our business model is relatively simple and we focus on the recycling of product packaging, minimising the overland deliveries of our directly imported products, reducing our electricity usage and improving our fuel efficiencies to help minimise the impact of our business on the environment.

Waste recycling
We continue to be committed to reducing our waste and in the UK, we have invested in additional facilities to recycle waste at our new warehousing locations, which allows us to return waste cardboard, plastic, metal and wood from our 499 stores in the UK. The principal source of this waste arises from the necessary packaging of our products and we continue to work with our suppliers to minimise the packaging on our products whilst ensuring items are not damaged in transit. In FY2016 63.7% of our waste in our UK business was directly recycled via our in-house facilities, which is an increase from the 63.0% that we achieved in FY2015.

The remaining waste which we are unable to recycle ourselves within the business is sent to a specialist third party for further recycling so that other recyclable content can be extracted. This process leads to a further 35.5% of waste being recycled and in total 99.2% of our waste is recycled with the remainder sent to landfill.

Within our German business we are equally as keen to reduce waste and 79.7% of waste is currently recycled and we aim to improve on this in FY2017.

The overall level of packaging waste recycled by the Group in FY2016 was 98.4%

We have seen a reduction in carrier bag usage of 27% across the UK estate following the introduction of the carrier bag levy in the England and Wales in April 2015 and we have set up internal processes to distribute the cash proceeds from the levy to charitable organisations.

Greenhouse gas emissions reporting
Around 76% of our carbon footprint in the UK is as a result of our electricity and gas usage from our stores and our warehouse facilities, with diesel accounting for the other 24%. As a retailer rapidly expanding our store estate, as well as opening two additional warehouse facilities in the UK in the year, the size of our carbon footprint has unavoidably increased and this is likely to continue as we expand our retail estate.

In order to express our annual emissions in relation to a quantifiable factor we are using 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 usage and then using the published factors.

In the UK our overall intensity ratio has worsened by 3.0%, which is largely due to the opening of the two new large UK warehouse facilities, but as we continue to service additional stores from the new warehouses, and therefore increase revenues, we would expect this ratio to improve in FY2017.

The intensity ratio for Jawoll in Germany is 95.89 and the overall Group is 54.85.

Greenhouse gas data
FY2016 relates to the period from April 2015 to March 2016 and FY2015 relates to the period from April 2014 to March 2015

	FY2016			FY2015	%
	UK	Germany	Total	UK Only	UK Change
Scope 1 Emissions	23,902	639	24,541	20,194	18.4%
Scope 2 Emissions	75,014	12,115	87,129	56,861	31.9%
Total Emissions	98,916	12,754	111,669	77,055	28.4%
Scope 1 Intensity Ratio	12.56	4.80	12.05	13.23	-5.1%
Scope 2 Intensity Ratio	39.42	91.09	42.79	37.26	5.8%
Scope Intensity Ratio	51.98	95.89	54.84	50.49	3.0%

Tonnes / £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 hybrid cars, given that these have lower CO_2 emissions and currently 40% our car fleet are now hybrid models. We plan to increase this level as company cars become due for replacement;
- on our directly imported merchandise from the Far East, we use slow steamer container ships given that they are more environmentally friendly;

- our UK warehouses are based in the North West of England and approximately 70% of goods are shipped to the Port of Liverpool reducing the need to have overland transport from the more traditional ports in the South of England;
- in our stores we continue to invest in energy efficient LED lighting. In our new stores and as part of existing store estate maintenance programme we have invested in switching to LED lighting;
- we continue to upgrade our transport fleet and we have introduced new HGV tractor units that have the latest fuel efficient engines;
- similarly, we have been investing in a fleet of double-deck trailers to maximise transport utilisation and therefore minimise distribution mileage travelled.

Suppliers
We aim to have long standing relationships with our suppliers, treat them with respect, and keep our dealings with them as simple as possible since we believe that it is in our commercial interests to operate in this manner. We like to have simple, transparent net prices and minimise the use of rebates and retrospective discounts, and we only account for any income once the agreement period has ended. We operate using a standard set of terms and conditions, and provided the goods meet relevant quality and safety standards we will pay the supplier within the agreed payment terms. In FY2016 our UK suppliers were paid on average 23.3 days after delivery (FY2015: 24.2 days) and our import suppliers are normally paid in advance of the goods arriving into the UK.

Additionally, our reputation 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, so that our customers can rely upon the safety, quality and integrity of the products they buy from us.

As a statement of our policy on anti-slavery and human trafficking, the Group prohibits 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 adopted a Workplace Policy Statement which sets out the standards and principles which we expect our suppliers to adhere to. A copy of the policy statement can be found under the Corporate Responsibility section of our website at www.bandmretail.com;
- we are preparing to embark on a programme to communicate our Workplace Policy Statement to our existing and new suppliers and our sourcing agents to address the chain downstream from them, and to our employees across the Group;
- revisions have been made to our existing Whistleblowing Policy for employees to highlight the importance of adherence to the Workplace Policy Statement throughout the Group.

Our Workplace Policy Statement will be reviewed from time to time, and at least once annually, to determine if any changes are required and any further communication with employees and suppliers.

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 responsibility for ensuring health and safety compliance. There are a number of key performance indicators which form part of our regular board reporting pack, including the reporting of the number of accidents and those accidents that need 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 the current statutory requirements and that our health and safety policy is communicated to all our colleagues.

In the last 12 months, and given the opening of our two new warehouse facilities in the UK, the team has been working on ensuring that there is a standardised health and safety audit process across all our warehouses.

We take the welfare of our customers and employees very seriously at all times. We are therefore committed to ensuring that our business has appropriate health and safety standards across our store estate, as well as our warehouses and offices, such that our customers and employees can shop and work in a safe environment.

Corporate social responsibility continued

In FY2016 there were 46 reported accidents (0.1 per store) reportable to the Health & Safety Executive, (FY2015: 112 reported accidents and 0.3 per store) and this should be viewed in context of 174 million shopper visits per annum.

Employee responsibility
Our people and our teams make the difference within our business and our stores are popular and busy places to work. Working at our stores is demanding but we try to make it a fun and enjoyable experiences for all our colleagues. We strive 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 great place to work .

As a result of our new store opening programme we have created over 2,812 new jobs in our UK stores and 674 as a result of opening our two new UK warehouses in FY2016. Given our planned store roll out in FY2017 we will continue to create jobs in the communities where we trade.

Our apprenticeship programme across our UK stores now has over 600 colleagues enrolled. Due to this success we are now rolling-out a Distribution Centre Apprenticeship scheme in the UK.

We also have a successful initiative focused on getting the long-term unemployed back into work. In FY2016, 652 long term unemployed people secured a role within B&M.

We develop our own talent from within wherever we can, under our Step-Up programme in the UK. In this programme we encourage our store colleagues to put themselves forward to progress to deputy and store manager positions. In the last year over 70% of our Step-Up delegates have been promoted to their next role in B&M.

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 been building the impact of it into our business model and plans and we would expect to see some additional operating costs in our next financial year as a result.

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 our equal opportunities policy at B&M we actively encourage the benefits of having a diverse workforce across our business. Our Board comprises one female member. Full details of the composition of B&M's Board are set out on pages 32, 33 and 34. Below the Board and at the senior management level the percentage of employees who are female increases to 19%, and for all employees the female percentage of colleagues increases to 55%.

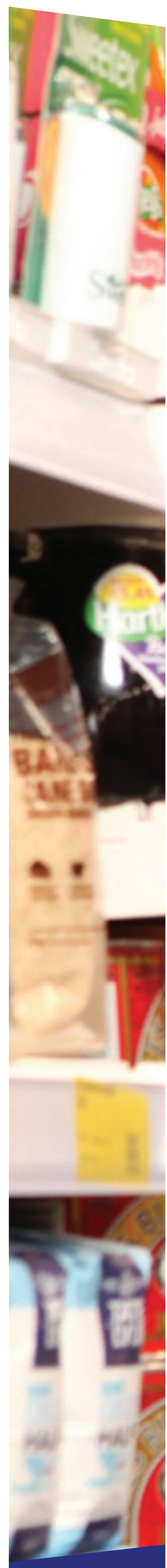
	Male	Female
Directors	7	1
Senior Managers	17	4
All Employees	10,716	13,013

Community
Our stores trade in local communities and we are keen to ensure that B&M plays an important part in the life of the places where we trade. Following the introduction of the carrier bag levy, we have set up an internal team to manage the distribution of the proceeds to worthy causes, and we are going to provide support to local charities managed by the Liverpool Community Foundation and to other charities right across the UK, with local stores nominating worthy causes in their communities.

This builds on our existing relationships within our communities. When we open a new store, they are typically opened by a 'local hero' who is normally a member of the local community known for their charitable or other work in the community. We provide vouchers and encourage the store manager to continue these relationships when the store is established.

The Company's Strategic Report is set out on pages 1 to 31. Approved by the Board on 25 May 2016 and signed on its behalf by:

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



98%

Over 98% of the overall packaging waste of the Group was recycled in FY16

Board of Directors

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

Sir Terry Leahy
Non-Executive Chairman of the Board and Chairman of the Nomination Committee

Sir Terry joined the B&M group as Non-Executive Chairman on 6 March 2013. He brings with him a wealth of retailing and senior executive experience, having worked at Tesco for 32 years during which time he served in a number of senior positions, including Chief Executive Officer from 1997 to 2011. He is currently a senior adviser to private equity firm Clayton, Dubilier & Rice LLC and a Non-Executive Director of Motor Fuel Group. Sir Terry is the Chairman of the Board of Directors of B&M and he also chairs the Nomination Committee. Age 60.

Simon Arora
Chief Executive Officer

Simon has been Chief Executive Officer of the B&M group since 1 December 2004. He has a background in consumer goods, corporate finance and consulting having been a co-founder and Managing Director of wholesale homeware business, Orient Sourcing Services before acquiring B&M jointly with his family and prior to that holding various positions with McKinsey & Co., 3i and Barclays Bank. Simon is also a member of the Nomination Committee of B&M. Age 46.

Paul McDonald
Chief Financial Officer

Paul is a chartered certified accountant and has over 20 years' experience in value and discount retailing. He joined the B&M group as Chief Financial Officer on 3 May 2011. He has held senior financial management roles at Littlewoods, Ethel Austin and TJ Hughes and carries with him a depth of experience and skills in financial management and business operations in this sector. Age 50.

Thomas Hübner
Senior Independent Non-Executive Director

Thomas has over 27 years' experience in the European retail sector, during which time he has held senior executive management roles in pan-European business operations of Carrefour, Metro and McDonald's in Europe. He is currently Chairman at Burger King SEE, Independent Non-Executive Director of Geberit, Advisory Board Member of VR Equitypartner and Director of Panda Retail Company (Jeddah, Saudi Arabia). Thomas is the Senior Independent Director of B&M and a member of the Audit & Risk Committee and the Nomination Committee. Thomas was appointed to the Board on 29 May 2014 and is aged 58.

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

Kathleen's experience in the retail sector spans more than 40 years, during which time she has held senior executive management positions in retail operations in United States retail chains involved in rolling-out large expansion programmes. She was division president and executive vice president of Dollar General Corporation from 2003 to 2011, and held senior positions in E-Z Serve Corporation, 7-Eleven Corporation, Duke and Long Distributing and Devon Partners. She is currently a Non-Executive Director and Chairperson of the Nominating and Governance Committee of the True Value Company in the US. Kathleen chairs the Remuneration Committee and is a member of the Nomination Committee of B&M. Kathleen was appointed to the Board on 29 May 2014 and is aged 64.

Harry Brouwer
Independent Non-Executive Director

Harry has over 30 years' experience working in the FMCG supply chain sector, during which time he has held a number of senior executive management, marketing and customer development positions in national, pan-European and international businesses of Unilever. He is currently the Executive Vice President of Unilever Food Solutions globally and prior to that held senior management roles with Unilever in Germany, Austria, Switzerland, Benelux, UK, Ireland, the United States and Asia. Harry is a member of the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee of B&M. Harry was appointed to the Board on 29 May 2014 and is aged 57.

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

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. He is the Senior Independent Director and Audit Committee Chairman of N Brown Group PLC, SCS PLC and 888 Holdings PLC. Ron is also Chairman of Welcome to Yorkshire. Ron chairs the Audit & Risk Committee and is a member of the Remuneration Committee and the Nomination Committee of B&M. Ron was appointed to the Board on 29 May 2014 and is aged 63.

David Novak
Non-Executive Director

David has over 25 years' experience in private equity and corporate finance, and has held a number of Non-Executive Directorships in investee companies which also include B&M, having been appointed as a Non-Executive Director of B&M on 27 November 2012. He is a partner at Clayton, Dubilier & Rice LLC ("CD&R") responsible for CD&R's European business and is a member of CD&R's Investment and Management Committees. David is a Non-Executive Director of Mauser in Germany and Motor Fuel Group in the UK. David was previously a Non-Executive Director of British Car Auctions, Jafra Cosmetics International Inc., Brakes Group and HD Supply among others and a member of the Supervisory Board at Rexel. David serves as Chair of the American School in London. Age 47.

Corporate governance statement

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

Code compliance
The Board is committed to high standards of corporate governance. Except where otherwise stated below in this report, the Company has complied throughout the year under review with the provisions of the UK Corporate Governance Code published in September 2014 (the "Code") and the DTR's. A copy of the Code is available on the UK Financial Reporting Council's website at www.frc.org.uk.

Board responsibilities
The Board is collectively responsible for the long-term success of the Group. The Board focuses on the strategy, performance and governance of the Group. The Board is also responsible for the Group's system of internal control (see further at page 37 below) and for monitoring the implementation of its policies by the Executive Directors of the Board.

The Board has delegated certain responsibilities to Committees to assist in discharging its duties and the implementation of matters approved by the Board. The 3 main Committees of the Board referred to below are each chaired by a different director and copies of the terms of reference of those Committees are available on the Company's website at www.bandmretail.com. The reports of each of the Committees for the year under review are set out on pages 36, 39 to 41 and 42 to 47 below.

Detailed implementation of matters approved by the Board and operational day-to-day matters are delegated to the Executive Directors. The Executive Directors are also supported by operational senior management in each of the UK Retail and German Retail operations of the Group.

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

All Board and Committee members receive sets of Board packs in advance of the Board and Committee meetings. For Board meetings this includes current trading, financial and operational management accounts and information in relation to the business, and detailed papers on other matters where Board approval is required. The CEO and CFO present reports to the Board at each meeting on trading, financial performance, and operational matters, along with updates on any significant health and safety, litigation and regulatory matters. Also for months falling outside of the regular cycle of Board meetings, the CEO prepares a report along with the management accounts and a standard form board pack, together updating the Board on all the items covered by the usual CEO and CFO board meeting reports.

The Board has a rolling programme of board meetings throughout the year and also an annual Strategy Day in addition to the scheduled board meetings. The Strategy Day includes other senior management from each of the UK and German retail operations of the Group.

Meetings of the Non-Executive Directors without the Executive Directors being present are held annually with and without the Chairman.

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

Composition of the Board
The Board comprises eight members, including the Chairman, two Executive Directors, four independent Non-Executive Directors and a Non-Executive Director appointed by CD&R European Value Retail Investment S.à.r.l. ("CD&R Holdco") in their capacity as a significant shareholder.

The Code recommends that at least half of the Board, excluding the Chairman, should comprise independent Non-Executive directors. The Company meets this requirement and has done so throughout the year under review, with each of Thomas Hübner (Senior Independent Director), Kathleen Guion, Ron McMillan and Harry Brouwer being independent Non-Executive Directors. Each of them are considered by the Board to be independent in character and judgment and are free from relationships or circumstances which may affect, or could appear to affect their judgment as Directors. Independence is determined by ensuring that the Non-Executive Directors do not have any material business relationships or arrangements (apart from their fees for acting as Non-Executive Directors) with the Group or its Directors, which in the opinion of the Board could affect their independent judgment.

The Chairman, Sir Terry Leahy, and David Novak are not regarded as independent for the purpose of the UK Corporate Governance Code in view of their positions respectively as a senior adviser and partner in Clayton, Dubilier & Rice, LLC ("CD&R") and their respective interests in funds advised by CD&R which hold shares through CD&R European Value Retail Investment S.à r.l ("CD&R Holdco") in the Company.

The Company does not comply with the independence criteria in relation to the appointment of the Chairman under UK Corporate Governance Code. The Directors believe that it remains appropriate that Sir Terry Leahy continues to hold office as Chairman as his FTSE100 retailer and executive board experience from his time previously as CEO of Tesco plc provides significant value and benefit to the Group and stewardship of the Board. The Directors consider that he exercises his role as Chairman independently of management and exercises his judgment in the interests of all shareholders.

CD&R Holdco entered into a Relationship Agreement with the Company that came into effect on admission of the Company to trading on the London Stock Exchange in June 2014 ("Admission") and which continues to remain in force. Under the terms of that agreement CD&R Holdco are entitled to appoint two Non-Executive Directors to the Board for so long as CD&R Holdco (together with its associates) holds 10% or more of the ordinary shares in the capital of the Company, and one Non-Executive Director for so long as CD&R Holdco (together with its associates) holds

5% or more (but less than 10%) of the ordinary shares in the capital of the Company. While Sir Terry Leahy remains a Director of the Company, CD&R Holdco have the right to appoint only one other Non-Executive Director, and the first such other Director appointed by it is David Novak. At the year ended 26 March 2016, CD&R Holdco held 11.41% of the total issued shares in the Company.

Simon Arora, Bobby Arora and Robin Arora and SSA Investments S.à r.l. ("SSA Investments") (together "Arora Family") entered into a Relationship Agreement with the Company which came into effect on Admission and which continues to remain in force. Under the terms of that agreement for as long as the Arora Family, together with their associates, hold 10% or more of the ordinary shares in the capital of the Company, they are entitled to appoint one Director to the Board, and the first Director appointed by them is Simon Arora. At the year ended 26 March 2016, SSA Investments (together with Praxis Nominees Limited as it's nominee) held 20.99% of the total issued shares in the Company.

The Board believes that the terms of the Relationship Agreements referred to above will ensure that the Company and other members of the Group are capable of carrying on their business independently of CD&R Holdco and the Arora Family and that transactions and relationships between those parties 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 their terms are set out in the Directors' Remuneration Report on pages 42 to 47.

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.

Sir Terry Leahy, as the Chairman of the Board, is responsible for leading the Board, setting its agenda and overseeing its effectiveness. The Chairman facilitates the contribution of the Non-Executive Directors and constructive relations between them and the Executive Directors.

Simon Arora, as the CEO, together with Paul McDonald as the CFO, is responsible for the day-to-day management of the Group and implementation of strategy approved by the Board and implementation of other Board decisions.

Diversity
Details of the Company's diversity and involvement of women in the management of the Group are included in the Corporate Social Responsibility Report on pages 28 to 31. The Company has one female Board member and one of the three main standing Committees of the Board is also chaired by that female member. The Board and Nomination Committee are aware of the need to monitor and keep under review the level of diversity in relation to the Board and senior management of the Group.

While recognising the benefits which diversity can bring, appointments by the Group are made on merit based on the skills and experience of relevant candidates, without regard to gender, race, religion or other similar personal characteristics.

Conflict of interests
The Chairman and David Novak have an interest in the shares held by CD&R Holdco, which holds 11.41% of the ordinary share capital and voting rights in the Company, as a result of their interests in Clayton, Dubilier & Rice Fund VIII, L.P.

Simon and Bobby Arora own shares in SSA Investments S.à.r.l., which (together with Praxis Nominees Limited as its nominee) holds 20.99% 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 transactions proposed to be entered into by related parties of Directors with any entities in the Group, including professional advice and consideration of it by the Board and the Company's sponsor on the application of the Listing Rules, the applicability and appropriateness of any exemptions in respect of any transactions in the ordinary course of business and reporting to general meetings of shareholders' under Luxembourg Company Law. This process also includes consideration of the extent to which the Board may require external and any other reports and evaluations to be presented to it on any proposed transactions. Details of related party transactions entered into in the financial year 2015/16 are set out in note 26 on page 93 of the financial statements.

Audit & Risk Committee
The Audit & Risk Committee consists of three independent Non-Executive Directors including the Senior Independent Director and is chaired by Ron McMillan who has recent and relevant financial experience. The duties of the Audit & Risk Committee as delegated by the Board are contained in the terms of reference available on the Group's corporate website (as referred to above), which in summary include:

- monitoring the quality, effectiveness and independence of the external auditors and approving their appointment, re-appointment and fee level;
- reviewing and approving the audit plan, and ensuring that it is consistent with the scope of the audit engagement;
- reviewing and monitoring the integrity of the financial statements and any other price sensitive releases of the Group;
- assisting the Board with the definition and execution of a risk management strategy, risk policies and current risk exposures including 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;
- monitoring the activities of the Internal Audit function.

The members of the Audit & Risk Committee are Ron McMillan (Chair), Thomas Hübner (Senior Independent Director) and Harry Brouwer. All meetings are also attended by the CFO and General Counsel, and also the Chairman of the Board regularly attends meetings of the Committee, in each case at the invitation of the Chairman of the Committee. Also attendance and participation is made, by invitation of the Chairman of the Committee, at certain meetings and/or for particular agenda items in the annual cycle of meetings, by members of the Group's Internal Audit and the Luxembourg and UK audit partners of the Group's external auditors. The Audit & Risk Committee Report on pages 39 to 41 sets out details of the role and activities of the Committee in the last financial year.

Corporate governance statement continued

Remuneration Committee

The Remuneration Committee consists of three independent Non-Executive Directors and is chaired by Kathleen Guion. The terms of reference of the Remuneration Committee are available on the Group's corporate website (as referred to above). The Remuneration Committee sets the policy for the Group on executive remuneration. It determines the level of remuneration of the Chairman, the Executive Directors of the Company and certain other members of senior management of the Group.

In accordance with its terms of reference, the Committee prepares an annual Directors' Remuneration Report for approval by shareholders at the Annual General Meeting of the Company.

The members of the Remuneration Committee are Kathleen Guion (Chair), Ron McMillan and Harry Brouwer. All meetings of the Committee are attended by the General Counsel and also the Chairman of the Board and the CEO regularly attend meetings of the Committee, in each case at the invitation of the Chair of the Committee. The Committee also retains FIT Remuneration Consultants LLP as external advisors who attend and participate at meetings at the request of the Chair of the Committee. The Directors Remuneration Report on pages 42 to 47 sets out details of the of the role and activities of the Remuneration Committee in the last financial year.

