



23 May 2019

**B&M European Value Retail S.A.**

**Preliminary Results Announcement**

***Strong Q4 and On-going Performance***

B&M European Value Retail S.A. (“the Group”), the UK’s leading variety goods value retailer, today announces its Preliminary Results for the 52 weeks to 30 March 2019.

**HIGHLIGHTS**

- Group revenues<sup>1</sup> increased by 17.1% to £3,486.3m (2018: £2,976.3m), 17.0% at constant currency<sup>2</sup> for the 52 week comparable period to the previous year
- UK B&M<sup>3</sup> store fascia revenue<sup>1</sup> growth of 8.7%, including Like-for-Like revenue<sup>4</sup> growth of 0.7% for the year, including 5.8% in the fourth quarter, unadjusted for Easter timing (+6.7% after Easter adjustment)
- Group profit before tax increased by 8.7% to £249.4m for the 52 week period (2018: £229.3m), diluted earnings per share 20.5p (2018:18.6p)
- UK B&M store fascia Adjusted EBITDA<sup>1&5</sup> growth of 13.5% to £297.0m (2018: £261.7m), with a 45bps increase in margin to 10.6% of revenue
- Important progress clearing out slow-moving inventory in both Germany and France with more work to be done to implement the direct sourcing model in those markets
- Cash generated from operations of £259.4m for the 52 week period (2018: £242.0m), year-end net debt<sup>6</sup> of £621.6m and net debt<sup>6</sup> to EBITDA of 1.99x, which equates to 1.75x excluding the capital expenditure incurred to date on the Bedford distribution centre (2018: 1.72x)
- Recommended final dividend<sup>7</sup> increased to 4.9p per share (FY18: 4.8p) to be paid on 2 August 2019, bringing full year ordinary dividend to 7.6p per share, an increase of 5.7%
- 44 net new B&M UK fascia stores opened in the period (54 gross) and at least a further 50 gross new stores planned for this financial year, benefiting from plentiful availability of attractive new store opportunities
- New 1m sq ft distribution centre under construction in Bedford (to support UK store expansion needs for foreseeable future) on schedule for January 2020 commissioning, with rental and commissioning costs of c.£12m being incurred in FY20 before operational efficiencies are realised in FY21
- Pleasing start to Q1 with mid-single digit Like-for-Like<sup>4</sup> in B&M UK fascia stores.

**Simon Arora, Chief Executive**, said,

*“B&M has again delivered strong results against the challenging backdrop of continued structural change in our industry, rising costs and uncertain times for consumers,*

demonstrating that its value credentials remain as resonant as ever with customers, whether they need a bargain or just enjoy one.

We have made important progress in establishing platforms for further long term expansion in both Germany and France although there is much work to be done to implement the disruptive, value-led B&M model in these large new markets.

We enter the new financial year with renewed trading momentum particularly in the UK, a high quality new store expansion programme in place, and investing in our new infrastructure to support future growth. I'm confident B&M is well-positioned to deliver further strong progress in the current year and beyond."

## Financial Results

	FY 2019 (52 weeks)	FY 2018 (52 weeks)	Change	FY 2018 (Statutory)
Total Group Revenues				
B&M	2,789.4	2,566.0	8.7%	2,619.5
Heron	354.1	210.0	68.6%	210.0
Jawoll	213.7	200.3	6.7%	200.3
Babou	129.1	-	-	-
Total	3,486.3	2,976.3	17.1%	3,029.8
Number of Stores				
Group	1,093	927	17.9%	927
B&M	620	576	7.6%	576
Heron Foods	281	265	6.0%	265
Jawoll	96	86	11.6%	86
Babou	96	-	-	-
Adjusted EBITDA <sup>5</sup>	312.3	279.0	11.9%	283.3
B&M	297.0	261.7	13.5%	265.9
Heron Foods	19.9	11.7	69.6%	11.7
Jawoll	(10.2)	5.6	-281.9%	5.6
Babou	5.6	-	-	-
Adjusted EBITDA % <sup>5</sup>	9.0%	9.4%	-0.4%	9.4%

Profit Before Tax	249.4	226.1	10.3%	229.3
EPS	20.5	18.3	12.0%	18.6
Adjusted Profit Before Tax <sup>5</sup>	239.8	221.5	8.2%	224.8
Adjusted Diluted EPS <sup>5</sup>	19.7	17.8	10.7%	18.0
Ordinary Dividends <sup>7</sup>	7.6p	7.2p	5.7%	7.2p

<sup>1</sup> The figures presented in this announcement are for the 52 week period ended 30 March 2019, and unless otherwise stated, the comparable figures for the previous year are for the 52 week period ended 24 March 2018 rather than the statutory reported 53 week period for that prior year.