Nomination Committee

The Nomination Committee consists of the Chairman, the CEO and the four independent Non-Executive Directors of the Company, including the Senior Independent Director.

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), which in summary include:

- reviewing the structure, size and composition of the Board, including the balance of executive and non-executive directors;
- putting in place plans for the orderly succession of appointments to the Board and to senior management;
- identifying and nominating candidates, for the approval of 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.

The members of the Nomination Committee are Sir Terry Leahy (Chair), Simon Arora, Thomas Hübner (Senior Independent Director) Kathleen Guion, Ron McMillan and Harry Brouwer. All meetings of the Committee are also attended by the General Counsel, at the invitation of the Chairman of the Committee.

The Committee's terms of reference provide that it will meet not less than twice a year, and it has had 2 meetings in the year under review.

During the year the Nomination Committee has reviewed the Board's size, structure, composition, experience and skills of its members to ensure the effective working of the Board and the standing Committees and the commitment of their members. It has also reviewed and updated the Company's succession plan for the offices of the Chairman and the CEO.

The Chairman has also met with each of the Non-Executive Directors during the year without the Executive Directors being present to discuss matters relating to the Board, its balance and the monitoring of the powers of the Executive Directors.

The reviews of the effectiveness of the Board and Committees were carried out during the year by an internal evaluation exercise led by the Chairman with each member of the Board on a one-to-one basis. A review of the Chairman's performance was conducted by a meeting of the independent Non-Executive Directors lead by the Senior Independent Director, without the Chairman being present, and then by the Senior Independent Director on a one-to-one basis with the Chairman. Each Committee also carried out an internal evaluation exercise facilitated by the General Counsel, the results of which were considered by the Board.

From each of those reviews, in summary, it was noted in particular as follows:

- there is a unanimous view that the Board is effective, has the right balance of skills, the Chairman provides strong leadership and ensures good governance processes are followed by the Board in relation to its deliberations and decision-making;
- the balance of Chairman and CEO responsibilities is clear and appropriate;
- in between the regular cycle of Board meetings, the circulation of monthly CEO reports is to be maintained (as they have in the year under review) on all items reported on by the CEO and CFO in the usual Board packs;
- the Board will continue with its programme of store and distribution centre tours during each year, and along with the annual Strategy Day, build on participation with and further exposure of other senior management to the Board through those programmes;
- each of the Committees is effective, their terms of reference are clearly defined and regularly reviewed, the composition of the Committees and their respective Chairs are each unanimously supported by the Board;
- engagement in the work of the Committees with management has continued to develop very positively during the year. The Committees will keep under review the balance required at meetings between Committee discussions and management presentations; and
- the attendance by Internal Audit in person at certain meetings of the Audit & Risk Committee, and at others in its annual cycle for certain agenda items by conference call only, is to be regularised in the meantime.

Following each of the evaluations and reviews, the Chairman remains satisfied that the current Board and standing Committees have an appropriate balance of skills and experience to enable them to discharge their responsibilities effectively.

Where Directors have external appointments, the Board is satisfied that they do not impact on the time the Director needs to devote to the Company. The Chairman was appointed as a Non-Executive Director of Motor Fuel Group in September 2015. The Board is satisfied that appointment does not affect either his time commitment or availability to the Board or the Group.

No changes to any of the Committees or their respective Chairs have been recommended by the Nomination Committee following the reviews this year.

The Nomination Committee has recommended and the Board has proposed the re-election of all members of the Board at the Company's Annual General Meeting.

The Company is retaining external consultants, Consilium Board and Leadership Development ("Consilium"), to facilitate the 3 yearly evaluation of the Board for the year 2016/17, in accordance with the Code. Consilium has no other connection with the Group.

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

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

A manual is available for new Directors containing information about the Group, Directors duties and liabilities under Luxembourg Company Law and obligations under the Listing Rules and DTR's, together with governance policies and the UK Corporate Governance Code.

The Directors update their knowledge and familiarity with the business throughout the year by a mix of central operations tours, store tours and senior management briefings and presentations. The Chairman meets each Non-Executive Director individually at least once a year and this includes discussion where necessary of any further training and development needs. The Nomination Committee also considers training and development needs of the Executive Directors. The Directors also receive regular updates at Board meetings of regulatory and governance matters and 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.

Director's attendance
The Board held 6 board meetings during the financial year 2015/16. Attendance at Board and Committee meetings was as follows:

	Board	Audit & Risk Committee (5 meetings)	Nomination Committee (2 meetings)	Remuneration Committee (4 meetings)
Sir Terry Leahy	6	–	2	–
Simon Arora	6	–	2	–
Paul McDonald	6	–	–	–
Thomas Hübner	6	5	2	–
Kathleen Guion	6	–	2	4
Ron McMillan	6	5	2	4
Harry Brouwer	5	4	2	3
David Novak	5	–	–	–

A Board Strategy Day was also held in 2015/16, with full attendance by all Board members.

Harry Brouwer missed one Board meeting and on the same day an Audit & Risk Committee and Remuneration Committee meeting, due to personal reasons notified to the Chairman in advance. David Novak missed one Board meeting due to personal commitments which had been notified to the Chairman in advance. In those instances of absences from Board and Committee meetings, Board and Committee meeting papers were considered by the relevant director and their comments were given to the Chairmen of the Board and Committees (as applicable) in advance of these meetings.

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

Re-election of Directors
Following the reviews and Board evaluation exercise carried out in 2015/16, the Nomination Committee has recommended that each of the Directors be re-elected to the Board.

The Board and the Chairman consider that all the members of the Board continue to be effective and to demonstrate commitment to their roles, and are able to devote sufficient time to their Board and Committee roles and duties. Accordingly, each of the Directors seek re-election at the Company's Annual General Meeting on 29 July 2016.

Auditors
Following a tender exercise carried out by the Audit & Risk Committee this year, the Board has approved their recommendation for the appointment of KPMG Luxembourg Société Cooperative ("KPMG") as the Company's external auditors ("*réviseur d'entreprises agréé*") for the financial year 2016/17. After more than 18 years as the Group's external auditors, Grant Thornton will step down as auditors at the conclusion of the AGM on 29 July 2016, and a resolution to appoint KPMG as the Company's new auditors will be proposed to shareholders at that meeting, as set out in the Notice of the AGM.

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 in the previous financial year, following a review of the monitoring and reporting systems of the Group by the Audit & Risk Committee.

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 an at least 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;

Corporate governance statement continued

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

The Board and the Audit & Risk Committee have carried out a review of the effectiveness of the system of internal controls during the year ended 26 March 2016 and for the period up to the date of approving the Annual Report and Financial Statements.

The Board were satisfied on a presentation to it by the Audit & Risk Committee of its review of the key risks to the business and relevant mitigating actions that they were acceptable for a business of the type, size and complexity as that operated by the Group.

Information on the key risks and uncertainties of the Group are set out on pages 22 to 24.

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

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

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

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

The Company'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) emoluments waived by Director's - page 44
(b) relationship agreements and independence statement – page 53

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 51 to 54 below.

Sir Terry Leahy
Chairman
25 May 2016

Audit & Risk Committee report

"The Committee oversaw the process of the Board's assessment of the viability of the Group, stress testing of key trading assumptions and the preparation of the viability statement."

Ron McMillan
Chairman of the Audit and Risk Committee

Dear Shareholder,
The Audit & Risk 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 judgements and estimates are appropriate and obtains from the external auditor an independent view of the key disclosure issues and risks.

A key responsibility of the Committee is to review the scope of the work undertaken by the internal and external auditors and to consider their effectiveness. The scope of internal audit work is agreed with management and the Audit & Risk Committee and the Committee monitors and reviews the key aspects of the work of the external auditors. In relation to risks and controls, the Committee ensure that these have been identified and that appropriate responsibility and accountabilities have been set.

During the year, the Committee oversaw the process of the Board's assessment of the viability of the Group, stress testing of key trading assumptions and the preparation of the viability statement , which is set out on page 25, in the principal risks and uncertainties section of the Strategic Report.

The Committee also reviewed on the Board's behalf the Group's anti-slavery and human trafficking policy and the adoption of a Workplace Policy by the Group, each of which are referred to further on page 29 of the Corporate Social Responsibility report.

Further information on the Committee's responsibilities and the manner in which these have been discharged has been set out below.

I shall be available at the Annual General Meeting on 29 July 2016 to answer any questions you may have on this report and would like to thank my colleagues for their help and support during the year.

Ron McMillan
Chairman of the Audit & Risk Committee
25 May 2016

Committee Composition
The Committee comprises three members, all of whom are independent Non-Executive Directors of the Company. Two members constitute a quorum. The Committee must include one financially qualified member with recent and relevant financial experience. The Committee Chairman fulfills 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.

The members of Committee during the year were Ron McMillan, Thomas Hübner and Harry Brouwer. Details of the Committee meetings and attendance are set out on page 37 of the Corporate Governance report.

Although not members of the Committee, Paul McDonald as CFO, the General Counsel and representatives from the internal and external auditors attend all the meetings and in addition, the Chairman of the Board regularly attends meetings.

Audit & Risk Committee report continued

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:
- monitoring the quality, effectiveness and independence of the external auditors and approving their appointment, reappointment and fee level;
- reviewing and monitoring the integrity of the financial statements and other price sensitive financial releases of the Group;
- assisting the Board with the development and execution of a risk management strategy, risk policies and current risk exposures including maintenance of the Group's risk register;
- keeping under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems; and
- monitoring and reviewing the activities of the internal and external audit functions, including reviewing and approving the internal and external audit plans.

Committee Activities in 2015/16
In discharging its oversight of the matters referred to in the introductory letter to this report and below, the Committee was assisted by management, the General Counsel and the internal and external auditors.

The recurring work of the Committee comprised:
- Approval of the external auditors terms of engagement, audit plan and proposed fees;
- Consideration of the significant risks included in the annual report;
- Consideration of the interim results and non-statutory financial statements of the Group for the half year ended September 2015;
- Consideration of this full year annual report and financial statements of the Group;
- Consideration of significant areas of accounting estimation or judgement;
- Making recommendations to the Board in respect of the Committee's findings, and reporting on how the Committee has discharged its duties.

In addition, during the year the Committee considered the following:
- The Group's approach to stock management processes and controls;
- The Group's exposure to the regulatory environment in which it operates;
- The Group's approach to managing its IT risks;
- The risk register prepared by management;
- Fraud risk and its mitigation;
- The Group's disaster recovery procedures;
- The viability statement prepared by management.

Risk Management
The Directors have 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 misstatement, loss or failure. Equally, no system can guarantee elimination of the risk of failure to meet the objectives of the business. Against this background, the Board is committed to maintaining a risk register and reviewing actions which are necessary to mitigate identified risk, responsibility for which rests with identified executives.

The internal audit function has established procedures within the business to ensure that new risks are identified, evaluated and managed and necessary changes are made to the group risk register. These risks are reviewed by the Committee and by the Board.

Following the work and reporting by the Committee to the Board this year, the Board has confirmed that the Committee and the Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. A summary of the more significant risks faced by the Group together with mitigating activities is set out on pages 22 to 24.

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

The Committee believes that appropriate internal controls are in place throughout the Group. The Group has a well-defined organisational structure, with clear lines of responsibility. The Group has a comprehensive financial reporting system and the Committee believes that the Group complies with the provisions of the UK Corporate Governance Code on internal controls.

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

During the year, the Committee reviewed reports and recommendations from internal and external audit on IT Systems and Business Continuity, including disaster recovery planning. Based on these, the Committee has concluded that the risk mitigation measures in relation to IT Systems and Business Continuity are appropriate and effective across the majority of areas.

Regulation
The Group operates within a fast moving and increasingly regulated market place and is challenged by regulatory requirement 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 Committee received a report on regulatory compliance from internal audit which documented the key processes and controls in place and proposed a number of recommendations to support the business in achieving its objectives.

External Auditors
Grant Thornton have been the Group's external auditors for 19 years and, as indicated in the Annual Report and accounts for 2015, a formal tender process was carried out in the current year to appoint new auditors. Three firms were invited to tender and following a thorough process, the Board has recommended the appointment of KPMG as external auditors. The appointment of KPMG Luxembourg Sociéte Cooperative as the Group's independent auditors (review d 'enterprise agreement) for the financial year ending 2017 will be put to shareholders at the Annual General Meeting on 29th July 2016.

During the year, Grant Thornton LUX Audit SA acted as the Group's auditors and the audit partners responsible were Hugues Wangen and Carl Williams.

Grant Thornton were paid £399k during the year, all of which except £9k was in respect of audit services.

In agreeing what non-audit work can be done by the external auditors, the Committee is mindful of the attitude investors now have to the auditors performing non-audit services and of the new guidance in this area which is operative for accounting periods beginning on or after 16th June 2016. Going forward, the Committee will ensure that fees for non-audit services do not exceed 70% of aggregate audit fees measured over a three year period commencing on 27 March 2016.

Given the decision to appoint new auditors, the Committee did not perform a review of the performance of Grant Thornton in the year.

Internal Audit

The head of internal audit has a direct reporting line to the Committee. This was the first full year that the Group has had an internal audit function. During the year, internal audit undertook a programme of work which was discussed and agreed with both management and the Committee and which was designed to address both risk management and areas of potential financial loss. Internal audit has also established procedures within the business to ensure that new risks are identified, evaluated and managed and that necessary changes are made to the risk register.

During the year the Committee received reports from the internal audit function in relation to:

- IT systems and processes
- Stock management processes and controls;
- Regulation and compliance, including updates on fraud risk, anti-money laundering and whistleblowing;
- Supplier screening processes operated by the Group's associated sourcing company, Multilines International Company Limited;
- A review of the business processes and control in relation to rents and business rates;
- The processes and controls in relation to capital expenditure associated with the new store opening program;
- Payroll processes and controls;
- The Group's treasury activities; and
- Compliance with the Modern Slavery Act.

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

The Committee has evaluated the performance of internal audit during the year and concluded that significant progress has been made. Internal audit is viewed as a function which has a comprehensive strategic plan developed in collaboration with the Committee, provides constructive challenge to management and consistently demonstrates a realistic and commercial view of the business.

Ron McMillan
Chairman of the Audit & Risk Committee
25 May 2016

Directors' remuneration report

Annual statement by the Chairman of the Remuneration Committee

"I am pleased to present this year's Remuneration Committee report. I hope you will agree that we have continued to ensure that the Company's remuneration arrangements provide an appropriate balance between the interests of shareholders and those of the executives."

Kathleen Guion
Chairman of the Remuneration Committee

Dear Shareholder,
On behalf of the Board, I am pleased to present this year's Remuneration Committee (the "Committee") report. The report provides both details of the remuneration of the Directors for the financial year 2015/16 and how the shareholder approved policy will be applied for the forthcoming year.

I was pleased that each of the two votes on last year's Committee report were approved with over 99% of the votes cast by shareholders being in favour.

Performance and rewards for 2015/16
The general level of performance of the Group in 2015/16 was strong, with an increase of 23.6% in total group revenues, an increase in adjusted profit before tax of 19.5% and a 17.4% increase in UK store openings having been achieved.

The Executive Directors have however voluntarily chosen not take the Annual Incentive Plan (AIP) amounts which they would otherwise have been due, as despite the above achievements, they wanted to recognise that there were some issues on distribution service levels to stores which arose during the second half of the year while bringing on stream increased distribution centre capacity in the UK. While, as highlighted in the Chairman's report, these issues have been resolved, there was some impact on the overall performance this year.

Implementation of remuneration policy for 2016/17
Base salary levels for the two Executive Directors were increased by 2.5% in line with the average for UK staff generally. The AIP and LTIP arrangements remain substantially unchanged from the previous year. Again, the Chief Executive will not participate in an LTIP grant in 2016/17.

Format of the report
The report sets out below on pages 43 to 47 the Company's Annual Remuneration Report, which details the remuneration paid to the Directors' in the 2015/16 financial year, and which is subject to a shareholder advisory vote at our 2016 AGM.

Consistent with best practice, we have set out the remuneration policy table which was approved last year on pages 48 to 50 below, and the full policy report is available in last year's Annual Report on our website at www.bandmretail.com.

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

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

The Committee welcomes any feedback you may have in relation to this report.

Kathleen Guion
Chairman of the Remuneration Committee
25 May 2016

Annual Remuneration Report

Implementation of Remuneration Policy
The Committee has operated the remuneration policy in accordance with the Directors' Remuneration Policy (the "Policy") which was approved by shareholders at the Company's AGM on 30 July 2015.

This section of the report sets out how the Policy has been applied in the financial year 2015/16 and any significant changes in how it will be applied in the next financial year.

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

Single figure table of total remuneration of Executive Directors – audited
The audited table below shows the aggregate remuneration of the Executive Directors of the Company during the financial year 2015/16.

	Year[1]	Salaries £	Benefits[2] £	Bonus[3] £	Value of long term incentives[4] £	Pension[5] £	Total £
Executive Directors							
Simon Arora (CEO)	2014/15	144,000	22,248	–	–	358	166,606
	2015/16	575,000	26,260	–	–	378	601,638
Paul McDonald (CFO)	2014/15	173,750	–	270,000	–	358	444,108
	2015/16	290,000	3,258	–	–	38,603	331,861

1 The 2014/15 year is for the 52 weeks ended 28 March 2015 and the 2015/16 year is for the 52 weeks ended 26 March 2016.
2 Benefits for 2014/15 include company car/car allowance cash equivalent as a benefit in kind, fuel and running costs. Benefits in 2015/16 include company car/car allowance cash equivalent as a benefit in kind, fuel and running costs, critical illness insurance, and, for the CFO only permanent healthcare insurance.
3 No annual bonuses were declared under the Annual Incentive Plan awards for 2015/16, as referred to further on page 44 below.
4 All LTIP awards in 2014/15 and 2015/16 were subject to pre-vest performance conditions, so they will be included on the satisfaction of those conditions. The performance targets for the LTIP are set out on page 45.
5 For each of 2014/15 and 2015/16, pensions include auto-enrolment pension employer contributions, and, for the CFO only a cash equivalent allowance to his pension contribution entitlement less employers' NICs.

Salary
As reported last year, the Executive Directors' salaries were increased from the start of the 2015/16 financial year.

As referred to in last year's report, the CEO's salary was set at a level considered to be broadly reflective of a median position after allowing for a 5% discount to reflect the relatively lower cost of living in the North West versus some other parts of the UK. The CFO's salary was set at circa. 20% below the median level.

The comparator group of retailers used in the benchmarking exercise at the time of setting the CEO and CFO base salaries and overall remuneration packages for 2015/16 included the following FTSE 350 retailers (being both the FTSE General Retailers Sector and the FTSE Food and Drug Retailers Index constituents): AO World, Booker, Debenhams, Dignity, Dunelm, Greggs, Halfords, Home Retail Group, Inchcape, J Sainsbury, JD Sports Fashion, Kingfisher, Marks & Spencer, Morrison Supermarkets, N Brown, Next, Ocado, Pets At Home, Poundland, Saga, Sports Direct, SSP, Supergroup, Tesco and WH Smith.

The table below shows base salaries for 2016/17:

Director	Base Salary
Simon Arora (CEO)	£589,375
Paul McDonald (CFO)	£297,250

The Executive Directors received a 2.5% increase in their base salaries with effect from the beginning of the 2016/17 financial year, which is in line with the average salary increase to UK colleagues of 2.5% at the end of 2015/16.

The Executive Directors will next be eligible for a salary review from the beginning of the 2017/18 financial year.

Benefits
Benefits are set by the Committee in accordance with the remuneration policy set out on pages 48 to 50 below. Life assurance for the Executive Directors is in the process of being put in place in line with the policy, from 2016/17 going forward. There are no changes proposed to the overall benefits framework for 2016/17.

Directors' remuneration report continued

Pension

Pension contributions are in line with the remuneration policy. The amounts paid in the year represent either, the amount contributed to personal pension plans, or the equivalent cash value (adjusted for the cost of employers' NICs) as salary supplements. The CEO waived his entitlement to his annual pension benefit in full in the financial year 2015/16, but will take up his entitlement for 2016/17.

There are no increases proposed to the rates of the pension benefits of the Executive Directors for 2016/17 which remain 20% of base salary (or cash equivalent less Employers' NICs) for the CEO and 15% of base salary (or cash equivalent less Employers' NICs) for the CFO, in line with the remuneration policy.

Bonus

While the Executive Directors were entitled to bonus payouts in 2015/16 under the terms of the Annual Incentive Plan, they voluntarily fully waived their payout entitlements, as referred to in the Chairman's letter to this report.

Notwithstanding the absence of any payment, as we reported last year that we would make suitable disclosure of financial target ranges which applied to bonus awards, we set out the relevant target ranges below.

The financial targets for 2015/16 were set against Adjusted Group EBITDA performance as follows:

	Adjusted Group EBITDA target[1]	% maximum overall Bonus opportunity
Threshhold	£185.4m	12.5%
Target	£206m	25%
Max	£216.3m	50%

1 Adjusted Group EBITDA is defined in notes 3 and 4 on pages 72 and 73 to the consolidated financial accounts. There is a straight-line vesting between the threshold, target and maximum points achieved.

The other 50% of the AIP related to personal and leadership development objectives which would only deliver a payment to the extent the above financial range was also met. These objectives focused on a number of key performance indicators ranging from strategic, operational and investor relations matters. A headline review by the Committee indicated a significant level of overall achievement of those performance measures by each of the CEO and CFO. As the Executive Directors had waived their entitlements though, the Committee did not need to finally assess the precise level of achievement. In future years as pay-out arises in respect of personal and leadership development objectives, additional disclosure will be made in the relevant report.

The Committee reviewed the Annual Incentive Plan during the year and remains satisfied that it continues to be appropriate for the Company, together with the EBITDA gateway and cap on other performance measures going forward.

Accordingly, for 2016/17, the maximum bonus opportunity for the CEO will remain at 150% of base salary and for the CFO will also remain at 100% of base salary. Under the awards for 2016/17, 50% of the maximum bonus opportunity is again based on the achievement of an EBITDA target, 30% on achievement of individual KPI's and 20% on other personal leadership and development criteria (although the EBITDA condition applies as a gateway to the individual and personal measures as explained below).

The maximum level of bonus for 2016/17 will be dependent on achievement of the maximum EBITDA target and the highest individual and other personal performance ratings. No bonus will be paid unless a threshold level of EBITDA is achieved. Also the percentage rate achieved of the EBITDA target will apply as a similar percentage rate cap on the amounts due in respect of the individual and other personal targets. Therefore, any amounts due under the individual and personal targets will be the lower of the EBITDA achievement and the achievement under those targets. The Committee does not disclose those targets in advance as they are commercially sensitive and it is not market practice to do so. Suitable disclosure of the financial target ranges will again be included in next year's report retrospectively.

Long term Incentives

No performance share awards granted at any time under the Company's Long-Term Incentive Plan ("LTIP") vested in the year 2015/16 as no awards reached the end of the relevant performance period.

Under the LTIP, subject to meeting performance conditions set by the Committee, awards will ordinarily vest on the third anniversary of the date of grant. The maximum individual limits for awards are capped at 100% of basic salary (or 200% in exceptional circumstances).

No awards were made to the CEO under the LTIP in 2015/16 and none are envisaged in 2016/17.

An award was made to the CFO under the LTIP on 5 August 2015 over shares then worth 100% of his basic salary. Details of the award are set out on page 45.

For 2016/17, it is expected that awards will be made in August 2016. This will be for the CFO only and will be equal to 100% of base salary, with performance measures similar to the LTIP for 2015/16. The TSR condition will be the same as the LTIP for 2015/16. The EPS range will be 17.5 to 22.5p. There will be a holding period expiring on the fifth anniversary of the date of the grant.

Remuneration of the Chairman and Non-Executive Directors – audited

The Chairman does not receive any fees as he is not an independent Chairman of the Company. One of the other five Non-Executive Directors, David Novak, does not receive any fees as he is not an independent Director.

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

The fees paid for 2015/16 to the Non-Executive Directors were as follows:

Director	**2015/16 Fee £**	2014/15* Fee £
Sir Terry Leahy	**–**	–
Thomas Hübner	**71,500**	59,153
Kathleen Guion	**66,000**	54,603
Ron McMillan	**66,000**	54,603
Harry Brouwer	**55,000**	45,502
David Novak	**–**	–

* the fees for 2014/15 are for less than 12 months, being for the period from appointment on 29 May 2014 to 31 March 2015

Scheme interests awarded during the financial year – audited

The audited table shows all share awards held by Directors, together with awards made in 2015/16. Each award takes the form of nil cost options under the LTIP scheme, with each grant being equal to 100% of base salary. None of the share awards granted in any year have yet vested.

Director	Date of grant	Share price at date of grant	Number of shares over which award was granted	Face value of award	% of face value that would vest at threshold performance	Vesting on performance over date
Paul McDonald	01.08.14	£2.715	74,074	£201,110.91	100%	Third anniversary of the date of grant
	05.08.15	£3.570	81,232	£289,998.24	25%	Third anniversary of the date of grant

Performance targets for outstanding LTIP awards

The performance conditions for the LTIP award made on 1 August 2014 are that the award will vest in full if:

(a) the Company's underlying UK consolidated EBITDA in the financial year ended 31 March 2017 is not less than 130% of its underlying UK consolidated EBITDA in the financial year ended 31 March 2014; and
(b) the total shareholder return over the period 1 August 2014 to 1 August 2017 is at least 15%.

The "shareholder return" includes the difference in the share price at the end of that period less the price at the beginning of the period plus the total cash value of dividends, distributions, bonus shares and dividend reinvestments relating to the shares on or before 1 August 2017.

The performance conditions for the LTIP award made on 5 August 2015 are as follows:

(a) 50% of the award shares vest based on the Company's relative TSR performance against the FTSE 350 retailers (being both the FTSE General Retailers Sector and the FTSE Food and Drug Retailers Index constituents) over the three year period commencing from the beginning of the 2015/16 financial year (the "Performance Period") as derived by comparing the one month prior to the start and end of the Performance Period. Vesting occurs on achievement (as a threshold level) of a median relative TSR performance ranking being attained at the end of the Performance Period, with 25% of that portion of the award shares then becoming exercisable. On attaining an upper quartile relative TSR performance ranking at the end of the Performance Period, 100% of that portion of the award shares would become exercisable at the expiry of the holding period explained below, with a straight-line proportion vesting between median and upper quartile ranking being achieved;
(b) 50% of the award shares vest based on growth in adjusted EPS of the Company over the Performance Period. Vesting occurs on achievement (as a threshold level) of an adjusted diluted EPS of 15p for 2017/18, with 25% of that portion of the award shares then becoming exercisable. On an EPS of 19p, 100% of that portion of the award shares would become exercisable at the expiry of the holding period explained below, with a straight-line proportion vesting between those targets being achieved.

The award made on 5 August 2015 has a holding period expiring on the fifth anniversary of the date of the grant.

Payments to past Directors and loss of office payments – audited

There were no payments to past Directors or for loss of office in the year ended 26 March 2016.

Directors' shareholding and share interests – audited

Under the remuneration policy the shareholding guideline for Executive Directors is for a shareholding to be built up and maintained by them of 200% of base salary. Where an Executive Director does not meet the shareholding guideline they are expected to retain all shares which vest under the LTIP (or any other share plans in the future) after allowing for tax.

The Committee reviews share ownership levels annually. The shareholding guideline requirement is exceeded by the CEO in relation to the interests as referred to in the table below. The CFO does not currently hold any shares in the Company, not having been a shareholder in the Group prior to or on the IPO of the Company in June 2014. The CFO has unvested LTIP awards following the IPO which, subject to performance conditions being achieved and them vesting during the course of the next 2 years, will in that event then count toward the guideline 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 2015/16.

Director	Shares held beneficially[1]	Unvested options with performance conditions[3]
Sir Terry Leahy[2]	–	–
Simon Arora	209,880,828	–
Paul McDonald	–	155,306
Thomas Hübner	11,111	–
Kathleen Guion	11,111	–
Ron McMillan	37,037	–
Harry Brouwer	18,518	–
David Novak[2]	–	–

1 Includes any shares held by connected persons or related parties.
2 Sir Terry Leahy and David Novak have an interest in the shares held by CD&R European Value Retail Investment S.à.r.l, which holds 114,100,528 of the ordinary share capital being 11.41% of the voting rights in the Company, as a result of their interests in Clayton, Dubilier & Rice Fund VIII, L.P.
3 Nil cost options.

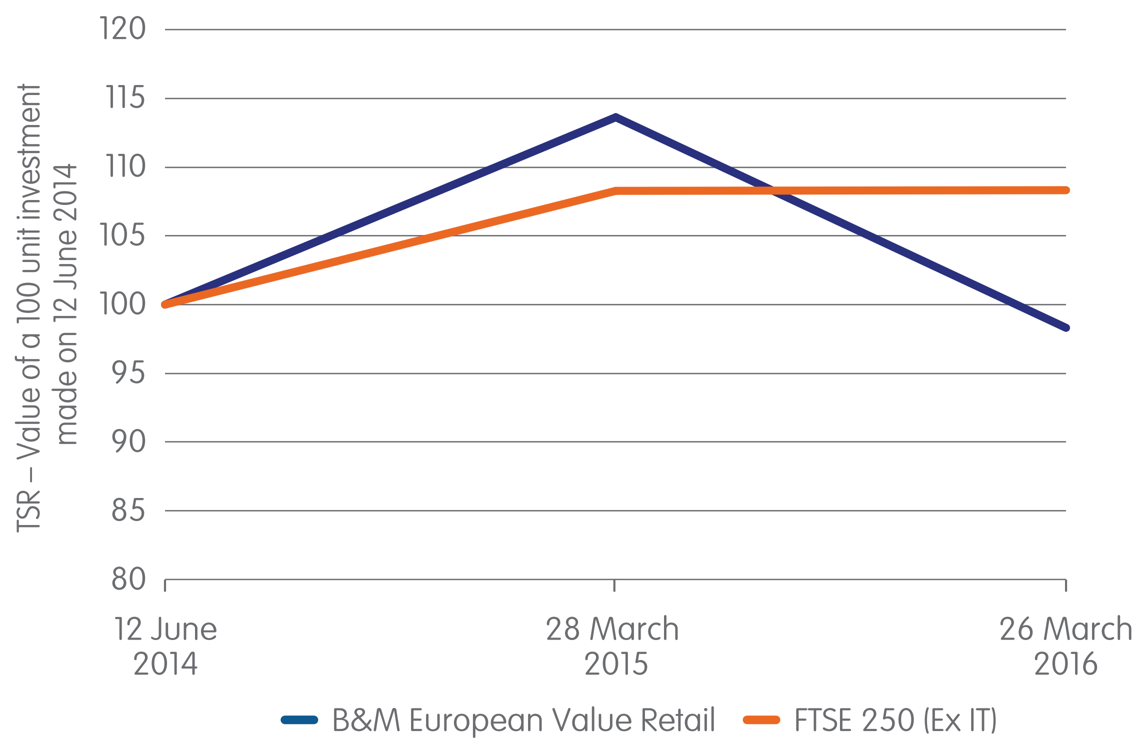
There have been no changes in the Directors' interests in shares in the Company between the end of the 2015/16 financial year and the date of this report.

Performance graph and pay table

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

Directors' remuneration report continued

Total Shareholder Return (Rebased)
Source: Datastream (Thomas Reuters)



This graph shows the value by 26 March 2016 of £100 invested in B&M from 12 June 2014 (the date on which the Company's shares were first conditionally traded) compared with the value of £100 invested in the FTSE 250 Index (excluding investment trusts).

Remuneration of the CEO
The table below shows the remuneration for the CEO for each of the last two financial years since the IPO of the Company in June 2014.

	Single Figure	Bonus as a % of max	LTIP as a % of max
2014/15	£166,606	N/A	N/A
2015/16	£601,638	0%	N/A

Change in remuneration of the Chief Executive
The table below shows the percentage changes in the CEO's remuneration between the financial year ended 28 March 2015 and 26 March 2016 compared to the amounts for UK full time employees of the Group for each of the following elements of pay:

	Salary increase/ (decrease)	Annual bonus increase/ (decrease)	Taxable benefits increase/ (decrease)
CEO	299.31%[2]	0.0%	18.03%
UK full time employees (average)[1]	2.78%	(34.12%)	6.02%

1 This includes all salaried UK employees.
2 299.31% reflects the increase in base salary from pre-IPO level to median market level from 2015/16 as referred to on page 43 above.

Relative importance of the spend on pay
The table below shows the movement in spend on pay for all employees compared with distributions to shareholders for the financial years ended 28 March 2015 and 26 March 2016.

£'000	2014/15	2015/16	% change
Total pay for employees	197,657	240,189	21.52%
Distributions to shareholders[1]	9,000	41,000	355.56%

1 Distributions to shareholders prior to the date of listing have been excluded. There have not been any buy-backs of shares so this element has been excluded from the above table.

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

External appointments
Subject to Board approval, Executive Directors are permitted to take on non-executive positions with other companies and to retain their fees in respect of such positions. Simon Arora is a non-executive director of Anglesource Limited. No fees were received by him for that external appointment during the year ended 26 March 2016.

Chairman and Non-Executive Directors
A review of the Non-Executive Directors fees (other than in relation to the Chairman and one other Non-Independent Director) was carried out in 2015/16 by the Board. As a result of that review the fees for the Non-Executive Directors were increased by 10% with effect from the beginning of the 2015/16 financial year, following a benchmarking review of Non-Executive Director fees carried out by FIT Remuneration Consultants LLP. The revised rates are now in line with the median range compared with FTSE 350 Retailers, but without any premium for the extra time commitment of staying and travelling to Board and Committee meetings which are all held outside the UK. The structure of the fees remains the same as they were set by the Board at the time of the IPO, which take account of Chairmanships of Board Committee's and the role of the Senior Independent Director.

As a consequence of that review the following fee rates are payable to the Non-Executive Directors in 2016/17:
- base fee £55,000 pa;
- senior independent director supplemental fee £16,500;
- committee chair supplemental fee £11,000.

All fees are subject to the aggregate fee cap for Directors in the Articles of Association of the Company, which remains currently at £800,000 per annum.

The Chairman and one of the other Non-Executive Directors of the Company, David Novak, do not receive any fees from the Company. The Committee has responsibility for determining fees paid to the Chairman of the Board. While, subject to the cap above, Chairman fees may be paid for that role at any time in the future, in 2015/16 there were no fees paid to the Chairman as was the case in the previous year.

Details of the fees inclusive of the increase referred to above which were paid to Non-Executive Directors in 2015/16 and for the prior year are set out in the table on page 44 above. The Chairman and the Non-Executive Directors are entitled to reimbursement of all expenses reasonably incurred by them in the performance of their duties. The Chairman and the Non-Executive Directors do not participate in any bonus or share plans of the Company.

All the Non-Executive Directors of the Company have letters of appointment dated 29 May 2014 (immediately prior to the IPO) with the Company for an initial period of 3 years subject to 3 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. Except for the increase in fees referred to above, those letters remain in force without any changes proposed to them.

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

Remuneration Committee

The members of the Committee for 2015/16 comprise 3 independent Non-Executive Directors, being, Kathleen Guion (Committee Chairman), Harry Brouwer and Ron McMillan.

The responsibilities of the Committee are set out in the Corporate Governance section of the Annual Report on page 36.

The Committee is assisted by the General Counsel of the Group who is invited to attend Committee meetings. The Committee invite the Chairman and Executive Directors to attend meetings and assist the Committee in its deliberations as the Committee considers appropriate. No person is present during any deliberations relating to their own remuneration or involved in determining their own remuneration.

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

Director	Role	Meetings attended
Kathleen Guion	Committee Chairman	4 out of 4
Harry Brouwer	Committee Member	3 out of 4*
Ron McMillan	Committee Member	4 out of 4

* The meeting not attended by Harry Brouwer was due to personal reasons notified to the Chair in advance. The Committee meeting papers had been circulated to and considered by him in advance and he gave his comments to the Chair, in advance of the meeting.

Shareholder voting
The resolutions to approve the directors' remuneration policy and remuneration report at the 2015 AGM were passed as follows:

Resolution	Votes for	% for	Votes against	% against	Total votes cast	% of shares on register	Votes withheld
To approve the remuneration report	840,987,264	99.65	2,967,049	0.35	843,954,313	84.40	1,956,347
To approve the remuneration policy	843,228,764	99.71	2,487,049	0.29	845,715,813	84.57	194,847

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

FIT are a member of the Remuneration Consultants Group and subscribes to its Code of Conduct which requires that its advice must be objective and impartial. For the financial year 2015/16 FIT's total fees were £30,600 excluding vat and expenses.

Remuneration Policy Table
The table below summarises the Company's Directors' Remuneration Policy, as approved by shareholders at the AGM last year on 30 July 2015. It has been reproduced in the same form from last year's report. A full copy of the whole of the remuneration policy is set out in pages 35 to 41 of the 2015 Annual Report, which is available on our website at www.bandmretail.com.

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

Kathleen Guion
Chairman of the Remuneration Committee
25 May 2016

Directors' remuneration report continued

Policy Table (from the Directors' Remuneration Policy approved by shareholders at the AGM in 2015)

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

Element and purpose	Policy and opportunity	Operation and performance conditions
Base salary This is the basic pay and reflects the individual's role, responsibility and contribution to the Group	Base salaries are reviewed annually. Changes typically take effect from the beginning of the relevant financial year On reviews, consideration is given by the Committee to a range of factors including the Group's overall performance, market conditions and individual performance of executives and the level of salary increase given to employees across the Group Base salaries are benchmarked against companies with a comparable market capitalisation, with base salaries generally being set then by the Committee against a median or lower level Similarly, in practice the Committee will typically discount the data to recognise that the cost of living in the North West is lower than in some other parts of the UK Given the requirement under UK regulations for a formal cap, the Committee has limited the maximum salary it may award to 110% of the median of salaries for the role in the FTSE 350 retailers. In practice though the Committee would normally expect to keep it below the median of this benchmark	Base salary is paid 4 weekly in cash Base salaries are reviewed annually with changes usually taking effect from 1 April
Benefits To provide benefits which are valued by the individual and assist them in carrying out their duties	Provide market competitive benefits The Group may periodically review benefits available to employees. Executives will generally be eligible to receive those benefits on similar terms to other senior employees The cost of benefits paid to an Executive in any one year are capped at £75,000, but this may be exceeded in exceptional circumstances if the cost of a benefit were to increase significantly In addition, where the Committee considers it appropriate to do so, additional relocation expenses may be paid	Executives are entitled to a car allowance or a company car, car insurance and other running costs and fuel for business use, death in service life assurance, permanent disability and critical illness insurance and any other Group wide benefits including a 10% B&M stores discount card Business travel and associated hospitality are provided in the normal course of business and authorised by the Committee on a standing basis
Pension To provide an appropriate level of contribution to retirement planning	Provide a market competitive pension contribution (or equivalent cash allowance) of a total maximum value up to 20% of base salary for the CEO and 15% (or equivalent cash allowance) for other Executive Directors	Executives may take pension benefits as contributions to defined contribution personal pension plans, or elect to receive cash in lieu of all or part of that benefit (this is not taken into account as salary for calculating bonus, LTIP or other benefit awards) If the individual elects to receive any part of their pension contribution benefit as a cash allowance instead, employers' NICs are deducted from that element

Element and purpose	Policy and opportunity	Operation and performance conditions
Annual bonus To incentivise and reward individuals for the delivery of annual performance targets	The current annual bonus potential for the CEO is 150% of base salary and 100% of base salary for other Executive Directors. Their threshold bonus levels will be no more than 25% of their respective maxima, and, their target bonus levels 50% of their respective maxima. As the regulations require a formal cap for a three year period, future bonus potential will only increase where appropriate against market data and, in any event, will be subject to an overall maxima of 200% of salary for any Executive Director Clawback provisions apply to the annual bonus plan Bonuses are paid in cash although the Committee reserves the power to impose deferral should it consider that to be appropriate	The performance measures are reviewed annually by the Committee in line with the Company's strategy The performance measures applied may be financial and/or operational and corporate, divisional and/or individual Performance conditions once set will generally remain unaltered, but the Committee has the right in its absolute discretion to make adjustments during any performance period to reflect any events arising which were unforeseen when the performance conditions were originally set by the Committee
Long-term incentives To incentivise the delivery of strategic objectives over the longer term, the Group operates the Long-Term Incentive Plan ("LTIP") which was adopted prior to Admission	The policy is to make awards to Executive Directors of shares with a face value on grant of up to 100% of base salary each year under the LTIP Awards of up to 200% of base salary can be made if the Committee considers that exceptional circumstances exist No LTIP awards are proposed to be made to the CEO while he continues to hold a significant shareholding above the minimum shareholding guidelines set out below The LTIP does not credit participants with dividends paid during the performance period Clawback and malus provisions apply to awards made under the LTIP from 29 March 2015 onward LTIP awards may, subject to the discretion of the Committee, be made subject to holding periods during which the participant may not dispose of the shares for a period of time after they become exercisable	Awards may be made annually of nil cost options based on performance conditions The Committee may set three year performance conditions based on financial and/or operational and corporate, divisional and/or individual criteria as it considers appropriate Performance conditions once set will generally remain unaltered, but the Committee has the right in its absolute discretion to make adjustments during any performance period in case of any events arising which were unforeseen when the performance conditions were originally set by the Committee No more than 25% of an award can be earned for threshold performance Where a holding period is imposed in the discretion of the Committee in relation to any LTIP award, the default position (unless the Committee determines otherwise) is for the holding period to expire on the fifth anniversary of the date of grant of the relevant award

Directors' remuneration report continued

Element and purpose	Policy and opportunity	Operation and performance conditions
Shareholding guidelines To encourage share ownership and create alignment of interests of Executive Directors and shareholders	Executive Directors are expected to retain all shares which vest under the LTIP (or any other plans which may be adopted in the future) on a net of tax basis until they hold shares of a specified value Shares subject to these guidelines and any unvested share awards may not be hedged or used as security for loans	The required level of shareholding is 200% of the base salary of the relevant executive Executive Directors are expected to maintain their minimum shareholding levels once they have obtained those shareholding levels. The Committee will review shareholdings annually against the policy and as share awards mature The Committee reserves the right to alter the shareholding guidelines during the period of the policy but without making the guidelines any less onerous overall
All-employee share plans To encourage share ownership by employees and participate in the long-term success of the Group, the Group operates an all-employee share incentive plan for UK employees which was adopted prior to Admission	Executive Directors can participate in the all-employee share incentive plan ("SIP") on the same terms as other employees of the Group in the UK	Under the rules of the SIP employees can purchase a maximum of £1,800 worth of shares per annum from their pre-tax and pre-national insurance salary through a UK resident SIP Trust The rules also permit an award of free shares worth up to £3,600 per year and for purchased shares to be matched on up to a 2:1 basis although these elements have not been operated to date

Directors' report and business review

The Directors present their report (the "Management Report") under Luxembourg Law and DTR4.1.5R, together with the consolidated financial statements and annual accounts of the Group and of the Company as at 26 and 31 March 2016 respectively and 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 31, 34 to 38 and 42 to 47 respectively form part of this report.

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

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

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

Business review
This report together with the Strategic Report on pages 1 to 31, sets out the review of the Group's business during the financial year ended 26 March 2016, 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 2016 of GBP £125.8m is reported in the consolidated statement of comprehensive income on page 57.

The Board is recommending a final dividend of 3.2p per ordinary share, which together with the interim dividend of 1.6p per ordinary share paid in January 2016 is a total dividend for the year of 4.8p, which reflects the upper end of the dividend policy which was announced at IPO in June 2014 of paying 30-40% of normalised post IPO earnings.[1]

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

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

Corporate social responsibility
Our CSR activity is set out in the Corporate Social Responsibility report on pages 28 to 31.

Greenhouse gas emissions
Details of the Group's greenhouse gas emissions are contained in the Corporate Social Responsibility report on pages 28 to 31 which forms part of this report.

Employees
The Group has continued its practice of keeping staff informed of matters affecting them as employees through local meetings, company newsletters and notice boards. The Group seeks to ensure that disabled people, whether applying for a vacancy or already in employment, receive equal opportunities in respect of those vacancies that they are able to fill and are not discriminated against on the grounds of their disability and are given full and fair consideration of applications, continuing training while employed and equal opportunity for career development and promotion.

Directors
The Directors of the Company as at 31 March 2016 and their interests in shares and share awards made to them under share incentive schemes in the Company are shown on page 45. There have been no changes in the Board of the Company between 31 March 2016 and the date of this report.

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

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 18 to the consolidated financial accounts.