<sup>2</sup> Constant currency comparison involves restating the prior year Euro revenues using the same exchange rate as used to translate the current year Euro revenues.

<sup>3</sup> References in this announcement to the B&M business, includes the B&M fascia stores in the UK except for the 'B&M Express' fascia stores. References in this announcement to the Heron Foods business, includes both the Heron Foods fascia and B&M Express fascia convenience stores in the UK.

<sup>4</sup> Like-for-like revenues relate to the B&M estate only and include each store's revenue for that part of the current period that falls at least 14 months after it opened; compared with its revenue for the corresponding part of the previous period. This 14 month approach has been used as it excludes the two month halo period which new stores experience following opening.

<sup>5</sup> The Directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. Further details can be found in note 3.

<sup>6</sup> Net Debt comprises interest bearing loans and borrowings, overdrafts, cash/cash equivalents and finance leases excluding capitalised fees. See notes 18, 21 and 25 for more details.

<sup>7</sup> Dividends are stated as gross amounts before deduction of Luxembourg withholding tax which is currently 15%.

<sup>8</sup> Net capital expenditure includes the purchase of property, plant and equipment, intangible assets and proceeds of sale of any of those items.

## **Analyst Meeting & Webcast**

**An Analyst Meeting in relation to the final results will be held on Thursday 23 May 2019 at 08:30 am (UK) by invitation only at:**

**Bank of America Merrill Lynch  
2 King Edward Street  
London  
EC1A 1HQ**

**The meeting can be accessed live via a dial-in facility on:**

**UK & International: +44 (0) 203 0095710**

**US: 19177200178**

**Participant Pin Code: 6770969**

**A simultaneous audio webcast and presentation slides will be available via the B&M corporate website at [www.bandmretail.com](http://www.bandmretail.com)**

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*This announcement contains statements which are or may be deemed to be 'forward-looking statements'. Forward-looking statements involve risks and uncertainties because they relate to events and depend on events or circumstances that may or may not occur in the future. All forward-looking statements in this announcement reflect the Company's present view with respect to future events as at the date of this announcement. Forward-looking statements are not guarantees of future performance and actual results in future periods may and often do differ materially from those expressed in forward-looking statements. Except where required by law or the Listing Rules of the UK Listing Authority, the Company undertakes no obligation to release publicly the results of any revisions to any forward-looking statements in this announcement that may occur due to any change in its expectations or to reflect any events or circumstances arising after the date of this announcement.*

### **Notes to editors**

B&M European Value Retail S.A. is a variety retailer with 620 stores in the UK operating under the "B&M" brand, 281 stores under the "Heron Foods" and "B&M Express" brands, 96 stores in Germany primarily operating under the "Jawoll" brand, and 96 stores in France operating under the "Babou" brand as at 30 March 2019. It was admitted to the FTSE 250 index in June 2015.

The B&M Group was founded in 1978 and listed on the London Stock Exchange in June 2014. For more information please visit [www.bmstores.co.uk](http://www.bmstores.co.uk)

## **Chief Executive's Review**

### **Overview**

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

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

In Germany, performance was hampered by the need to clear obsolete stock to make way for new ranges and a greater proportion of product sourced through B&M's supply chain. With most of this costly activity now concluded, the Jawoll team are able to offer its shoppers a

more compelling product range, utilising B&M's approach to limited assortment and directly-sourced product, being the key drivers of our disruptive pricing in the UK.