Share capital
The Company's share capital and changes to it in the financial year, are set out on page 53 below and in note 21 to the consolidated financial statements on page 87 which forms part of this report.

In common with other Luxembourg registered companies, the Directors have authority to allot ordinary shares in the Company and to dis-apply pre-emption rights under certain limits and conditions as permitted under the Articles of Association of the Company. The Directors intend to comply with the revised pre-emption guidelines of the Pre-Emption Group issued in March 2015 which are supported by the Investment Association and the Pensions and Lifetime Savings Association in relation to any issue of shares of the Company to the extent practical as a Luxembourg registered company.

The Board intends to seek an authorisation of shareholders at the AGM on 29 July 2016 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 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 general 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 Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy to vote.

Directors' report and business review continued

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.

Details of agreements and control rights which may result in restrictions on transfers of shares are set out in section (b) on page 53 below. The Company is not aware of any other agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares.

Employee share ownership trust
The Company established a trust with 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 the 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 financial year to 26 March 2016 and up to the date of this report, no shares in the Company have been held at any time by the ESOT.

Shareholders
As at 25 May 2016, the following shareholders have notified the Company of their interest in 5% or more of the Company's issued ordinary shares:

Shareholder	No of ordinary shares	% share capital
Capital Group Companies	65,851,531	6.59
FMR LLC	97,883,008	9.79
Lone Pine Capital	60,581,703	6.06
CD&R European Value Retail S.à r.l.	114,100,528	11.41
SSA Investments S.à r.l.*	209,880,828	20.99

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

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

It is proposed that an amendment be made to the Articles of Association (the "Articles"), as referred to on page 54 below under the section headed 'Section (i) - Powers of the Board of Directors'. An Extraordinary General Meeting of shareholders is to be held along with the AGM on 29 July 2016 to propose that amendment to the Articles.

Change of control
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 and Extraordinary General Meeting
Notices convening the Company's second Annual General Meeting ("AGM") and an Extraordinary General Meeting ("EGM"), each to be held on 29 July 2016, 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. An amendment is being proposed to the Articles of Association of the Company to shareholders at the EGM as referred to further on page 54 below under the section headed 'Section (i) - Powers of the Board of Directors', and details of which are set out in the notice of the EGM.

Corporate governance
The compliance by the Company with the UK Corporate Governance Code and the requirements of Article 68bis of the Luxembourg Company Law of 10 December 2010 are set out in the Principal Risks and Uncertainties on pages 22 to 24, the Corporate Governance report on pages 34 to 38 and the Directors' Remuneration Report on pages 42 to 47, 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 55, which forms part of this report.

Independent Auditor
Grant Thornton Lux Audit S.A. is the independent auditor ("réviseur d'entreprises agréé") of the Company for the financial year 2015/16.

Grant Thornton Lux Audit S.A. will step down as auditors at the conclusion of the AGM on 29 July 2016, following a decision of the Board this year for the Audit & Risk Committee to carry out a tender exercise for the appointment of new external auditors for the financial year 2016/17.

The Board has approved the Committee's recommendation for the appointment of KPMG Luxembourg Société Cooperative ("KPMG") as the Company's external independent auditors ("*réviseur d'entreprises agréé*") for the financial year 2016/17. A resolution to appoint KPMG as the Company's new auditors will be proposed to shareholders at the AGM on 29 July 2016, as set out in the Notice of the AGM.

Information on forward looking statements
The Annual Report and financial statements include forward-looking statements that reflect the Company's or, as appropriate, the Directors' current views with respect to, among other things the intentions, beliefs and current expectations of the Company or the Directors concerning, amongst other things, the results of operations, the financial condition, prospects, growth, strategies and dividend policy of the Company and the industry in which it operates.

Statements that include the words "expects", "intends", "plans", "believes", "projects", "forecasts", "predicts", "assumes", "anticipates", "will", "targets", "aims", "may", "should", "shall", "would", "could", "continue", "risk" and similar statements of a future or forward-looking nature can be used to identify forward-looking statements.

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

Independence compliance statement
CD&R European Value Retail Investment S.à r.l. ("CD&R Holdco") and Simon Arora, Bobby Arora, Robin Arora and SSA Investments S.à r.l. ("SSA Holdco") (the "Arora Family") entered into relationship agreements with the Company 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 regulate the ongoing relationship between the Company and CD&R Holdco and the Arora Family, respectively, following Admission (together the "Relationship Agreements" and each, a "Relationship Agreement").

The principal purpose of the Relationship Agreements is to ensure that the Company and its subsidiaries are capable of carrying on their business independently of CD&R Holdco and the Arora Family (and their respective associates), and that transactions and relationships between the Group and CD&R Holdco and the Arora Family (and their respective 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 Agreements contain undertakings that each of CD&R Holdco and the Arora Family and each of its respective associates, will:

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

(together the "Independence Provisions").

The Relationship Agreements will continue for so long as CD&R Holdco or the Arora Family together with their respective associates, as the case may be, hold 5% or more, respectively, of the issued ordinary shares of the Company.

Details of transactions entered into during the financial year 2015/16 with CD&R Holdco and the Arora Family (and their respective associates) are given in note 26 of the Financial Statements on page 93.

The Board confirms that during the financial year 2015/16 (and also since then to the date of this report):

(i) the Company has complied with the independence provisions included in each of the Relationship Agreements; and
(ii) so far as the Company is aware, the independence provisions included in each of the Relationship Agreements have been complied with by the controlling shareholders and their respective associates.
(iii) so far as the Company is aware, the procurement obligations in each of the Relationship Agreements have been complied with by the controlling shareholders and their respective associates,

and that the Company has acted independently of CD&R Holdco and the Arora Family (and their respective associates).

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

In accordance with Article 13.10 of the Articles of Association of the Company a report will be made at the 2016 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 which they may have directly or indirectly had an interest) entered into in the financial year 2015/16 referred to in note 26 of the Financial Statements on page 93, together with any other such transactions entered into after the financial year-end on 26 March 2016 up to the date of the AGM.

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

Section (a) – Share capital structure
B&M European Value Retail S.A. has issued one class of shares which is admitted to trading on the London Stock Exchange. No other shares have been issued by B&M European Value Retail S.A. The issued share capital of B&M European Value Retail S.A. as of 26 March 2016 amounts to GBP £100,000,000 represented by 1,000,000,000 shares with a nominal value of GBP £0.10 each. B&M European Value Retail S.A. has a total authorised share capital of GBP £297,222,222.20. All shares issued by B&M European Value Retail S.A. have equal rights as set out in the Articles of Association of the Company (the "Articles").

Section (b) – Transfer restrictions
As at the date of this report, all B&M European Value Retail S.A. shares are freely transferable subject to the conditions set out in Article 6.3 of the Articles, except as set out below.

On 12 June 2014, CD&R European Value Retail Investment S.à r.l., SSA Investments S.à r.l., Simon Arora, Bobby Arora, Robin Arora, Rani 1 Life Interest Trust, Rani 2 Life Interest Trust and Praxis Nominees Limited entered into an agreement pursuant to which SSA Investments S.à r.l. shall require the consent of CD&R European Value Retail S.à r.l. for the sale of any shares of the Company for a period of two years immediately following the expiry of the initial twelve month lock-up on 16 June 2015, which they entered into pursuant to the Underwriting Agreement on the listing of the Company on the premium listing segment of the Official List of the London Stock Exchange and the admission to trading of the shares of the Company on the main market for listed securities of the London Stock Exchange on 17 June 2014. This restriction applies to fifty percent (50%) of their shareholding in the Company following the 'Global Offer' as defined in the Prospectus issued on the listing of the Company. This Agreement requires all parties to co-operate for a three year period (subject to certain permitted exemptions) to maintain an orderly market in the event of the proposed sale of any shares in the Company by any of the parties.

Section (c) – Major shareholdings
Details of shareholders holding more than 5% of the issued share capital of B&M European Value Retail S.A. as notified to B&M European Value Retail S.A. in accordance with Luxembourg Transparency Law are set out on page 52.

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

Directors' report and business review continued

Section (e) – Control system on employee share scheme

B&M European Value Retail S.A. is not aware of any matters regarding section (e) of Article 11 of the Luxembourg Law on Takeovers of 19 May 2006, 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 meeting. In accordance with the Articles, the Board of Directors may determine such other conditions that must be fulfilled by shareholders in person or by proxy. Additional provisions may apply under Luxembourg Law. Luxembourg legislation requires shareholders to register their intention to vote at least 14 days before the date of the meeting (the "Record Date"). In accordance with Article 24.6.12 of the Articles, the right of a shareholder to participate in a general meeting and to exercise the voting rights attached to its shares are determined by reference to the number of shares held by such shareholder at midnight on the Record Date. In accordance with article 28 of the Luxembourg law on transparency obligations of securities issuers dated 11 January 2008 ("Luxembourg Transparency Law"), as long as the notice of crossing a major shareholding in the Company has not been notified to the Company in the manner prescribed, the exercise of the voting rights relating to those shares which exceed the threshold that should have been notified is suspended. The suspension of the voting rights is lifted when the shareholder makes the notification provided for in the Luxembourg Transparency Law.

Section (g) – Shareholders' agreements with transfer restrictions

B&M European Value Retail S.A. has no information about any agreements between shareholders which may result in restrictions on the transfer of securities or voting rights other than restrictions on transfer under the orderly sale arrangements referred to in section (b) above.

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 and the Articles of Association of the Company (in particular Article 10 and Article 24.6). The Articles of Association are published under the Investors section on the Company's website at www.bandmretail.com.

Section (i) – Powers of the Board of Directors

The Board of Directors is vested with the broadest powers to take any action necessary or useful to realise the purposes of the Company with the exception of the powers reserved to the general meeting of shareholders by the Luxembourg law on commercial companies dated 10 August 1915 and by the Articles.

In common with other Luxembourg public companies, the authority of the Board to issue ordinary shares on a non-pre-emptive basis is set out in the Articles of Association of the Company (the "Articles"). The Articles currently authorise the Directors to dis-apply pre-emption rights for the issue (a) for cash of shares representing up to a maximum of 5% (five per cent) of issued ordinary share capital of the Company per year (b) to deal with fractional entitlements on otherwise pre-emptive issues of shares, and (c) in connection with employee share options.

The Pre-emption Group of the Financial Reporting Council published an updated Statement of Principles in March 2015 (the "Statement of Principles") which gives companies additional flexibility to seek a further 5% disapplication of pre-emption rights (in addition to the 5% already set out in Article 5.2 of the Company's Articles of Association), provided that such additional shares are only issued in connection with an acquisition or a specified capital investment.

The Board believes it is in the best interests of shareholders to amend Article 5.2 of the Company's Articles of Association to reflect the additional 5% provided for in the Statement of Principles. Any amendments to the Articles of Association require the approval by a majority of at least two thirds of the votes cast at an extraordinary general meeting ("EGM").

The Board considers it prudent to propose the adoption of the additional flexibility permitted by the Statement of Principles (as supported by the Investment Association and the Pensions and Lifetime Savings Association). Accordingly an EGM is to be held along with the AGM on 29 July 2016 to propose this amendment to the Articles. The Board has no present intention of exercising this power but believes the authority will give the Company greater flexibility to respond to market developments. The Board intends to follow the Statement of Principles as supported by the Investment Association and the Pensions and Lifetime Savings Association, to the extent practical as a Luxembourg company.

The Board was authorised by the AGM of shareholders held on 30 July 2015, in the name and on behalf of the Company, to purchase, acquire or receive B&M European Value Retail S.A.'s own shares representing up to 10% 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 where purchased pursuant to this authority in the year under review or since then up to the date of this report.

The Board intends to seek a new renewal of this authority for the Company to purchase its shares, at the AGM of the shareholders on 29 July 2016. This resolution will usually be requested at each AGM.

Section (j) – Significant agreements or essential business contracts

The Board of Directors is not aware of any significant agreements to which B&M European Value Retail S.A. is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid. The Board of Directors has considered essential business contracts and concluded that there are none, other than 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. 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.

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 46 and 47.

Approved by order of the Board

Simon Arora
Chief Executive Officer

Paul McDonald
Chief Financial Officer
25 May 2016

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 Luxemburg legal and regulatory requirements regarding the preparation of annual accounts ("Lux GAAP").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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;
- provide additional disclosures when compliance with the specific requirements in IFRSs or in accordance with Lux GAAP are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

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

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

We confirm that to the best of our knowledge:

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

Approved by order of the Board

Simon Arora
Chief Executive Officer

Paul McDonald
Chief Financial Officer
25 May 2016

Independent Auditor's report

to the shareholders of B&M European Value Retail S.A.

Report on the consolidated financial statements
We have audited the accompanying 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 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements
The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Responsibility of the Réviseur d'entreprises agréé
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *"Commission de Surveillance du Secteur Financier"*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 26 March 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements
The Directors' report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

The accompanying Corporate Governance Statement on pages 34 to 38, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, 2 June 2016

Hugues Wangen
Réviseur d'entreprises agréé
Grant Thornton Lux Audit S.A.

Consolidated statement of comprehensive income

Period ended	Note	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
Revenue		**2,035,285**	1,646,824
Cost of sales		**(1,332,263)**	(1,076,916)
Gross profit	2	**703,022**	569,908
Administrative expenses		**(528,530)**	(437,049)
Operating profit		**174,492**	132,859
Share of profits of investments in associates	11	**1,166**	1,632
Profit on ordinary activities before interest and tax		**175,658**	134,491
Finance costs	6	**(21,573)**	(72,875)
Finance income	6	**460**	99
Profit on ordinary activities before tax		**154,545**	61,715
Income tax expense	9	**(28,142)**	(21,852)
Other tax expense	9	**(603)**	–
Profit for the period	3	**125,800**	39,863
Attributable to non-controlling interests		**1,264**	1,223
Attributable to owners of the parent		**124,536**	38,640
Other comprehensive income for the period			
Items which may be reclassified to profit and loss:			
Exchange differences on retranslation of subsidiary and associate accounts		**5,505**	(4,236)
Actuarial gain/(loss) on the defined benefit pension scheme		**5**	(35)
Tax effect of other comprehensive income	9	**13**	11
Total comprehensive income for the period		**131,323**	35,603
Attributable to non-controlling interests	27	**1,265**	1,218
Attributable to owners of the parent		**130,058**	34,385
Earnings per share			
Basic earnings per share attributable to ordinary equity holders (pence)	10	**12.5**	3.9
Diluted earnings per share attributable to ordinary equity holders (pence)	10	**12.4**	3.9

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 2016 £'000	28 March 2015 £'000
Assets			
Non-current			
Goodwill	12	**837,450**	835,258
Intangible assets	12	**101,174**	99,695
Property, plant and equipment	13	**138,050**	101,823
Investments in associates	11	**3,995**	3,822
Other receivables	15	**2,771**	–
Deferred tax asset	9	**473**	354
		1,083,913	1,040,952
Current assets			
Cash and cash equivalents	16	**91,148**	64,943
Inventories	14	**356,312**	286,136
Trade and other receivables	15	**28,761**	35,167
Other current financial assets	18	**4,769**	1,145
		480,990	387,391
Total assets		**1,564,903**	1,428,343
Equity			
Share capital	21	**(100,000)**	(100,000)
Share premium		**(2,577,668)**	(2,600,000)
Merger reserve		**1,979,131**	1,979,131
Retained earnings		**(115,898)**	(10,392)
Luxembourg legal reserve		**(614)**	–
Put/call option reserve		**13,855**	13,855
Foreign exchange reserve		**(1,273)**	4,232
Non-controlling interest		**(11,883)**	(10,655)
		(814,350)	(723,829)
Non-current liabilities			
Interest bearing loans and borrowings	19	**(435,142)**	(433,758)
Finance lease liabilities	23	**(4,252)**	(4,918)
Other financial liabilities	18	**(16,041)**	(14,219)
Other liabilities	17	**(66,544)**	(52,381)
Deferred tax liabilities	9	**(20,119)**	(21,199)
Provisions	20	**(2,047)**	(1,430)
		(544,145)	(527,905)
Current liabilities			
Trade and other payables	17	**(189,743)**	(161,131)
Finance lease liabilities	23	**(1,119)**	(1,066)
Other financial liabilities	18	**(487)**	(642)
Income tax payable		**(10,290)**	(7,940)
Provisions	20	**(4,769)**	(5,830)
		(206,408)	(176,609)
Total liabilities		**(750,553)**	(704,514)
Total equity and liabilities		**(1,564,903)**	(1,428,343)

As explained more fully in the basis of preparation within note 1 and notes 14,15,17 and 26, goods in transit from overseas suppliers are now reflected in the statement of financial position as from 29 March 2014. The comparative figures in the statements of financial position as at 28 March 2015 have, accordingly, been restated. These restatements have no impact whatsoever on the statements of comprehensive income, nor on net equity in the current financial year or in prior years.

The accompanying accounting policies and notes form an integral part of these consolidated financial statements. This statement of financial position was approved by the Board of Directors and authorised for issue on 25 May 2016 and signed on their behalf by:

Simon Arora
Chief Executive Officer.

Consolidated statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Legal reserve £'000	Merger reserve £'000	Foreign exchange reserve £'000	Put/call option reserve £'000	Non-controlling interest £'000	Total share-holders' equity £'000
Balance at 29 March 2014	97,222	2,527,778	(19,415)	–	(2,625,000)	4	–	–	(19,411)
Reserve balances recognised on acquisition	–	–	–	–	–	–	(13,855)	9,515	(4,340)
Effect of Group reconstruction	–	–	–	–	645,869	–	–	–	645,869
Effect of raising equity during IPO exercise	2,778	72,222	–	–	–	–	–	–	75,000
Dividends to owners	–	–	(9,000)	–	–	–	–	–	(9,000)
Dividends to non-controlling interest	–	–	–	–	–	–	–	(78)	(78)
Effect of share options	–	–	186	–	–	–	–	–	186
Total for transactions with owners	2,778	72,222	(8,814)	–	645,869	–	–	(78)	711,977
Profit for the period	–	–	38,640	–	–	–	–	1,223	39,863
Other comprehensive income:									
Exchange differences on retranslation of subsidiaries and associates	–	–	–	–	–	(4,236)	–	–	(4,236)
Other items and tax effect	–	–	(19)	–	–	–	–	(5)	(24)
Total comprehensive income for the period	–	–	38,621	–	–	(4,236)	–	1,218	35,603
Balance at 28 March 2015	100,000	2,600,000	10,392	–	(1,979,131)	(4,232)	(13,855)	10,655	723,829
Allocation to legal reserve	**–**	**–**	**(614)**	**614**	**–**	**–**	**–**	**–**	**–**
Dividends to owners	**–**	**(22,332)**	**(18,668)**	**–**	**–**	**–**	**–**	**–**	**(41,000)**
Dividends to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(37)**	**(37)**
Effect of share options	**–**	**–**	**235**	**–**	**–**	**–**	**–**	**–**	**235**
Total for transactions with owners	**–**	**(22,332)**	**(18,433)**	**–**	**–**	**–**	**–**	**(37)**	**(40,802)**
Profit for the period	**–**	**–**	**124,536**	**–**	**–**	**–**	**–**	**1,264**	**125,800**
Other comprehensive income:									
Exchange differences on retranslation of subsidiaries and associates	**–**	**–**	**–**	**–**	**–**	**5,505**	**–**	**–**	**5,505**
Other items and tax effect	**–**	**–**	**17**	**–**	**–**	**–**	**–**	**1**	**18**
Total comprehensive income for the period	**–**	**–**	**124,553**	**–**	**–**	**5,505**	**–**	**1,265**	**131,323**
Balance at 26 March 2016	**100,000**	**2,577,668**	**115,898**	**614**	**(1,979,131)**	**1,273**	**(13,855)**	**11,883**	**814,350**

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 2016 £'000**	52 weeks ended 28 March 2015 £'000
Cash flows from operating activities			
Cash generated from operations	22	**170,934**	152,880
Fees associated with acquisitions and refinancing		**–**	(8,160)
Fees associated with the IPO and associated restructuring	4	**(770)**	(19,709)
Luxembourg Net Wealth Tax paid		**(7)**	–
Income tax paid		**(27,551)**	(13,726)
Net cash flows from operating activities		**142,606**	111,285
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(54,912)**	(35,667)
Purchase of intangible assets	12	**(1,801)**	(248)
Acquisition of subsidiaries net of cash received		**–**	(54,356)
Settlement of PLTA liability on the acquired balance sheet		**–**	(5,465)
Proceeds from sale of property, plant and equipment		**538**	2,735
Interest received		**183**	99
Dividends received from associates		**1,295**	–
Net cash flows from investing activities		**(54,697)**	(92,902)
Cash flows from financing activities			
Net (payment)/receipt of bank loans		**–**	(17,625)
Receipt from share issue		**–**	75,000
Interest paid		**(19,662)**	(25,534)
Dividends paid to non-controlling interest		**(37)**	(78)
Dividends paid to owners of the parent		**(41,000)**	(9,000)
Repayment of finance lease		**(1,005)**	(1,057)
Net cash flows from financing activities		**(61,704)**	21,706
Net increase in cash and cash equivalents		**26,205**	40,089
Cash and cash equivalents at the beginning of the period		**64,943**	24,854
Cash and cash equivalents at the end of the period		**91,148**	64,943
Cash and cash equivalents comprise:			
Cash at bank and in hand	16	**91,148**	64,943
		91,148	64,943

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

Notes to the consolidated financial statements

1 General information and basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

The Group's trade is general retail, with trading taking place in the UK and Germany. The Group has been listed on the London Stock Exchange since June 2014.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The measurement basis and principal accounting policies of the Group are set out below and have been applied consistently throughout the consolidated financial statements.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

The consolidated financial statements cover the 52 week period from 29 March 2015 to 26 March 2016. This is a different period to the parent company stand alone accounts (from 1 April 2015 to 31 March 2016).

This exception is permitted under article 330 (2) of the Luxembourg company law of 10th August 1915 as amended as the management believe that:

- the consolidated financial statements are more informative when they cover the same period of account as used by the main operating entity, B&M Retail Ltd; and
- that it would be unduly onerous to rephrase the year end in this subsidiary to match that of the parent company.

We finally note that 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. is the head of the Group and there is no consolidation that takes place above the level of this company.

The principal accounting policies of the Group are set out below.

Restatements

At 26 March 2016, the level of imported goods in transit was £58.2m. Following a detailed review of the terms and conditions under which these goods were shipped they have been recognised within inventory at the period end reflecting that the risks and rewards of ownership are transferred to the Group at the point of shipment and not at the UK port as previously concluded.

The level of imported goods in transit has increased significantly in recent years and as a consequence of recognising these in inventory at the year end, it has been necessary to revise the recognition of imported goods in transit in previous periods also. These changes have no impact on the statements of comprehensive income or on net equity in the current period or in any of the earlier periods affected. The restatements are simply reclassifications within working capital.

In accordance with IAS 8, the 2015 statement of financial position has been restated to reclassify payments on account with suppliers to inventories and to increase trade creditors and inventories to recognise the respective period end positions.

The reclassifications result in:

- Decreases in deposits on account with suppliers of £29.7m in 2015 and £24.6m in 2014, including those held by related parties (£15.9m, £10.8m respectively);
- Increases in trade creditors of £17.5m in 2015 and £8.5m in 2014;
- Increases in inventory of £47.2m in 2015 and £33.1m in 2014.

Further information is contained in the relevant notes on inventory (14), receivables (15), payables (17) and related parties (26).

Reconstruction, refinancing and listing of the Group

On 19 May 2014, B&M European Value Retail S.A. (the "Company") was incorporated. On 17 June 2014 the Company acquired the entire issued share capital of B&M European Value Retail 1 S.à r.l. Group (the "Business") via a share for share exchange with the shareholders of the Business. Following the share for share exchange, the Company became the ultimate legal parent of the Group.

The share for share transaction is deemed outside the scope of IFRS 3 (revised 2008) and as such is not considered a business combination as prior to the transaction the Company was not considered a business under the definition of IFRS 3 Appendix A and the application guidance in IFRS 3 B7-B12 due to the Company being essentially a shell company that had no processes or capability for outputs (IFRS 3 B7).

The share for share transaction has been accounted for as a group reconstruction (following the principles of merger accounting). As such comparative information has been presented on a pro-forma basis as though the Group had been in existence throughout the current and prior periods.

Notes to the consolidated financial statements continued

1 General information and basis of preparation continued

Reconstruction, refinancing and listing of the Group continued

Accordingly;

- The assets and liabilities of the Business and its subsidiaries are recognised in the financial information at the pre-combination carrying amounts, without restatement to fair value.
- The retained losses and other equity balances recognised in the financial information reflect the retained losses and other equity balances of the business recorded before the share for share exchange.
- The equity structure, however, reflects the equity structure of the Company, including those balances which arose due to the equity instruments issued under the share for share exchange.
- The resulting difference has been recognised as a component of equity, being the merger accounting reserve.
- Because, immediately prior to the reconstruction, the equity balances in the Business were held as debt, this debt has remained within the restated balance sheet as a liability and has been reclassed upon redemption which occurred as part of the share for share exchange. The net effect of this is a decrease in the Merger reserve on the date of the reconstruction.

Immediately after the reconstruction, on the same date, the Group listed on the London Stock Exchange via an IPO which valued the company at £2.7bn and raised £75.0m cash less £19.7m of fees (which were expensed to profit and loss in the period) for the Group itself.

As part of this process a refinancing also took place, with terms agreed on new banking facilities until June 2019 and June 2020. The refinancing incurred £7.3m of fees, which are being amortised over the length of the term. £28.8m of previously unamortised fees, relating to the refinancing that took place in March 2013, were written off to profit and loss.

Overall the key steps in the processes were:

1. B&M European Value Retail S.A. was incorporated with 972.2 million ordinary shares of 10p each.

2. These were exchanged for the preferred equity certificates, preference shares and ordinary share capital of B&M European Value Retail 1 S.ã r.l – the previous Group parent.

3. The Group reconstruction resulted in the group's share capital, preferred equity certificates of £556.1m, with accrued interest of £87.8m, and preference share balances being replaced by the £97.2m share capital, and £2,527.8m of share premium – being the technical valuation of the contribution in kind made by the prior owners via their instruments held in B&M EVR 1 S.ã r.l.

4. This resulted in the recognition of a merger reserve of £1,979.1m.

5. No cash was exchanged as part of the above steps.

6. A further 27.8million ordinary shares of 10p each were released as part of the IPO. These were sold at £2.70 each, leading to the receipt of £75million and the recognition of £72.2m of share premium.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings together with the Group's share of the net assets and results of associated undertakings for the period from 29 March 2015 to 26 March 2016. 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 arrangement 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
Viability and going concern statements have been made in the Principle risks and uncertainties section of this annual report. On the basis of these, the directors have determined that it is appropriate to continue to use the going concern basis for production of these consolidated financial statements.

Turnover
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is the total amount receivable by the Group for goods supplied, in the ordinary course of business excluding VAT and trade discounts, returns and relevant vouchers and offers. Store retail turnover is recognised at the initial point of sale of goods to customers, when the risks and rewards of the ownership of the goods have been transferred to the buyer.

Other administrative expenses
Administrative expenses contain all running costs of the business, except those relating to inventory (which are expensed through cost of sales), tax, interest and other comprehensive income.

Elements which are unusual and significant may be separated onto a separate line item.

Goodwill
Goodwill is initially measured at cost, being the excess of the fair value of consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the relevant cash-generating units (CGUs) that are expected to benefit from the combination.

Goodwill is tested for impairment at each year end and at any time where there is any indication that goodwill 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 board is responsible for assessing the performance of the business for the purpose of making decisions about resources to be allocated.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition-related costs are expensed depending on their nature with costs of raising finance amortised over the term of the relevant element of finance provided and the remainder expensed when incurred.

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 each of the Group's cash-generating units or group of cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Brands
Brands acquired as part of a business combination are initially recognised at fair value and subsequently reviewed at least annually for impairment or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly, and charged to administration expenses.

Brands are considered to have an indefinite life on the basis that they form part of the cash generating units within the company which will continue in operation indefinitely, with no foreseeable limit to the period over which they are expected to generate net cash inflows.

Notes to the consolidated financial statements continued

1 General information and basis of preparation continued

Intangible assets

Intangible assets acquired separately, including computer software, are measured on initial recognition at cost comprising the purchase price and any directly attributable costs of preparing the asset for use.

Following initial recognition, assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when an asset is available for use and is calculated on a straight line basis to allocate the cost of the asset over its estimated useful life as follows:

Computer software acquired	–	4 years

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost comprises purchase price and directly attributable costs. Unless significant or incurred as part of a refit programme, subsequent expenditure will usually be treated as repairs or maintenance and expensed to profit and loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Freehold land is not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight line basis to allocate cost, less residual value of the assets, over their estimated useful lives as follows.

Depreciation

Depreciation is provided on all other items of property, plant and equipment and the effect is to write off the carrying value of items by equal instalments over their expected useful economic lives. It is applied at the following rates.

Leasehold buildings	–	Life of lease
Freehold buildings	–	2 – 4% straight line
Plant, fixtures and equipment	–	10% – 25% straight line
Fixtures, fittings and vehicles	–	20% – 25% straight line

Residual values and useful lives are reviewed annually and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

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 share in the associate 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. Changes resulting from the profit or loss generated by the associate are reported in "share of profits of associates" in the consolidated income statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation and impairment of the fair value adjustments of assets and liabilities.

Items that have been recognised directly in the associate's other comprehensive income are recognised in the consolidated other comprehensive income of the Group. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, 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.

Indications of impairment might include (for goodwill and the brand assets, for instance) a significant impairment to the like for like sales of established stores, sustained negative publicity or a drop off in visits to our website and social media accounts.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill and acquired brands with indefinite lives, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement, except for impairment of goodwill which is not reversed.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets even if that right is not explicitly specified in an arrangement.

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset, or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit and loss over the period of the lease.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Onerous leases

The Group carries a property provision which is recognised on specific sites within the Group's leasehold property portfolio where an exit can be reasonably expected to occur, and a lease is considered onerous.

A lease is considered onerous when the economic benefits of occupying the leased properties are less than the obligations payable under the lease.

The amount held covers any costs expected to accrue before the end of the contract, netted against any income, as well as a portion related to any dilapidation expense which may arise.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Notes to the consolidated financial statements continued

1 General information and basis of preparation continued

Share options

The Group operates share option schemes, with the first such scheme commencing in August 2014.

The schemes have been accounted for under the provisions of IFRS 2, and accordingly have been fair valued on their inception date using appropriate methodology (the Black Scholes and Monte Carlo models).

A cost is recorded through profit and loss 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.

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Financial assets

Initial recognition and measurement

The classification of financial instruments is determined at initial recognition. The Group has the following types of financial assets: Trade and other receivables and cash which are classified within the IAS 39 definition of loans and receivables and derivative contracts which are classified within the IAS 39 definition of fair value through profit and loss. All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value plus transaction costs other than for financial assets carried at fair value through profit or loss.

The Group does not have any held-to-maturity or available-for-sale financial assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 and the losses arising from impairment are recognised in profit and loss.

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 IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit and loss.

Derecognition

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

Impairment of financial assets

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial derivatives held for trading. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group. Gains or losses on liabilities held-for-trading are recognised in profit and loss.

Other financial liabilities

After initial recognition, interest bearing loans and borrowings, trade and other payables and other liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to mark-to-market valuations obtained from the relevant bank (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Derivative 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. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, less bank overdrafts.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares;
- "Share premium" represents the excess of the consideration made for the shares, over and above the nominal valuation of those shares;
- "Legal reserve" representing the statutory reserve required by Luxembourg law as an apportionment of profit within each Luxembourg company (up to 10% of the standalone share capital);
- "Merger reserve" representing the reserve created during the reorganisation of the Group in 2014;
- "Retained earnings reserve" represents retained profits;
- "Put/call option reserve" representing the initial valuation of the put/call option held by the Group over the non-controlling interest of J.A. Woll Handels GmbH (Jawoll);
- "Foreign exchange reserve" represents the cumulative differences arising in retranslation of the subsidiaries results;
- "Non-controlling interest" representing the portion of the equity which belongs to the non-controlling interest in the Group's subsidiaries.

Notes to the consolidated financial statements continued

1 General information and basis of preparation continued

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
- Meltore Ltd
- Opus Homewares Ltd

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

- B&M European Value Retail 2 S.à r.l. (SBR Europe)
- B&M European Value Retail Germany GmbH (Germany Holdco)
- J.A. Woll Handels GmbH (Jawoll)
- Jawoll Vertriebs GmbH
- BestFlora GmbH.

The Group companies whose functional currency is the Euro have been consolidated into the Group via retranslation of their accounts in line with IAS 21 *Effects of Changes in Foreign Exchange Rates*. The assets and liabilities are translated into pounds sterling at the year end exchange rate. The revenues and expenses are translated into pounds sterling at the average monthly exchange rate during the period. Any resulting foreign exchange difference is cumulatively recorded in the foreign exchange reserve with the annual effect being charged/credited to other comprehensive income.

Transactions entered into by the company in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Pension costs

The Group operates a defined contribution scheme and contributions are charged to profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when a present obligation (legal or constructive) exists as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are discounted where the time value of money is considered to be material.

Critical judgements and key sources of estimation uncertainty

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 12.

Investments in Associates

Multi-lines International Company Ltd (Multi-lines), which is 50% owned by the Group, has been considered 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,
- Multi-lines have their own independent management who operate without direct oversight of B&M Group management on a day to day basis.
- B&M Group does not have the right to appoint directors nor do we have a casting vote.

Therefore the level of power over the business is considered to be more in keeping with that of an associate than a joint-venture, and hence it has been treated as such within these consolidated financial statements.

Put/call options on Jawoll non-controlling interest

The purchase agreement for Jawoll included call and put options over the shares not purchased by the Group, representing 20% of Jawoll. The options are arranged such that it is considered likely that either the call or put option will be taken at the exercise date in 2019.

The exercise price of the options contain a variable element and as such the risk and rewards of the options are considered to remain with the non-controlling interest. The purchase of the non-controlling interest will be recognised upon exercise of one of the options.

A financial liability has been recognised carried at amortised cost to represent the expected exercise price, with the corresponding debit entry to the put/call option reserve. Management have estimated the future measurement inputs in arriving at this value, using knowledge of current performance, expected growth and planned strategy. Any subsequent movements in the liability will be recognised in profit or loss.

Standards and Interpretations applied and not yet applied by the Group

New and amended standards and interpretations adopted by the Group

IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37, "Provisions". The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The adoption of IFRIC 21 does not have a significant impact for the Group.

Annual improvements 2011–2013. The amendments include changes from the 2011–13 cycle of the annual improvements project that affects four standards: IFRS 1, "First time adoption", IFRS 3 "Business combination", IFRS 13, "Fair value measurement" and IAS 40, "Investment property". The application of these amendments had no significant impact for the Group.

Annual improvements 2010–2012. These amendments include changes from the 2010–12 cycle of the annual improvements project, that affect several standards: IFRS 2, "Share-based payment", IFRS 3, "Business Combinations", IFRS 8, "Operating segments", IFRS 13, "Fair value measurement", IAS 16, "Property, plant and equipment", IAS 38, "Intangible assets", IAS 37, "Provisions, contingent liabilities and contingent assets", and IAS 39, "Financial instruments – Recognition and measurement". The application of these amendments had no significant impact for the Group.

IAS 19 revised, "Defined Benefit Plans: Employee Contributions" – effective for annual periods beginning on or after 1 July 2014. The application of this amendment had no significant impact for the Group.

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards and amendments have been published but are not effective for the Group's accounting period beginning on 29 March 2015. All these standards and amendments have not yet been endorsed by the European Union.

"Disclosure Initiative (Amendments to IAS 1)" – applicable for reporting periods beginning on or after 1 January 2016 to encourage companies to apply professional judgement in determining the information to disclose in their financial statements;

Amendments to IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets" on depreciation and amortisation – effective from 1 January 2016. IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, past the headline is a rebuttable presumption, and revenue-based amortisation is permitted when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated;

Amendment to IAS 27, "Separate financial statements", on equity method on separate financial statements – applicable for reporting periods beginning on or after 1 January 2016;

Notes to the consolidated financial statements continued

1 General information and basis of preparation continued

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group continued

Amendment to IFRS 10, "Consolidated financial statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28, "Associates and joint ventures" on sale or contribution of assets and on investment entities applying the consolidation exception – applicable for reporting periods beginning on or after 1 January 2016;

Amendment to IFRS 11, "Joint arrangements" on acquisition of an interest in a joint operation – applicable for reporting periods beginning on or after 1 January 2016;

Annual improvements 2012–2014 – applicable for reporting periods beginning on or after 1 January 2016;

IFRS 9, "Financial instruments" – applicable for reporting periods beginning on or after 1 January 2018. The IASB has published the complete version of IFRS 9 which replaces IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today and redefine the guidance regarding the hedge accounting;

IFRS 14, "Regulatory deferral accounts" – applicable for reporting periods beginning on or after 1 January 2016;

IFRS 15, "Revenue from contracts with customers" applies to all contracts with customers except those that are financial instruments, leases or insurance contracts and introduces a five-step process that the Group will have to follow. The new Standard goes beyond just "commercial effect", "fair value" and "risk and rewards" and will also result in a significant increase in the volume of disclosures related to revenue. IFRS 15 will be applicable for reporting periods beginning on or after 1 January 2018.

IFRS 16 "Leases" provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. The standard is effective for annual periods beginning on or after January 1st, 2019, subject to EU adoption. The Group is yet to assess the impact of IFRS 16.

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.

For management purposes, the Group is organised into two reportable segments, being the UK retail segment and the German retail segment (since acquisition of Jawoll on 30 April 2014).

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.

The average euro rate for translation purposes was €1.3677/£ during the year, with the year end rate being €1.2670/£ (2015: €1.2741/£ and €1.3670/£, respectively).

52 week period to 26 March 2016	**UK Retail £'000**	**Germany Retail £'000**	**Corporate £'000**	**Total £'000**
Revenue	**1,902,557**	**132,728**	**–**	**2,035,285**
Gross profit	**652,775**	**50,247**	**–**	**703,022**
EBITDA	**182,035**	**11,588**	**2,461**	**196,084**
Interest received	**170**	**13**	**277**	**460**
Interest expense	**(51)**	**(162)**	**(21,360)**	**(21,573)**
Income tax expense	**(32,877)**	**(2,636)**	**6,768**	**(28,745)**
Segment profit/(loss)	**131,509**	**6,150**	**(11,859)**	**125,800**
Total assets	**1,450,936**	**104,636**	**9,331**	**1,564,903**
Total liabilities	**(247,490)**	**(19,577)**	**(483,486)**	**(750,553)**
Other disclosures:				
Capital expenditure (including intangible)	**(51,760)**	**(4,935)**	**(18)**	**(56,713)**
Depreciation and amortisation	**(17,768)**	**(2,653)**	**(5)**	**(20,426)**
Share of profit of associates	**–**	**–**	**1,166**	**1,166**
Investment in associates accounted for by the equity method	**–**	**–**	**3,995**	**3,995**

52 week period to 28 March 2015	UK Retail £'000	Germany Retail £'000	Corporate £'000	Total £'000
Revenue	1,526,181	120,643	–	1,646,824
Gross profit	525,497	44,411	–	569,908
EBITDA	163,166	10,659	(23,660)	150,165
Interest received	80	19	–	99
Interest expense	(112)	(181)	(72,582)	(72,875)
Income tax expense	(31,558)	(2,305)	12,011	(21,852)
Segment profit/(loss)	118,717	5,379	(84,233)	39,863
Total assets	1,329,816*	92,981	5,546	1,428,343*
Total liabilities	(205,201)*	(19,763)	(479,550)	(704,514)*
Other disclosures:				
Capital expenditure (including intangible)	(34,246)	(1,669)	–	(35,915)
Depreciation and amortisation	(12,859)	(2,813)	(2)	(15,674)
Share of profit of associates	–	–	1,632	1,632
Investment in associates accounted for by the equity method	–	–	3,822	3,822

* These figures have been restated, as explained more fully in the basis of preparation within note 1.

Notes to the consolidated financial statements continued

3 Adjusted profit and loss statement

Period ended	52 weeks ended 26 March 2016 £'000	Adjusting items (Note 4) £'000	Adjusted 52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000	Adjusting items (Note 4) £'000	Adjusted 52 weeks ended 28 March 2015 £,000
Revenue	2,035,285	–	2,035,285	1,646,824	–	1,646,824
Cost of sales	(1,332,263)	–	(1,332,263)	(1,076,916)	–	(1,076,916)
Gross profit	703,022	–	703,022	569,908	–	569,908
Administrative expenses	(528,530)	(6,387)	(522,143)	(437,049)	(24,103)	(412,946)
Add back depreciation & amortisation	20,426	–	20,426	15,674	–	15,674
Share of profits of investments in associates	1,166	–	1,166	1,632	–	1,632
EBITDA	196,084	(6,387)	202,471	150,165	(24,103)	174,268
Depreciation & amortisation	(20,426)	–	(20,426)	(15,674)	–	(15,674)
Profit on ordinary activities before interest and tax	175,658	(6,387)	182,045	134,491	(24,103)	158,594
Finance costs	(21,573)	(723)	(20,850)	(72,875)	(49,173)	(23,702)
Finance income	460	277	183	99	–	99
Profit/(loss) on ordinary activities before tax	154,545	(6,833)	161,378	61,715	(73,276)	134,991
Income tax expense	(28,142)	1,139	(29,281)	(21,852)	9,064	(30,916)
Other tax expense	(603)	–	(603)			
Profit/(loss) for the period	125,800	(5,694)	131,494	39,863	(64,212)	104,075
Attributable to non-controlling interests	1,264	(100)	1,364	1,223	(18)	1,241
Attributable to owners of the parent	124,536	(5,594)	130,130	38,640	(64,194)	102,834
Other comprehensive income for the period						
Items which may be reclassified to profit and loss :						
Exchange differences on retranslation of subsidiary and associate accounts	5,505	5,505	–	(4,236)	(4,236)	–
Actuarial gain/(loss) on the defined benefit pension scheme	5	5	–	(35)	(35)	–
Tax effect of other comprehensive income	13	13	–	11	11	–
Total comprehensive income/(loss) for the period	131,323	(171)	131,494	35,603	(68,472)	104,075
Attributable to non-controlling interests	1,265	(99)	1,364	1,218	(23)	1,241
Attributable to owners of the parent	130,058	(72)	130,130	34,385	(68,449)	102,834
Earnings/(loss) per share						
Basic earnings/(loss) per share attributable to ordinary equity holders (pence)	12.5	(0.5)	13.0	3.9	(6.4)	10.3
Diluted earnings/(loss) per share attributable to ordinary equity holders (pence)	12.4	(0.6)	13.0	3.9	(6.4)	10.3

4 Adjusting items

Period ended	**52 weeks ended 26 March 2016 £'000**	52 weeks ended 28 March 2015 £'000
Administrative expenses		
Fees related to the IPO	**(770)**	(19,709)
Fees related to the acquisition of the German entities	**–**	(827)
Fair value adjustments to foreign exchange and fuel derivatives	**3,577**	2,270
Professional fees associated with the prior financing structure	**–**	(970)
New store pre-opening costs	**(7,573)**	(5,272)
Foreign exchange movements on intercompany balances	**(198)**	(2,840)
Property provision and compulsory purchase order income	**(1,322)**	3,148
Other items which management considered one off in nature	**(101)**	97
	(6,387)	(24,103)
Finance costs and income		
Interest on loans from owners	**–**	(16,170)
One off costs incurred on raising debt finance	**–**	(28,815)
Fair value adjustments on interest swap derivatives	**277**	(2,214)
Unwinding of the call/put option held over the minority interest of Jawoll	**(723)**	(1,974)
	(446)	(49,173)
Income tax expense		
Tax adjustment relating to items adjusting administrative costs	**1,194**	557
Tax adjustment relating to items adjusting finance costs	**(55)**	8,507
	1,139	9,064
Other comprehensive income		
Exchange differences relating to retranslation of Group entities	**5,505**	(4,236)
Actuarial change in the defined benefit pension liability	**5**	(35)
Tax effect of other comprehensive income	**13**	11
	5,523	(4,260)

Adjusting items are exceptional and non-trading items considered by the directors to not be incurred in the usual underlying running of the trade of the Group. The directors consider the adjusted figures to be a more accurate reflection 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 well as being consistent with how business performance is monitored internally.