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

### **Strategic development**

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

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

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

#### **1. Delivering great value to our customers**

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

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

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

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

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

## **2. Investing in new stores**

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

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

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

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

## **3. Developing our international business**

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

These are important steps. The Jawoll management team's ability to drive revenue and earnings growth has been hindered by the poor performance of product ranges assembled by the previous management team. Whilst progress has been made, the overall performance, in both revenue and profit terms, has been hindered by the need to mark down and clear that slow selling legacy inventory. This activity has been costly

but is now largely complete, which will allow the team to now focus on further improving the offer for customers alongside improving the efficiency of logistics and distribution.

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

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

#### **4. Investing in our people and infrastructure**

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

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

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

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

## **Corporate social responsibility**

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

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

### **Outlook**

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

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

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

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

Simon Arora  
Chief Executive Officer  
23 May 2018

## **Financial Review**

### **Accounting period**

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

### **Financial Performance**

## Group

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

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

We report an adjusted EBITDA<sup>5</sup> to allow investors to understand better the underlying performance of the business. The items that we have adjusted are detailed in note 3, they totalled £(2.5)m in FY19 (FY:18 £4.9m).

Overall Group adjusted EBITDA<sup>5</sup> increased by 11.9% to £312.3m.

## B&M UK

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

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

Revenues in the like-for-like store estate<sup>4</sup> grew by 0.7% (FY18: 4.7%) and we are continuing to see a strong performance on the Grocery/FMCG ranges as the UK consumer structurally continues to seek out value. The Homewares categories account for c. 16% of the revenue mix and have had a disappointing year, which has been a drag on the overall like-for-like<sup>4</sup> of 1.8% but it was encouraging that the new Homeware ranges that have been introduced in the fourth quarter have performed well and we had a strong finish to the year with the overall fourth quarter like-for-like revenues growing by 5.8% despite the headwind of the timing of Easter trading.

In the B&M UK business the margin increased by 29 basis points reflecting the strong sell through on the seasonal ranges despite the drag from the mix effect of the strong like-for-like<sup>4</sup> revenue performance on the lower margin Grocery and FMCG products.

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

In the B&M UK business the adjusted EBITDA<sup>5</sup> increased by 13.5% to £297.0m (FY18: £261.7m) and the adjusted EBITDA<sup>5</sup> margin increased by 45bps to 10.6%.

## Jawoll

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

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

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

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

### Heron

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

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

The EBITDA<sup>5</sup> was £19.9m, which compares to the £11.7m for the part period of ownership in FY18 and the EBITDA margin improved by 3 bps to 5.6%.

### Babou

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

### **Financing costs**

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

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

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

### **Profit before tax**

The statutory profit before tax was £249.4m, which compares to £229.3m in FY18 for the 53 week statutory period in that year. We also report an adjusted profit before tax to allow investors to understand better the operating performance of the business (see note 3). The adjusted profit before tax<sup>5</sup> was £239.8m (FY18: £221.5m) which reflected a 8.2% increase.

### **Taxation**

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

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

### **Profit after tax and earnings per share**

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

On an adjusted profit after tax basis<sup>5</sup>, which we consider to be a better measure of performance due to the reasons outlined above, it was £194.6m which was a 9.5% increase over last year (FY18: £177.7m) and the adjusted fully diluted earnings per share<sup>5</sup> was 19.7p (FY18: 17.8p), being an increase of 10.7%.

### **Investing activities**

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

The Group's net capital expenditure<sup>8</sup> during the year was £105.7m, which was principally driven by the new store programme across the fascias, with a capital expenditure of £30.9m, £5.1m, £2.9m and £1.2m respectively in B&M, Heron Foods, Jawoll and Babou.

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

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

### **Net debt and cash flow**

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

The cash generation reflects the continued growth in the Group's EBITDA<sup>5</sup> and the continued attractive cash paybacks from the new store opening programme, combined with the Group's working capital control.

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

The Group's net debt<sup>6</sup> in the year has increased to £621.6m (FY18: £535.3m) and the net debt<sup>6</sup> to adjusted EBITDA<sup>5</sup> has increased to 1.99 times (FY18: 1.92 times). This remains comfortably within our 2.25 times leverage target, and excluding the costs incurred on the new Southern distribution centre, the leverage would have reduced to 1.75 times.