Adjusting items include expenses relating to new acquisitions, special projects and restructuring expenses (such as IPO, refinancing, maintaining ownership structures), pre-opening new store costs, provisions for onerous leases, regulatory investigations or fines, dilapidation provisions, compulsory purchase order income, foreign exchange gains/(losses), fair value gains/(losses) on derivatives, other comprehensive income items, unwinding interest on items not directly related to the trade of the business, impairment on non-financial assets, profit/(loss) on fixed assets disposal and the estimated tax effect of these items.

Adjusted EBITDA and related measures are not a measurement 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

5 Operating profit

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

Period ended	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
Auditor's remuneration	**367**	348
Payments to auditors in respect of non-audit services:		
Taxation advisory services	**–**	48
Other assurance services	**9**	477
Inventories:		
Cost of inventories recognised as an expense (included in cost of sales)	**1,349,161**	1,079,873
Depreciation of property, plant and equipment:		
Owned assets	**18,946**	14,096
Leased assets	**780**	751
Amortisation (included within administration costs)	**700**	827
Operating lease rentals	**104,621**	74,376
(Profit)/loss on sale of property, plant and equipment	**52**	(70)
(Gain)/loss on exchange	**(70)**	2,844

6 Finance costs and finance income

Finance costs include all interest related income and expenses. The following amounts have been included in the statement of comprehensive income line for each reporting period presented:

Period ended	52 weeks to 26 March 2016 £'000	52 weeks to 28 March 2015 £'000
Interest on debt and borrowings	**(19,325)**	(21,694)
Ongoing amortised finance fees	**(1,384)**	(1,844)
Finance charges payable under finance leases and hire purchase contracts	**(141)**	(164)
Total adjusted interest expense	**(20,850)**	(23,702)
Interest on loans from owners	**–**	(16,170)
One-off costs incurred on raising debt finance	**–**	(28,815)
Loss on financial instruments at fair value through profit or loss	**–**	(2,214)
Unwinding of the call/put option held over the minority interest of Jawoll	**(723)**	(1,974)
Total finance costs	**(21,573)**	(72,875)

Period ended	52 weeks to 26 March 2016 £'000	52 weeks to 28 March 2015 £'000
Interest income on loans and bank accounts	**183**	99
Gain on financial instruments at fair value through profit or loss	**277**	–
Total finance income	**460**	99

7 Employee remuneration
Expense recognised for employee benefits is analysed below:

Period ended	**52 weeks to 26 March 2016 £'000**	52 weeks to 28 March 2015 £'000
Wages and salaries	**229,229**	186,079
Social security costs	**10,126**	10,914
Pensions – defined contribution plans	**834**	664
	240,189	197,657

There are £70k of defined contribution pension liabilities held by the Group at the period end (2015: £47k).

The Group has one employee who is a member of a defined benefit scheme (2015: one employee). The liability held on the balance sheet at the year end was £258k (2015: £276k).

The scheme is considered immaterial to the Group and the effect of the year end actuarial valuation can be seen within other comprehensive income.

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

Period ended	**52 weeks to 26 March 2016**	52 weeks to 28 March 2015
Sales staff	**22,359**	18,910
Administration	**570**	552
	22,929	19,462

8 Key management remuneration
Key management personnel and Directors' remuneration includes the following:

Period ended	**52 weeks to 26 March 2016 £'000**	52 weeks to 28 March 2015 £'000
Directors' remuneration		
Short term employee benefits	**1,175**	833
Benefits accrued under the share option scheme	**80**	22
	1,255	855
Key management expense (includes Directors' remuneration)		
Short term employee benefits	**2,627**	2,122
Benefits accrued under the share option scheme	**80**	22
	2,707	2,144
Amounts in respect of the highest paid director emoluments:		
Short term employee benefits	**576**	376
Benefits accrued under the share option scheme	**–**	22
	576	398

The emoluments disclosed above are of the directors and key management personnel who have served as a director within any of the Group companies.

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 20% (2015 : 21%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

Period ended	52 weeks to 26 March 2016 £'000	52 weeks to 28 March 2015 £'000
Current tax expense	**29,327**	20,667
Deferred tax (credit)/charge	**(1,185)**	1,185
Total tax expense	**28,142**	21,852
Result for the year before tax	**154,545**	61,715
Expected tax charge at the standard tax rate	**30,909**	12,960
Effect of :		
Expenses not deductible for tax purposes	**1,812**	8,179
Income not taxable	**(1,076)**	(362)
Foreign operation taxed at local rate	**280**	964
Changes in the rate of corporation tax	**(1,963)**	(33)
Adjustment in respect of prior years	**(1,827)**	128
Other	**7**	16
Actual tax expense	**28,142**	21,852

Deferred taxation

	Statement of financial position		Statement of comprehensive income	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Accelerated tax depreciation	**(552)**	(621)	**69**	(1,127)
Relating to intangible brand asset	**(18,275)**	(19,813)	**1,538**	–
Fair valuing of assets and liabilities (asset)	**351**	134	**217**	79
Fair valuing of assets and liabilities (liability)	**(880)**	(164)	**(716)**	(164)
Movement in provision	**82**	104	**(22)**	9
Relating to share options	**40**	37	**(11)**	37
Other temporary differences (asset)	**–**	79	**(79)**	(19)
Other temporary differences (liability)	**(9)**	(309)	**300**	–
Held over gains on fixed assets	**(403)**	(292)	**(111)**	–
Net deferred tax liability	**(19,646)**	(20,845)	**–**	–
Total deferred tax asset	**473**	354	**–**	–
Total deferred tax liability	**(20,119)**	(21,199)	**–**	–
Total deferred tax expense	**–**	–	**1,185**	(1,185)

There was a tax effect of £1k loss and £14k gain in other comprehensive income relating to the movement in the defined benefit pension (2015: £11k gain) and the expense recorded on share options (2015: £nil), respectively.

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.

The other tax expense amounting to £603k (2015: £nil) comprises Luxembourg Net Wealth Tax payable by the Group's Luxembourg entities.

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.

As the Group undertook a Group reconstruction in June 2014, the number of shares in the prior period has been adjusted to match the post-restructuring position such that the figures remain comparable.

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 basic and diluted earnings per share are calculated on the same basis except using the adjusted profit or loss attributable to the equity holders of the parent.

There are share option schemes in place which has a dilutive effect on both periods presented.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Period ended	**26 March 2016 £'000**	28 March 2015 £'000
Profit for the period attributable to ordinary equity holders of the Group	**124,536**	38,640
Adjusted profit for the period attributable to ordinary equity holders of the Group	**130,130**	102,834

	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	**1,000,000**	1,000,000
Effect of dilution:		
Employee share options	**475**	521
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,000,475**	1,000,521

	Pence	Pence
Basic earnings per share	**12.5**	3.9
Diluted earnings per share	**12.4**	3.9
Adjusted basic earnings per share	**13.0**	10.3
Adjusted diluted earnings per share	**13.0**	10.3

Notes to the consolidated financial statements continued

11 Investments in associates

Period ended	26 March 2016 £'000	28 March 2015 £'000
Cost and net book value		
Carrying value at the start of the period	**3,822**	2,093
Dividends received	**(1,295)**	–
Share of profits in associates	**1,166**	1,632
Effect of foreign exchange on translation	**302**	97
Carrying value at the end of the period	**3,995**	3,822

The Group has a 50% interest in Multi-lines International Company Ltd, a company incorporated in Hong Kong. The principal activity of the company is purchase and sale of goods. The Group also holds 40% of the ordinary share capital of Home Focus Group Ltd, a company incorporated in Republic of Ireland and whose principal activity is retail sales.

Neither entity has discontinued operations or other comprehensive income, except that on consolidation both entities have a foreign exchange translation difference.

Period ended	26 March 2016 £'000	28 March 2015 £'000
Multi-lines		
Non-current assets	**1,118**	1,000
Current assets	**24,621**	21,176
Non-current liabilities	**–**	–
Current liabilities	**(18,603)**	(14,296)
Net assets	**7,136**	7,880
Revenue	**88,568**	71,341
Profit	**1,888**	2,435
Home Focus Group		
Non-current assets	**290**	292
Current assets	**4,980**	4,040
Non-current liabilities	**–**	–
Current liabilities	**(3,322)**	(2,542)
Net assets	**1,948**	1,790
Revenue	**12,680**	13,677
Profit	**15**	132

The movement in the valuation of the investment in Home Focus Group also reflects an adjustment in respect of prior years.

The figures above for Multi-lines in the current year show nine months to December 2015. The valuation includes a projection to the year end date.

12 Intangible assets

	Goodwill £'000	Software £'000	Brands £'000	Other £'000	Total £'000
Cost or valuation					
At 29 March 2014	807,496	811	93,700	–	902,007
Acquired via purchase of Jawoll	31,258	357	4,901	1,422	37,938
Additions	–	248	–	–	248
Effect of retranslation	(3,496)	(44)	(548)	(159)	(4,247)
At 28 March 2015	835,258	1,372	98,053	1,263	935,946
Additions	–	1,801	–	–	1,801
Disposals	–	(76)	–	–	(76)
Effect of retranslation	2,192	26	343	100	2,661
At 26 March 2016	837,450	3,123	98,396	1,363	940,332
Accumulated amortisation/impairment					
At 29 March 2014	–	204	–	–	204
Charge for the year	–	391	–	436	827
Effect of retranslation	–	(9)	–	(29)	(38)
At 28 March 2015	–	586	–	407	993
Charge for the year	–	416	–	284	700
Disposals	–	(54)	–	–	(54)
Effect of retranslation	–	15	–	54	69
At 26 March 2016	–	963	–	745	1,708
Net book value at 26 March 2016	**837,450**	**2,160**	**98,396**	**618**	**938,624**
Net book value at 28 March 2015	835,258	786	98,053	856	934,953

Impairment review of goodwill and brand assets

During the year management have reviewed the impairment test methodology and the following changes have been made;

- Before applying the perpetuity, they now use a five year forecast rather than a ten year forecast in order to have a more accurate forecast over this shorter period.
- To more accurately reflect the cashflows received, they now use a mid-year discount factor instead of a year end discount factor.

The prior year sensitivities, included below, have been restated on this basis and show that the changes made have no material impact on the calculation of the recoverable amount and there remains no requirement to impair the goodwill or brand assets.

Assets arising upon the acquisition of B&M European Value Retail 2 S.à r.l (SBR Europe)

A goodwill asset of £807,496k and a brand asset of £93,700k arose as a result of the business combination undertaken as at 6 March 2013, the acquisition of B&M European Value Retail 2 S.à r.l by the Group.

The brand intangible asset was identified with indefinite life. This was the only identifiable intangible asset recognised that was considered to be likely to have a value above a set materiality threshold. The indefinite life was considered appropriate because of several factors, chief amongst which was that the growth potential of the B&M business was considered by management to be a long-term phenomenon.

The goodwill and brand have been allocated to two groups of cash generating units (CGU's), being the two fascia's that the Group operates within its retail segment (Bargain stores and Home stores).

The allocation split is as follows:

	Bargain Stores £'000	Home Stores £'000	Total £'000
Goodwill	439,438	368,058	807,496
Brand	50,991	42,709	93,700
	490,429	410,767	901,196

Notes to the consolidated financial statements continued

12 Intangible assets continued

Assets arising upon the acquisition of B&M European Value Retail 2 S.à r.l (SBR Europe) continued

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 (more detail on which follows below) to calculate the value in use (VIU) for the group of CGU's. The results of the impairment tests identified that each VIU was significantly in excess of the carrying value of assets within each CGU at the period end dates and date of initial recognition. No other indicators of impairment were noted.

The key assumptions used were:

(i) The Group's cost of capital, calculated according to a weighted cost of capital model with appropriate assumptions made regarding the inputs to the model.

(ii) The inflation rate, which has been based upon the consumer price index for the UK.

(iii) The like for like sales growth within each shop, a prudent estimate made by management.

The values for the assumptions were:

As at	**26 March 2016**	28 March 2015
Discount rate (cost of capital)	**9.22%**	8.18%
Inflation rate	**0.50%**	0.00%
Like for like sales growth	**2.00%**	3.00%

These assumptions are held for five years in the forecast and then a perpetuity is performed over the year five figures, effectively assuming no further like for like growth, or inflation after that point.

In order to demonstrate the sensitivity of the assumptions, it was calculated that a CGU would first require impairment if (all other assumptions being held equal);

(i) The Group's cost of capital was 23.8% (2015: 26.5%)

(ii) The Inflation rate was 33.1% (2015: 14.6%)

(iii) The like for like sales suffered a contraction of 9.8% (2015: 7.6%) per annum.

The interest rate used in calculating the Group's cost of capital as used in the impairment test has been determined to be a reasonable rate to use in terms of the rates prevalent in the market at the date of the impairment test.

Assets arising upon the acquisition of J.A. Woll Handels GmbH and their subsidiaries (Jawoll)

A goodwill asset of €37,952k and brand assets of €5,950k arose as a result of the business combination undertaken as at 30 April 2014, the acquisition of J.A. Woll Handels GmbH and their subsidiaries (Jawoll) by the Group (see note 28).

At the acquisition date this was translated to £31,258k for the Goodwill and £4,901k for the brand assets. However as the functional currency of Jawoll is the Euro, all impairment calculations have been calculated in Euros and therefore it is that currency we shall refer to in the following discussion.

The brand intangible assets were recognised as having indefinite life and were the only identifiable intangible assets recognised that were considered to be likely to have a value above a set materiality threshold. The indefinite life was considered appropriate because of several factors, chief amongst which was that the growth potential of the Jawoll business was considered by management to be a long-term phenomenon.

The goodwill and brand have been allocated to two groups of cash generating units (CGU's), being the two fascia's that the Group operates within its retail segment (Jawoll and Hafu) in the following proportions:

	Jawoll €'000	Hafu €'000	Total €'000
Goodwill	33,058	4,894	37,952
Brand	5,929	21	5,950
	38,987	4,915	43,902

The Group has performed impairment tests as at the period end dates and at the acquisition date, which was during the prior year. 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 (more detail on which follows below) to calculate the value in use (VIU) for the group of CGU's. The results of the impairment tests identified that each VIU was significantly in excess of the carrying value of assets within each CGU at the period end dates and date of initial recognition. No other indicators of impairment were noted.

The key assumptions used were:
(i) The Group's cost of capital, is as per above.
(ii) The inflation rate, which has been based upon the consumer price index for Germany
(iii) The like for like sales growth within each shop, a prudent estimate made by management.

The values for the assumptions used were :

As at	**26 March 2016**	28 March 2015	30 April 2014
Discount rate (cost of capital)	**9.22%**	8.18%	9.50%
Inflation rate	**0.28%**	0.28%	1.33%
Like for like sales growth	**1.50%**	2.60%	2.60%

These assumptions are held for five years in the forecast and then a perpetuity is performed over the year five figures, effectively assuming no further like for like growth, or inflation after that point.

In order to demonstrate the sensitivity of the assumptions, it was calculated that an impairment would first require impairment if (all other assumptions being held equal);
(i) The Group's cost of capital was 85.3% (2015: 39.0%, 2014: 31.3%).
(ii) The Inflation rate was 19.8% (2015: 5.3%, 2014: 5.3%).
(iii) The like for like sales suffered a contraction of 12.3% (2015: 2.2%, 2014: 0.8%).

The interest rate used in calculating the Group's cost of capital as used in the impairment test has been determined to be a reasonable rate to use in terms of the rates prevalent in the market at the date of the impairment test.

Notes to the consolidated financial statements continued

13 Property, plant & equipment

	Land and buildings £'000	Motor vehicles £'000	Plant, fixtures and equipment £'000	Total £'000
Cost or valuation				
29 March 2014	9,537	2,288	62,383	74,208
Arising on acquisition of Jawoll	16,078	189	4,688	20,955
Additions	5,593	919	29,155	35,667
Disposals	(2,157)	(481)	(395)	(3,033)
Effect of retranslation	(1,799)	(36)	(589)	(2,424)
Adjustment	(38)	344	203	509
28 March 2015	27,214	3,223	95,445	125,882
Additions	6,493	1,129	47,290	54,912
Disposals	(270)	(855)	(326)	(1,451)
Effect of retranslation	1,313	28	573	1,914
26 March 2016	34,750	3,525	142,982	181,257
Accumulated depreciation				
At 29 March 2014	2,055	407	6,750	9,212
Charge for the period	2,988	833	11,026	14,847
Disposals	(4)	(202)	(162)	(368)
Effect of retranslation	(69)	(5)	(67)	(141)
Adjustment	(38)	344	203	509
At 28 March 2015	4,932	1,377	17,750	24,059
Charge for the period	3,435	732	15,559	19,726
Disposals	–	(565)	(316)	(881)
Effect of retranslation	156	6	141	303
At 26 March 2016	8,523	1,550	33,134	43,207
Net book value at 26 March 2016	**26,227**	**1,975**	**109,848**	**138,050**
Net book value at 28 March 2015	22,282	1,846	77,695	101,823

On the acquisition of the SBR Europe group on 6 March 2013, the property, plant and equipment was restated such that their net book value equalled their cost. Initially an estimation technique was used to perform this task, due to the number of assets on the fixed asset register, but the value was calculated exactly before the 28 March 2015 year end. The resulting differences in cost and accumulated depreciation, which have no impact on net book value, have been included in the adjustment line related to the prior year.

The carrying value of assets held under finance lease and hire purchase contracts at 26 March 2016 was £4,584k (2015: £5,029k), total depreciation charged on these assets during the period was £780k (2015 : £751k). The assets held under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Under the terms of the loan facility in place at 26 March 2015, a fixed charge existed over £4.6m (2015: £6.2m) of the net book value of land & buildings, £0.4m (2015: £1.1m) of the net book value of motor vehicles and £41.9m (2015: £50.7m) of the net book value of the plant, fixtures and equipment. A floating charge was held over all the other assets.

Included within land and buildings is land with a cost of £2.1m (2015 : £1.8m) which is not depreciated.

As at	**26 March 2016 £'000**	28 March 2015 £'000
The net book value of land and buildings comprises :		
Freehold land and buildings	**12,501**	7,208
Short leasehold improvements	**13,726**	15,074
	26,227	22,282

14 Inventories

As at	26 March 2016 £'000	28 March 2015 £'000	29 March 2014 £'000
Goods for resale	**356,312**	286,136	203,475

The 2015 inventory balance has been restated from £238.9m to £286.1m to reflect the agreed shipping terms in place with certain overseas suppliers. This restatement reflects the reclassification of certain prepayments to overseas suppliers of £23.7m and the recognition of an increase to trade creditors of £23.5m. The 2014 figures were restated from £170.4m to £203.5m.

Included in the amount above for the period ended 26 March 2016 was a net gain of £0.1m related to inventory provisions (2015: £0.8m, 2014: £1.2m net loss). In the period to 26 March 2016 £1,349m (2015: £1,080m, 2014: £902m) was recognised as an expense for inventories.

15 Trade and other receivables

	26 March 2016 £'000	28 March 2015 £'000	29 March 2014 £'000
Non-current			
Lease premiums	**2,771**	–	–
	2,771	–	–
Current			
Trade receivables	**4,172**	4,784	6,074
Deposits on account	**2,855**	8,589	–
Provision for impairment	**(51)**	(9)	(2)
Net trade receivables to non-related parties	**6,976**	13,364	6,072
Prepayments	**20,056**	17,864	12,110
Related party receivables	**799**	2,921	2,859
Lease premiums	**586**	–	–
Other receivables	**344**	1,018	290
	28,761	35,167	21,331

Trade receivables are stated initially at their fair value and then at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. The carrying amount is determined by the directors to be a reasonable approximation of fair value.

The 2015 deposits on account and related party receivable balances have been restated from £22.3m to £8.6m and £18.9m to £2.9m respectively as a result of a reclassification to inventories. This adjustment has been made to reflect the agreed shipping terms in place with certain overseas suppliers. The 2014 deposits on account and related party receivable balance are also disclosed and have been restated from £13.8m and £13.6m to £nil and £2.9m respectively.

The following table sets out an analysis of provisions for impairment of trade and other receivables:

Period ended	26 March 2016 £'000	28 March 2015 £'000	29 March 2014 £'000
Provision for impairment at the start of the period	**(9)**	(2)	–
Impairment during the period	**(48)**	(9)	(2)
Utilised/released during the period	**6**	2	–
Balance at the period end	**(51)**	(9)	(2)

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

There were no significant balances held at this year end. At the prior year end a significant balance was held with Multi-lines International Company Ltd of £2.8m (2014: £2.9m). Multi-lines is a supplier with whom the Group carries a deposit, they are also an associate of the Group and due to this and the long trading history between the companies, including no history of issues regarding recovery of the deposit balance, the management do not believe this balance to be at risk.

Notes to the consolidated financial statements continued

15 Trade and other receivables continued

At the 2014 period end a significant balance (£3.8m) was held with Barclays Mercantile Business Finance Limited in respect of a sale and leaseback transaction. This was settled immediately after the year end.

There are no significant balances within the remaining debtors and as such there is no specific concentration of credit risk.

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

As at	**26 March 2016 £'000**	28 March 2015 £'000	29 March 2014 £'000
Neither past due nor impaired	**26,166**	32,509	21,000
Past due less than one month	**49**	503	203
Past due between one and three months	**1,225**	1,360	128
Past due for longer than three months	**1,321**	795	–
Balance at the period end	**28,761**	35,167	21,331

16 Cash and cash equivalents

As at	**26 March 2016 £'000**	28 March 2015 £'000
Cash at bank and in hand	**91,148**	64,943

As at 26 March 2016 the Group had available £134.2m of undrawn committed borrowing facilities (2015: £139.2m).

17 Trade and other payables

As at	**26 March 2016 £'000**	28 March 2015 £'000	29 March 2014 £'000
Non-current			
Accruals	**1,012**	1,208	–
Reverse lease premium	**65,532**	51,173	34,857
	66,544	52,381	34,857
Current			
Trade payables	**139,396**	104,471	67,721
Other tax and social security payments	**6,924**	17,555	19,097
Accruals and deferred income	**24,711**	24,491	21,138
Reverse lease premium	**8,718**	6,816	4,923
Accrued interest on loans held with owners	**–**	–	4,927
Related party trade payables	**2,181**	1,332	858
Other payables	**7,813**	6,466	38
	189,743	161,131	118,702

The 2015 trade payables balance has been restated from £86.9m to £104.5m to reflect the recognition of inventories in transit in accordance with the agreed shipping terms in place with certain overseas suppliers. The 2014 trade payables balance is also disclosed and has been restated from £59.2m to £67.7m.

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.

18 Other financial assets and liabilities

Other financial assets

As at	26 March 2016 £'000	28 March 2015 £'000
Current financial assets at fair value through profit and loss:		
Foreign exchange forward contracts	**4,769**	1,145
Total current other financial assets	**4,769**	1,145
Total other financial assets	**4,769**	1,145

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 2016 £'000	28 March 2015 £'000
Non-current financial liabilities at fair value through profit and loss:		
Interest rate swaps	**–**	75
Put/call options over the non-controlling interest of Jawoll	**16,041**	14,144
Total non-current other financial liabilities	**16,041**	14,219
Current financial liabilities at fair value through profit and loss:		
Foreign exchange forward contracts	**307**	–
Fuel swap contracts	**63**	322
Interest rate swaps	**117**	320
Total current other financial liabilities	**487**	642
Total other financial liabilities	**16,528**	14,861

The put/call options over the non-controlling interest in Jawoll arose as part of the acquisition of the entity. The valuation here reflects the initial valuation unwound to the year end date, and exchanged at the year end foreign exchange rate. The option matures in 2019 and the carrying value has been discounted to present value.

The other financial liabilities through profit or loss reflect the fair value of those foreign exchange forward contracts, interest rate swaps and fuel swaps that are not designated as hedge relationships but are nevertheless intended to reduce the level of risk for expected sales and purchases.

Notes to the consolidated financial statements continued

18 Other financial assets and liabilities continued

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
26 March 2016				
Foreign exchange contracts	**4,462**	**–**	**4,462**	**–**
Interest rate swaps	**(117)**	**–**	**(117)**	**–**
Fuel swap contract	**(63)**	**–**	**(63)**	**–**
Put/call options on Jawoll non-controlling interest	**(16,041)**	**–**	**–**	**(16,041)**
28 March 2015				
Foreign exchange contracts	1,145	–	1,145	–
Interest rate swaps	(395)	–	(395)	–
Fuel swap contract	(322)	–	(322)	–
Put/call options on Jawoll non-controlling interest	(14,144)	–	–	(14,144)

The put/call option was valued with reference to the Sale and Purchase Agreement underpinning the acquisition, and the key variable in determining the fair value of the option, the forecast EBITDA of Jawoll as prepared by management.

The other instruments have been valued by the issuing bank, using a mark to market method. The bank has used various inputs to compute the valuations and these include inter alia the relevant maturity date and strike rates, the current exchange rate, fuel prices and LIBOR levels.

19 Financial liabilities – borrowings

As at	26 March 2016 £'000	28 March 2015 £'000
Non-current		
Term facility bank loans	**435,142**	433,758

The term facility bank loans are held at amortised cost and were initially capitalised in June 2014 with £7.3m of fees attributed to them (2015: same).

The maturities of the loan facilities are as follows:

	Interest rate %	Maturity	26 March 2016 £'000	28 March 2015 £'000
Current interest bearing loans and borrowings				
Finance leases	1.2–3.9%	2015–17	**1,119**	1,066
Non-current interest bearing loans and borrowings				
UK Holdco term loan A	2.75/3.25% + LIBOR	2019	**300,000**	300,000
UK Holdco term loan B	3/3.5% + LIBOR	2020	**140,000**	140,000
Finance leases	1.2%–3.9%	2017–24	**4,252**	4,918

Term loans A and B have carrying values which include transaction fees allocated on inception.

20 Provisions

	Property provisions £'000	Other £'000	Total £'000
At 29 March 2014	4,626	4,497	9,123
Arising on acquisition of Jawoll	173	–	173
Provided in the period	1,542	2,016	3,558
Utilised/released during the period	(3,167)	(2,408)	(5,575)
Effect of retranslation	(19)	–	(19)
At 28 March 2015	3,155	4,105	7,260
Provided in the period	**1,219**	**2,259**	**3,478**
Utilised/released during the period	**(1,784)**	**(2,150)**	**(3,934)**
Effect of retranslation	**12**	**–**	**12**
At 26 March 2016	**2,602**	**4,214**	**6,816**
Current liabilities 2016	**555**	**4,214**	**4,769**
Non-current liabilities 2016	**2,047**	**–**	**2,047**
Current liabilities 2015	1,725	4,105	5,830
Non-current liabilities 2015	1,430	–	1,430

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 insurance 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 £7.5k per claim (£8.3k in 2015).

21 Share capital

As at	26 March 2016 £'000	28 March 2015 £'000
Allotted, called up and fully paid		
B&M European Value Retail S.A.		
1,000,000,000 ordinary shares of 10p each	**100,000**	100,000
	100,000	100,000

Ordinary shares

Each ordinary share ranks pari passu with each other ordinary share and each share carries one vote. The Group parent is authorised to release up to a maximum of 2,972,222,222 ordinary shares.

Notes to the consolidated financial statements continued

22 Cash generated from operations

Period ended	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
Profit before tax	**154,545**	61,715
Adjustments for:		
Net interest expense	**21,113**	72,776
Depreciation	**19,726**	14,847
Amortisation of intangible assets	**700**	827
Transaction fees through administrative expenses	**770**	20,536
(Profit)/loss on disposal of property, plant and equipment	**52**	(70)
Loss on share options	**235**	186
Change in inventories*	**(67,184)**	(53,302)*
Change in trade and other receivables*	**7,855**	(10,342)*
Change in trade and other payables*	**37,153**	49,898*
Change in provisions	**312**	(1,863)
Share of profit from associates	**(1,166)**	(1,632)
Non-cash foreign exchange effect from retranslation of subsidiary cashflows	**400**	1,574
(Profit)/loss resulting from fair value of financial derivatives	**(3,577)**	(2,270)
Cash generated from operations	**170,934**	152,880

* These positions have been restated, as explained more fully in the basis of preparation within note 1.

23 Commitments

Operating leases

The vast majority of the Group's operating lease commitments relate to the property comprising its store network. At the year-end over 90% of these leases expire in the next 15 years (2015: >95%) The leases are separately negotiated and no subgroup is considered to be individually significant nor to contain individually significant terms. The Group was not subject to contingent rent agreements at the year end date. The following table sets out the total future minimum lease payments under non-cancellable operating leases, taking account of lease premiums.

As at	26 March 2016 £'000	28 March 2015 £'000
Not later than one year	**113,660**	87,524
Later than one year and not later than five years	**429,494**	335,401
Later than five years	**457,450**	389,913
	1,000,604	812,838

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

As at	26 March 2016 £'000	28 March 2015 £'000
Lease payments	**105,062**	74,595
Sublease receipts	**(441)**	(219)
	104,621	74,376

Finance leases

At both year ends, all of the Group's finance leases related to buildings used in the operation of the German business. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

As at	26 March 2016 Minimum payments £'000	26 March 2016 PV of minimum payments £'000	28 March 2015 Minimum payments £'000	28 March 2015 PV of minimum payments £'000
Not later than one year	**1,119**	**1,119**	1,191	1,066
Later than one year and not later than five years	**3,401**	**3,245**	3,735	3,459
Later than five years	**1,105**	**1,007**	1,519	1,459
	5,625	**5,371**	6,445	5,984

Capital commitments

There were £3.8m of contractual capital commitments not provided within the Group financial statements as at 26 March 2016 (2015: £5.1m).

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 1 S.à.r.l. (Lux Holdco)	Luxembourg	November 2012	100%	Holding company
B&M European Value Retail Holdco 1 Ltd (UK Holdco 1)	UK	December 2012	100%	Holding company
B&M European Value Retail Holdco 2 Ltd (UK Holdco 2)	UK	December 2012	100%	Holding company
B&M European Value Retail Holdco 3 Ltd (UK Holdco 3)	UK	November 2012	100%	Holding company
B&M European Value Retail Holdco 4 Ltd (UK Holdco 4)	UK	November 2012	100%	Holding company
B&M European Value Retail 2 S.à.r.l. (SBR Europe)	Luxembourg	September 2012	100%	Holding company
EV Retail Limited	UK	September 1996	100%	Holding company
B&M Retail Limited	UK	March 1978	100%	General retailer
Opus Homewares Limited	UK	April 2003	100%	Dormant
Meltore Limited	UK	November 2006	100%	Dormant
B&M European Value Retail Germany GmbH (Germany Holdco)	Germany	November 2013	100%	Holding company
J.A. Woll Handels GmbH (Jawoll)	Germany	November 1987	80%	General retailer
Jawoll Vertriebs GmbH I	Germany	September 2007	80%	General retailer
BestFlora GmbH	Germany	July 2002	60%	Supplier of items for retail

German company restructuring

The German group has been restructured during the year such that the former Group companies Jawoll Sonderposten GmbH, Jawoll Sonderposten Vertriebs GmbH, Stern Sonderposten Vertriebs GmbH and Stern Handels GmbH were all fully integrated into the remaining German Group companies, Jawoll and Jawoll Vertriebs GmbH I.

Associates

The Group has a 50% interest in Multi-lines International Company Limited, a company incorporated in Hong Kong and a 40% interest in Home Focus Group Limited, a company incorporated in the Republic of Ireland following the acquisition of SBR Europe on 6 March 2013. The share of profit/loss from the associates is included in the statement of comprehensive income.

Ultimate parent undertaking

The directors of the Group consider the parent and the ultimate controlling related party of this Group to be B&M European Value Retail SA, registered in Luxembourg.

Notes to the consolidated financial statements continued

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. The Group does not apply hedge accounting as outlined under IAS 39.

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 engages in a swap contract over the cost of fuel in order to minimise the impact of any volatility.

The sensitivity to these contracts for a reasonable change in the year end fuel price is as follows:

As at	**Change in fuel price**	**26 March 2016 £'000**	28 March 2015 £'000
Effect on profit before tax	**+5%**	**64**	52
	-5%	**(64)**	(50)

This has been calculated by taking the spot price of fuel at the year end, applying the change indicated in the table, and projecting this over the life of the contract assuming all other variables remain equal.

The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk arising from exchange rate fluctuation on its purchases from overseas suppliers.

In relation to translation risk, this is not considered material to the business as amounts owed in foreign currency are short term of up to 30 days and are of a relatively modest nature. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge, the Group does not adopt an accounting policy of hedge accounting for this financial information.

All of the Group's sales are to customers in the UK and Germany and there is no currency exposure in this respect. A proportion of the Group's purchases are priced in US Dollars and the Group generally uses forward currency contracts to minimise the risk associated with that exposure.

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 is largely due to changes in the fair value of the FX options.

As at	**Change in USD rate**	**26 March 2016 £'000**	28 March 2015 £'000
Effect on profit before tax	**+2.5%**	**(1,797)**	(1,294)
	-2.5%	**3,115**	1,360

The following table demonstrates the sensitivity to a reasonably possible change in the Euro period end exchange rates with all other variables held constant.

As at	Change in Euro rate	26 March 2016 £'000	28 March 2015 £'000
Effect on profit before tax	+2.5%	2	(13)
	-2.5%	(4)	14

These calculations have been performed. by taking the year end translation rate used on the accounts and applying the change noted above. The balance sheet valuations are then directly calculated. The valuation of the foreign exchange derivatives are projected based upon the spot rate changing and all other variables being held equal.

Interest rate risk

Interest rate risk is the risk of variability of the Group cash flows due to changes in the interest rate. The Group is exposed to changes in interest rates as all of the Group's bank borrowings are subject to a floating rate based on LIBOR.

The Group's interest rate risk arises mainly from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's exposure to interest rate fluctuations is not considered to be material, however the Group uses interest rate swaps to minimise the impact.

At year end, if LIBOR interest rates had been 50 basis points higher/lower 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 2016 £'000	28 March 2015 £'000
Effect on profit before tax	+50	(499)	1,429
	-50	499	(1,429)

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.

It also includes the effect on the year end valuation of the interest rate swap contract, where the percentage change in LIBOR indicated above has been applied to the year end spot rate and this has then been projected over the remaining life of the contracts with the assumption that all other variables are held equal.

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 and trade receivables. The credit risk associated with cash is limited as the main counterparty is a UK clearing bank with a high credit rating (A long term and A-1 short term (standard & poor), unchanged from the prior year). The principal credit risk arises therefore from the Group's trade receivables.

Credit risk is further limited by the fact that the vast majority of sales transactions are made through the store registers, direct from the customer at the point of purchase, leading to a low trade receivables balance.

In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. Provisions against bad debts are made where appropriate.

Notes to the consolidated financial statements continued

25 Financial risk management continued

Liquidity risk

Any impact on available cash and therefore the liquidity of the Group could have a material effect on the business as a result.

The Group's borrowings are subject to quarterly banking covenants against which the Group has had significant headroom to date with no anticipated issues based upon forecasts made. Short term flexibility is achieved via the Group's rolling credit facility. The following table shows the liquidity risk maturity of financial liabilities grouping based on their remaining period at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows:

	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	Total £'000
26 March 2016					
Interest bearing loans	**15,044**	**15,044**	**464,069**	**–**	**494,157**
Fuel swap contract	**63**	**–**	**–**	**–**	**63**
Interest swap contract	**117**	**–**	**–**	**–**	**117**
Forward foreign exchange contracts	**307**	**–**	**–**	**–**	**307**
Trade payables	**141,577**	**–**	**–**	**–**	**141,577**
28 March 2015					
Interest bearing loans	17,464	17,464	343,820	141,509	520,257
Fuel swap contract	322	–	–	–	322
Interest swap contract	320	75	–	–	395
Trade payables	105,803	–	–	–	105,803*

Fair value

The fair value of the financial assets and liabilities of the group are not materially different from their carrying value. Refer to the table below. These all represent financial assets and liabilities measured at amortised cost except where stated as measured at fair value through the profit and loss.

As at	26 March 2016 £'000	28 March 2015 £'000
Financial assets		
Fair value through profit and loss		
Forward foreign exchange contracts	**4,769**	1,145
Loans and receivables		
Cash and cash equivalents	**91,148**	64,943
Trade receivables	**7,775**	16,285*
Other receivables	**344**	1,018
Financial liabilities		
Fair value through profit and loss		
Forward foreign exchange contracts	**307**	–
Fuel price swap	**63**	322
Interest rate swap	**117**	395
Put/call options over the non-controlling interest of Jawoll	**16,041**	14,144
Amortised cost		
Interest-bearing loans and borrowings	**435,142**	433,758
Trade payables	**141,577**	105,803*
Other payables	**7,813**	6,466

* These figures have been restated, as explained more fully in the basis of preparation within note 1.

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, a customer, have been associates of the Group since the purchase of SBR Europe on 6 March 2013.

Ropley Properties Ltd, Triple Jersey Ltd, Rani Investments, Multi Lines International (Properties) Ltd and Speke Point Ltd, all landlords of properties occupied by the group, are directly or indirectly owned by director Simon Arora, his family, or his family trusts (together, the Arora related parties).

Rani 1 Life Interest Trust and Rani 2 Life Interest Trust, directly or indirectly owned by director Simon Arora, his family, or his family trusts, were reimbursed for management and financial consulting services provided to the Group. These services ceased upon listing.

Clayton, Dubilier & Rice, the part-owners of the previous ultimate parent undertaking, and current shareholders, provided management and financial consulting services to the Group. These services ceased upon listing.

Jawoll Immobilien GmbH, Stern Grundstück Entwicklungs GmbH, DS Grundstücks GmbH and Silke Stern are all landlords of properties occupied by the Group and are related by virtue of connection to a director of J.A.Woll-Handels GmbH. Some of these are held under finance lease, as detailed below.

The following table sets out the total amount of trading transactions with related parties included in the statement of comprehensive income, including the P&L impact of any finance leases;

Period ended	**26 March 2016 £'000**	28 March 2015 £'000
Sales to associates of the Group		
Home Focus Group Limited	**770**	737
Total sales to related parties	**770**	737
Purchases from associates of the Group		
Multi-lines International Company Ltd	**98,105**	72,371
Purchases from owners of the business		
Clayton, Dubilier & Rice	**–**	17,608
Purchases from parties related to key management personnel		
Multi-Lines International (Properties) Ltd	**134**	120
DS Grundstücks GmbH	**581**	570
Jawoll Immobilien GmbH	**458**	451
Rani Investments	**191**	191
Rani 1 Life Interest Trust	**–**	36
Rani 2 Life Interest Trust	**–**	36
Ropley Properties Ltd	**2,811**	2,632
Silke Stern	**133**	135
Speke Point Ltd	**–**	2,125
Stern Grundstück Entwicklungs	**475**	464
Triple Jersey Ltd	**7,176**	2,925
Total purchases from related parties	**110,064**	99,664

Included in the current year figures above are 6 leases of new stores (or extensions to existing stores), and 1 lease renewal of an existing store, entered into by Group companies during the current period with the Arora related parties (2015: 4 new, or extensions to existing, leases and no renewals since the IPO date). The total expense on these leases in the period was £927k (2015: £188k). There were also 3 conditionally exchanged leases with Arora related parties in the current period with long stop completion dates in the next financial year, and no expense is incurred under them until they are completed.

Notes to the consolidated financial statements continued

26 Related party transactions continued

The following table sets out the total amount of trading balances with related parties outstanding at the period end. Note that the debtors balance held by Multi-lines International is a deposit on account and included a goods received not invoiced (GRNI) balance of £1.6m (2015: £2.9m). Note that the Multi-lines balance in 2014 and 2015 was restated to £2.9m in line with the adjustment discussed in notes 1 and 15.

As at	26 March 2016 £'000	28 March 2015 £'000
Trade receivables from associates of the group		
Home Focus Group Ltd	**251**	79
Multi-lines International Company Ltd	**546**	2,842
Trade receivables from companies owned by key management personnel		
DS Grundstücks GmbH	**2**	–
Total related party trade receivables	**799**	2,921
Trade payables to companies owned by key management personnel		
Rani Investments	**39**	39
Ropley Properties Ltd	**852**	727
Triple Jersey Ltd	**1,290**	566
Total related party trade payables	**2,181**	1,332

Outstanding trade balances at the balance sheet date are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party trade receivables or payables.

The business has not recorded any impairment of trade receivables relating to amounts owed by related parties at 26 March 2016 (2015: no impairment). This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

The balances remaining on the finance lease asset and liabilities at each year end is as follows:

As at	26 March 2016 £'000	28 March 2015 £'000
Finance lease assets from parties related to key management personnel		
DS Grundstücks GmbH	**994**	1,192
Jawoll Immobilien GmbH	**1,194**	1,227
Silke Stern	**701**	762
Stern Grundstück Entwicklungs	**1,695**	1,848
Total assets held under finance lease from related parties	**4,584**	5,029
Finance lease liabilities with parties related to key management personnel		
DS Grundstücks GmbH	**1,196**	1,431
Jawoll Immobilien GmbH	**1,370**	1,408
Silke Stern	**815**	883
Stern Grundstück Entwicklungs	**1,899**	2,070
Total finance lease liabilities held with related parties	**5,280**	5,792

All related party finance leases are on properties occupied by the German business.

For further details on the transactions with key management personnel, see note 8 and the remuneration report.

27 Non-controlling interest

Non-controlling interest balances are valued on acquisition as a proportion of the fair value of net assets to which the non-controlling interest relates. Post acquisition the non-controlling interest is valued as the original value plus/minus the profit/loss owed to the non-controlling interest and minus any dividend paid to the non-controlling interest.

There exists a non-controlling interest in Jawoll, an 80% subsidiary of B&M European Value Retail Germany GmbH, which was created on purchase of that company on 30 April 2014. The percentage has not changed over the period of ownership.

In the 52 weeks to 26 March 2016, £1,229k has been accrued to the non-controlling interest in Jawoll (2015: £1,179k from the date of acquisition), and no dividends have been paid (2015: no dividends).

The summarised financial information of the subsidiary is as follows.

	52 weeks ended 26 March 2016 £'000	11 months ended 28 March 2015 £'000
Revenue	**132,728**	120,643
EBITDA	**11,588**	10,659
Profit after tax	**5,458**	5,918
Net cashflow	**(4,587)**	(3,890)

As at	**26 March 2016 £'000**	28 March 2015 £'000
Non-current assets	**28,574**	24,476
Current assets	**47,201**	42,065
Non-current liabilities	**(6,353)**	(7,216)
Current liabilities	**(13,464)**	(13,516)
Net assets	**55,958**	45,809

There exists a non-controlling interest in BestFlora GmbH, a 75% subsidiary of Jawoll. This company was incorporated into the group on 30 April 2014 and the percentage has not changed over the period of ownership.

In the 52 weeks to 26 March 2016, £36k has been accrued to the non-controlling interest in BestFlora GmbH (2015: £39k from the date of acquisition) and £36k of dividends have been paid (2015: £78k). Bestflora is considered immaterial for further disclosure.

Notes to the consolidated financial statements continued

28 Business combinations

In the prior year the Group completed the acquisition of J.A. Woll Handels GmbH (Jawoll) through B&M European Value Retail Germany GmbH (Germany Holdco). Jawoll is a discount retailer incorporated within Germany.

The acquisition has been accounted for via the acquisition method of accounting. The Group purchased 80% of the share capital for a cash consideration of €80,182k, funded by the Group's existing banking facilities.

The purchase agreement also included call and put options over the remaining 20% exercisable in 2019. Per the discussion in note 1, the risks and rewards of the exercise price remain with the non-controlling interest, and therefore the non-controlling interest is recognised below. The put/call options have then been recognised on acquisition as a liability based upon the discounted estimated price of the options, with the corresponding debit recognised in the put/call option reserve.

The valuation of the put/call option on the purchase date was £13,855k.

The fair values of the identifiable assets and liabilities of Jawoll on the date of the acquisition were valued via a PPA exercise with each material area addressed independently. The non-controlling interest was calculated at 20% of the fair value of assets to which the non-controlling interest was held.

The fair values held by Jawoll on the date of acquisition were as follows:

	£'000
Assets	
Property, plant and equipment	20,954
Brand assets	4,901
Other intangible assets	1,779
Inventories	33,165
Receivables and other assets	3,933
Cash	11,686
Total assets	**76,418**
Liabilities	
Finance lease liabilities	(7,824)
Payables and accruals	(22,123)
Bank overdraft	(146)
Corporation tax creditor	(845)
Dilapidation provision	(173)
Deferred tax liability	(1,008)
Total liabilities	**(32,119)**
Total fair value of assets	**44,299**
Pre-existing non-controlling interest in Jawoll's own accounts	(433)
Non-controlling interest in Jawoll's net assets	(9,082)
Total non-controlling interest	**(9,515)**
Total fair value of assets acquired	**34,784**
Total consideration (made in cash)	**66,042**
Goodwill asset recognised	**31,258**

None of the receivables recognised were considered irrecoverable at the acquisition date.

Fees of £827k were incurred during the acquisition. These were expensed through the profit and loss in the prior period.

Included in the creditors balance is a liability of £5.7m relating to a profit & loss transfer agreement ("PLTA"). As part of the acquisition Jawoll group performed a necessary reorganisation in order to separate the businesses to be acquired and those not to be acquired. This resulted in a profit & loss transfer agreement claim which Jawoll agreed to meet on behalf of those subsidiaries to which it applied.

This was therefore expensed on the pre-acquisition profit & loss account, but at the date of the acquisition the liability had not been settled. This resulted in the liability being present on the acquisition balance sheet, as well as a higher than usual cash balance.

The liability was settled shortly after acquisition, and appears within the prior year cashflow statement at a different value due to being translated at the period average rate instead of the acquisition date rate at which it is included above.

The goodwill largely relates to the growth potential of the business with smaller elements representing the workforce and current location of the stores. None of the elements which make up goodwill can, or are not material enough to, be recognised as a separate intangible asset.

The effect the acquisition has had on the P&L can be seen in the segmental note (note 2) as the Germany Retail segment comprises the whole of Jawoll. Had the company been bought at the start of the year it would have contributed an estimated extra £14.4m to revenue and £2.1m to operating profit (figures under German GAAP).

29 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 2016 £'000**	28 March 2015 £'000
Interest bearing loans and borrowings (note 19)	**445,371**	445,984
Less: Cash and short term deposits (note 16)	**(91,148)**	(64,943)
Net debt	**354,223**	381,041

30 Post balance sheet events

There have been no material events between the balance sheet date and the date of issue of these accounts.

Notes to the consolidated financial statements continued

31 Dividends

An interim dividend of 1.6 pence per share (£16,000,000) was paid in January 2016.

A final dividend of 3.2 pence per share (£32,000,000), giving a full year dividend of 4.8 pence per share (£48,000,000) has been proposed.

On 25 May 2016 a special dividend of £100m of the Company was declared by the Board. It will be paid on 8 July 2016 to shareholders on the register of the Company as at close of business on 10 June 2016.

Relating to the prior year;
An interim dividend of 0.9 pence per share (£9,000,000) was paid in January 2015.

A final dividend of 2.5 pence per share (£25,000,000), giving a full year dividend of 3.4 pence per share (£34,000,000) was approved at the AGM and paid in August 2015.

32 Contingent liabilities and guarantees

As at 28 March 2015 and 26 March 2016, 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, B&M Retail Ltd, Meltore Ltd and Opus Homewares Ltd are all guarantors to the loan agreement which is formally held within B&M European Value Retail SA. The amount outstanding as at the period end was £440.0m, with the balance in B&M European Value Retail Holdco 4 Ltd.

Independent Auditor's report

to the shareholders of B&M European Value Retail S.A.

Report on the annual accounts
We have audited the accompanying annual accounts of B&M European Value Retail S.A., which comprise the balance sheet as at 31 March 2016, and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts
The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation 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.

Responsibility of the Réviseur d'entreprises agréé
Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the Réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risks assessments, the Réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion
In our opinion, the annual accounts give a true and fair view of the financial position of B&M European Value Retail S.A. as of 31 March 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements
The Directors' report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

The accompanying Corporate Governance Statement on pages 34 to 38 which is the responsibility of the Board of Directors, is consistent with the annual accounts and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, 2 June 2016

Hugues Wangen
Réviseur d'entreprises agréé
Grant Thornton Lux Audit S.A.

Company balance sheet

As at March 31, 2016

	Notes	March 31, 2016 GBP	March 31, 2015 GBP
ASSETS			
FIXED ASSETS			
Tangible fixed assets			
Other fixtures and fittings, tools and equipment		**15,343**	4,041
Financial assets	3		
Shares in affiliated undertakings		**2,624,999,999**	2,624,999,999
		2,625,015,342	2,625,004,040
CURRENT ASSETS			
Debtors			
Amounts owed by affiliated undertakings	4		
becoming due and payable within one year		**90,259,786**	79,549,090
Other receivables			
becoming due and payable within one year		**67,627**	26,322
		90,327,413	79,575,412
Cash at bank, cash in postal cheque accounts, cheques and cash in hand		**12,022**	90,943
TOTAL ASSETS		**2,715,354,777**	**2,704,670,395**

	Notes	March 31, 2016 GBP	March 31, 2015 GBP
CAPITAL, RESERVES AND LIABILITIES			
CAPITAL AND RESERVES	5		
Subscribed capital		**100,000,000**	100,000,000
Share premium and other similar premiums		**2,577,668,086**	2,600,000,000
Legal reserve		**614,110**	–
Profit or loss for the financial year		**52,199,651**	12,282,196
Interim dividends		**(16,000,000)**	(9,000,000)
		2,714,481,847	2,703,282,196
CREDITORS			
Trade creditors	6	**183,057**	1,348,634
Amounts owed to affiliated undertakings			
becoming due and payable within one year		**17,860**	19,963
Tax and social security debts			
Tax debts		**612,819**	16,386
Social security debts		**23,259**	3,216
Other creditors			
becoming due and payable within one year		**35,935**	–
		872,930	1,388,199
TOTAL CAPITAL, RESERVES AND LIABILITIES		**2,715,354,777**	**2,704,670,395**

The accompanying notes form an integral part of these annual accounts.

Company profit and loss account

For the financial period ended March 31, 2016

	Notes	**Period from 01/04/2015 to 31/03/2016 GBP**	Period from 19/05/2014 to 31/03/2015 GBP
CHARGES			
Use of merchandises, raw materials and consumable materials		**(854)**	(646)
Other external charges	7	**(812,625)**	(19,966,613)
Staff costs	8		
Salaries and wages		**(149,425)**	(77,276)
Social security on salaries and wages		**(31,011)**	(10,416)
Value adjustments			
On formation expenses and on tangible and intangible fixed assets		**(3,864)**	(1,147)
Other operating charges	9	**(1,277,933)**	(351,221)
Interest and other financial charges			
Other interest and similar financial charges		**(41,337)**	(14,123)
Extraordinary charges		**(169)**	(43)
Income tax		**(4,242)**	(3,210)
Other taxes not included in the previous caption		**(590,435)**	(11,750)
(Profit) for the financial year		**(52,199,651)**	(12,282,196)
TOTAL		**(55,111,546)**	(32,718,641)

	Notes	**Period from 01/04/2015 to 31/03/2016 GBP**	Period from 19/05/2014 to 31/03/2015 GBP
INCOME			
Income from financial fixed assets	11		
Derived from affiliated undertakings		**52,611,000**	30,816,000
Other interest and other financial income	12		
Derived from affiliated undertakings		**2,257,929**	1,898,952
Other interest and similar financial income		**49,528**	–
Extraordinary income		**193,089**	3,689
TOTAL		**55,111,546**	32,718,641

The accompanying notes form an integral part of these annual accounts.

Notes to the annual accounts

For the financial year ended March 31, 2016

Note 1 - General information

B&M European Value Retail S.A., hereinafter the "Company", was incorporated on May 19, 2014 as a "société anonyme" for an unlimited period. The Company is organised under the laws of Luxembourg, in particular the law of August 10, 1915 on commercial companies, as amended.

The registered office of the Company is established in Luxembourg City and is registered at the Trade and Companies register in Luxembourg under the number B 187 275.

On May 29, 2014, the registered office of the Company was moved from 9, allée Scheffer, L-2520 Luxembourg to 16, avenue Pasteur, L-2310 Luxembourg.

The Company's financial year starts on 1st April and ends on March 31 of each year.

The main purpose of the Company is to act as an investment holding company and to coordinate the business of any corporate bodies in which the Company is for the time being directly or indirectly interested and to acquire (whether by original subscription, tender, purchase, exchange or otherwise) the whole or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by any person and any other asset of any kind and to hold the same as investments, and to sell, exchange and dispose of the same.

The Company also prepares consolidated financial statements, which are published according to the provisions of the Luxembourg law.

The Company is listed on the London Stock Exchange under the ticker symbol "BME".

Note 2 - Summary of significant accounting policies

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 December 19, 2002, as amended by the law of December 10, 2010 and July 30, 2013 (the "Law"), determined and applied by the directors of the Company (the "Board of Directors").

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting policies

The main valuation rules applied by the Company are the following:

Foreign currency translation

The Company maintains its accounting records in pounds sterling (GBP) and the balance sheet and the profit and loss accounts are expressed in this currency.

Transactions expressed in currencies other than GBP are translated into GBP at the exchange rate effective at the time of the transaction.

Long term non-monetary assets expressed in currencies other than GBP are translated into GBP at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain converted using the exchange rate at the time of the transaction (the "historical exchange rate").

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

In accordance with prudence principles found within generally accepted accounting principles in Luxembourg ("LuxGaap"), other assets are translated separately, at the lower of the value converted using the historical exchange rate and the value converted using the exchange rate at the balance sheet date. Conversely, other liabilities are translated separately, at the higher of the value converted using the historical exchange rate and the exchange rate at the balance sheet date. Consequently, both realised and unrealised exchange losses are recorded in the profit and loss account while exchange gains are recorded in the profit and loss account when realised only.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account while the net unrealised gains are not recognised.

Shares in affiliated holdings 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 fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Note 2 - Summary of significant accounting policies continued

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.

Debts

Debts are stated as their nominal 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.

Debts are recorded under subordinated debts when their status is subordinated to unsecured debts.

Current tax provisions

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 debts". The advance payments are shown in the assets of the balance sheet under the caption "Other debtors", if applicable.

Note 3 - Financial fixed assets

The undertaking in which the Company holds interests in its share capital is as follows

Undertaking's name	Registered office	Percentage of holding	Net equity as at Mar. 31, 2016 GBP	Net result for the 2016 fiscal period GBP	Net book value as at March 31, 2016 GBP
B&M EVR 1*	Luxembourg	100%	646,848,919	39,658	2,624,999,999

*B&M EVR 1 refers to B&M European Value Retail 1 S.à r.l.

On June 17, 2014, the shareholder of the Company approved an increase in the share capital of the Company by an amount of GBP 97,196,222 in order to raise its value to GBP 97,222,222. The subscription by the shareholders of the share capital increase were paid by the contribution of shares and claims it held with B&M EVR 1 in exchange for instance of 971,962,222 new shares with a nominal value of ten pence (GBP 0.10). Total value of the contribution amounted to GBP 2,624,999,999 with a resulting increase in share premium by GBP 2,527,777,777.

At the balance sheet date, the Managers assessed the valuation of the underlying operations and concluded that no value adjustment is deemed necessary on the investment.

Note 4 - Amounts owed by affiliated undertakings

	March 2016 GBP	March 2015 GBP
becoming due and payable within one year:		
B&M European Value Retail Holdco 4 Ltd. (B&M Holdco 4)	**90,259,786**	79,541,426
B&M EVR 1	**–**	7,664
Total	**90,259,786**	79,549,090

The amounts owed by B&M Holdco 4 are interest bearing and payable on demand. The amounts owed by B&M EVR 1 are non-interest bearing and payable on demand. Where interest is calculated it has been done on an arm's length basis.

Note 5 - Capital and reserves

Subscribed capital and share premium

The Company was incorporated on May 19, 2014 as CD&R European Value Retail Investment S.à r.l. The share capital was set at GBP 26,000 dividend into 260,000 shares of GBP 0.10 each. The authorised share capital was fixed at GBP 300,000,000.

On June 13, 2014, the sole shareholder resolved, conditional upon Listing, to increase the share capital of the Company by an amount of GBP 97,196,222.20 in order to raise it from GBP 26,000 to GBP 97,222,222.20 by creating and issuing 971,962,222 new shares of GBP 0.10 each together with a total share premium of GBP 2,527,777,777.20. All shares were subscribed by the contribution from the sole shareholder and new shareholders of shares held in B&M EVR 1 having a value of GBP 1,981,135,475.50 and claims held against B&M EVR 1 for GBP 643,864,523.90.

By resolutions dates 11 June 2014, the Board of Directors has resolved to approve the issuances to and the subscription of 27,777,778 new shares of the Company as to increase the share capital of the Company by a total amount of GBP 2,777,778 so as to raise it from its current amount of GBP 97,222,222.20 to GBP 100,000,000-, together with the payment of a share premium of a total amount of GBP 72,222,222.80.

As March 31, 2015 and 31 March 2016, the share capital is set at GBP 100,000,000 divided into 1,000,000,000 shares of GBP 0.10 each and the un-issued but authorised share capital set at GBP 297,222,222.20.

Notes to the annual accounts continued

For the financial year ended March 31, 2016

Note 5 - Capital and reserves continued

Subscribed capital and share premium continued

The movements on the "Capital and reserves" caption during the year are as follows:

Movements for the year on the reserves and profit items

	Subscribed capital GBP	Share premium and similar premiums GBP	Legal reserve GBP	Profit or loss brought forward GBP	Profit for the financial period GBP	Interim dividends GBP	Total GBP
As at the beginning of the year	100,000,000	2,600,000,000	–	–	12,282,196	(9,000,000)	2,703,282,196
Profit or loss brought forward	–	–	–	12,282,196	(12,282,196)	–	–
Profit for the financial year	–	–	–	–	52,199,651	–	52,199,651
Allocation of legal reserve	–	–	614,110	(614,110)	–	–	–
Allocation of Interim Dividend of prior year	–	–	–	(9,000,000)	–	9,000,000	–
Dividends paid during the year	–	(22,331,914)	–	(2,668,086)	–	(16,000,000)	(41,000,000)
As at the end of the year	**100,000,000**	**2,577,668,086**	**614,110**	**–**	**52,199,651**	**(16,000,000)**	**2,714,481,847**

The Company declared an interim dividend of GBP 9,000,000 and GPB 16,000,000 on January 16, 2015 and November 13, 2015, respectively. Moreover, a final dividend of GBP 25,000,000 was approved during the Annual General Meeting on July 30, 2015.

An interim dividend of 1.6 pence per share (£16,000,000) was paid in January 2016.

A final dividend of 3.2 pence per share (£32,000,000), giving a full year dividend of 4.8 pence per share (£48,000,000) has been proposed.

On 25 May 2016 a special dividend of £100m of the Company was declared by the Board. It will be paid on 8 July 2016 to shareholders on the register of the Company as at close of business on 10 June 2016.

Relating to the prior year;
A interim dividend of 0.9 pence per share (£9,000,000) was paid in January 2015.

A final dividend of 2.5 pence per share (£25,000,000), giving a full year dividend of 3.4 pence per share (£34,000,000) was approved at the AGM and paid in August 2015.

Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of their annual net profit until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Note 6 - Creditors

	March 2016 GBP	March 2015 GBP
becoming due and payable within one year:		
Trade creditors		
Suppliers	**107,952**	45,776
Suppliers - Invoices not yet received (Note 6.2)	**75,105**	1,302,858
	183,057	1,348,634
Amounts owed to affiliated undertakings (Note 6.1)		
B&M European Value Retail 2 S.à r.l.	**17,860**	19,963
Other creditors		
Tax authorities		
Corporate income tax	**7,452**	3,210
Net wealth tax	**587,532**	–
Other taxes	**17,835**	13,176
Social security authorities	**23,259**	3,216
Other payables	**35,935**	–
	672,013	19,602
Total	**872,930**	1,388,199

Note 6.1 – Amount owed to affiliated undertakings are interest bearing and repayable on demand.

Note 6.2 – Suppliers-invoices not yet received balance of GBP 1,302,858 during 2015 relates mostly to outstanding liabilities in relation to advisory and consultancy work in relation to the Initial Public Offering (IPO) for the London Stock Exchange.

Note 7 - Other external expenses

	March 2016 GBP	March 2015 GBP
Termination fee (Note 7.1)	**–**	10,000,000
Advisory and consultancy fees (Note 7.2)	**178,530**	6,220,478
Tax consulting fees	**–**	633,925
Audit fees	**97,118**	581,368
Accounting and administrative fees	**175,458**	127,405
Marketing, communication and travel expenses	**171,682**	91,680
Catalogue and printed matters and publications	**–**	65,462
Government regulatory fees	**70,446**	62,234
Legal fees	**–**	14,497
Underwriter's fees (Note 7.3)	**–**	1,631,847
Stock exchange fees	**57,002**	467,734
Bank account charges	**4,362**	5,376
Rentals	**39,536**	–
Repairs and maintenance	**8,402**	–
Others	**10,089**	64,607
Total	**812,625**	19,966,613

Note 7.1 – During March 2013, the Company's subsidiaries entered into "Indemnification Agreement" and "Management Rights Agreement" with Clayton, Dubilier & Rice, LLC ("CDR") and its affiliates. On June 12, 2014, the "Indemnification Agreement" and "Management Rights Agreement" was terminated and as such, the Company agreed to pay a termination fee.

Note 7.2 – Advisory and consultancy fees during fiscal period 2015 pertains mostly to fees paid in relation to the Company's IPO proceedings and professional fees billings coming from various financial & advisory firms.

Note 7.3 – On June 12, 2014, the Company, its Directors and its Shareholders entered into an "Underwriting and Sponsors Agreement" in which it agrees to pay a commission and legal fees in relation to the services performed by the Underwriters in seeking subscribers for the Company's IPO for the London Stock Exchange.

Note 8 - Staff costs

	March 2016 GBP	March 2015 GBP
Wages and salaries	**149,425**	77,276
Social security costs	**31,011**	10,416
Total	**180,436**	87,692

During the financial year, the Company employed one part time employee and two full time employees.

Note 9 - Other operating expenses

	March 2016 GBP	March 2015 GBP
Non-deductible VAT	**1,015,569**	–
Director fees	**255,073**	217,289
Tax on vehicle	**395**	517
Group recharge	**–**	133,415
Others	**6,896**	–
Total	**1,277,933**	351,221

Note 10 - Taxation

The company is subject to the general tax regulation applicable to all Luxembourg commercial companies.

Notes to the annual accounts continued

For the financial year ended March 31, 2016

Note 11 - Income from participating interests

	March 2016 GBP	March 2015 GBP
Derived from affiliated undertakings:		
Dividend income	**52,611,000**	30,816,000
Total	**51,611,000**	30,816,000

Dividend income relates to dividend declaration by B&M EVR1.

Note 12 - Other interest receivable and similar income

	March 2016 GBP	March 2015 GBP
Other interest and similar income:		
Interest recharge	**2,257,929**	1,889,509
Realised foreign exchange gain	**49,528**	9,443
Total	**2,307,457**	1,898,952

On March 26 2015, the Company and its affiliates entered into a Management Service Agreement ("MSA"). Included in the provisions of this agreement was the right for the Company to charge or be charged interest on any intercompany balances held with affiliates outside of Luxembourg (an "interest recharge"). The basis for the interest recharge is the outstanding balance per management accounts at the start and end of each month, and the marginal external rate of borrowing available to the Group as reviewed by management on an at least six monthly basis.

Note 13 - Off balance sheet commitments and contingencies

The Company operates three share option plans. The details of which are as follows:

(1) The B&M European Value Retail S.A. Tax Advantaged and non-tax advantaged Company Share Option Plans (CSOPs) (i) Starting 1/8/2014, (ii) starting 11/8/2014 (iii) starting 17/12/2015

(2) The B&M European Value Retail S.A. Long-Term Incentive Plan 2014 (LTIP 2014).

(3) The B&M European Value Retail S.A. Long Term Incentive Plan 2015 (LTIP 2015).

CSOPs

The CSOP schemes are market-value options with a non-market performance condition. They vest after a period of three years.

The options were valued using a black/scholes model. Given the grant date, no options have been exercised in the period.

Scheme	Date of Grant	Date of Vesting	Exercise Price	Fair value of Option GBP	Number of options outstanding at 31 March 2015	Number of options Granted/(Lapsed) in the period	Number of options outstanding at 31 March 2016
CSOP (1/8/14)	1 Aug 2014	1 Aug 2017	271.5p	0.83	581,914	(77,343)	504,571
CSOP (11/8/14)	11 Aug 2014	11 Aug 2017	267.0p	0.81	104,860	(37,450)	67,410
CSOP (17/12/15)	17 Dec 2015	17 Dec 2018	286.0p	0.76	0	10,489	10,489

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.

The LTIP 2015 has been separated into two tranches based upon the conditions required for vesting, as the two tranches were calculated to have seperately 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.

The options were valued using a monte carlo method. Given the grant dates, no options have been exercised in the period.

Scheme/Tranche	Date of Grant	Date of Vesting	Exercise Price	Fair value of Option GBP	Number of options outstanding at 31 March 2015	Number of options Granted/(Lapsed) in the period	Number of options outstanding at 31 March 2016
LTIP 2014	1 Aug 2014	1 Aug 2017	nil	1.34	200,000	(87,037)	112,963
LTIP 2015 / EPS	5 Aug 2015	5 Aug 2018	nil	3.41	0	40,616	40,616
LTIP 2015 / TSR	5 Aug 2015	5 Aug 2018	nil	2.10	0	40,616	40,616

Note 13 - Off balance sheet commitments and contingencies continued

Assumptions

The fair valuing exercise uses several assumptions including the share price at grant (taken as the closing price on the day prior to the grant), the volatility (see below), the expected life (3 years for the LTIP 2014, 5 years for the LTIP 2015, 6.5years for the CSOP) and the risk free rate of interest, using the Bank of England zero coupon yield over the expected life.

In accordance with Luxembourg GAAP, as none of the option holders have vested their rights as at the balance sheet date, all related amounts are reported as off balance sheet commitments.

The volatility assumption used the historic volatility of a group of comparable companies. This resulted in a 25% assumption for all the 2014 awards, 24% for the 2015 EPS award and 30% for the 2015 TSR award.

Note 14 - Directors Emoluments

The emoluments granted to the members of the administrative managerial and supervisory bodies in that capacity are as follows:

	March 2016 GBP	March 2015 GBP
Director fees paid to the non-executive directors of the Group	**258,500**	213,861
	258,500	213,861

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/period to the members of those bodies.

There are no pension obligations ot members of those bodies.

There are no guarantees or direct substitutes granted of given of the members of those bodies

Note that the executive directors are remunerated through other Group companies.

Note 15 - 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 25 May 2016 and signed on its behalf by:

Simon Arora
Chief Executive Officer

Paul McDonald
Chief Financial Officer

Notes

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