The Board adopted a long-term capital allocation policy in 2016 to provide a framework to help investors understand how the Group will continue to balance the funding requirements of a growth business like B&M with the desire to return surplus capital to shareholders. The Board

will continue to evaluate opportunities to invest and support the growth of the business along with the scope for any incremental return of capital to shareholders in the context of that framework.

### **New accounting standards**

The Group will adopt IFRS 16, being the new accounting standard relating to leases, which will apply to the financial statements of the Group for the financial year 2019/20. The adoption of this new standard will have a significant impact on the statement of comprehensive income and the statement of financial position and there will be a presentational change on the statement of cash flows although there will be no change to the overall cash flow of the Group.

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

The Group has decided to adopt the fully retrospective approach which means that we will restate the brought forward equity balance and we will recognise a lease liability in the region of £1.1bn and a right of use asset in the region of £1.0bn, with an adjustment to be made to retained earnings in the region of £60m. This is based on the duration of contracts and judgments we have made in relation to cases where the Group is reasonably certain that it will exercise any contractual extension or break options, but not in relation to leases which have expired (including those where the Group continues to trade) where the Group has not concluded lease renewal terms.

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

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

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

### **Dividends**

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

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

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

#### 4. returns of surplus cash to shareholders.

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

The parent company of the Group is an investment holding company which does not carry on retail commercial trading operations. Its distributable reserves are derived from intra-group dividends originating from its subsidiaries. As the parent company is a Luxembourg registered company the Board is permitted, subject to using distributable profits first, to have recourse to the company's share premium account as a distributable reserve. It remains the Group's policy though generally to have recourse to distributable profits from within the Group, and accordingly, ahead of interim dividends, and also ahead of the year end in relation to final dividends, the Board reviews the levels of dividend cover in the parent company to maintain sufficient levels of distributable profits in the parent company for each of those dividends. The Group's consolidated balance sheet position as at 30 March 2019 includes distributable profit reserves of ££458m. The vast majority of these reserves have been generated by and are on the balance sheet of the principal trading subsidiary of the Group in the UK, B&M Retail Limited. There are intermediate holding companies in the Group structure between B&M Retail Limited and the Group's ultimate parent company, but those intermediate holding companies do not carry on retail trading business operations and there are no dividend blocks of any material amounts in any year from expenses which those companies may incur.

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

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

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

Notwithstanding those investments the Group has maintained its dividend this year at the higher end of its dividend policy. An interim dividend of 2.7p per share was paid in December 2018 and it is proposed to pay a final dividend of 4.9p per share<sup>7</sup>. Subject to approval of the dividend by shareholders at the AGM on 26 July 2019, the final dividend of 4.9p per share is to be paid on 2 August 2019 to shareholders on the register of the Company at the close of business on 21 June 2019. The ex-dividend date will be 20 June 2019.

**Paul McDonald**  
Chief Financial Officer  
23 May 2019

# Consolidated Statement of Comprehensive Income

Period ended		52 weeks ended 30 March 2019 £'000	53 weeks ended 31 March 2018 £'000
Revenue	2,4	3,486,295	3,029,802
Cost of sales		(2,296,861)	(2,000,927)
<b>Gross profit</b>		<b>1,189,434</b>	<b>1,028,875</b>
Administrative expenses		(925,058)	(789,072)
<b>Operating profit</b>	5	<b>264,376</b>	<b>239,803</b>
Share of profits in associates	13	775	1,711
<b>Profit on ordinary activities before net finance costs and tax</b>	3	<b>265,151</b>	<b>241,514</b>
Finance costs	6	(25,951)	(23,948)
Finance income	6	369	182
Gain on revaluation of financial instruments	6, 20	9,857	11,568
<b>Profit on ordinary activities before tax</b>		<b>249,426</b>	<b>229,316</b>
Income tax expense	11	(46,717)	(43,511)
<b>Profit for the period</b>	2	<b>202,709</b>	<b>185,805</b>
Attributable to non-controlling interests		(2,445)	(78)
Attributable to owners of the parent		205,154	185,883
<b>Other comprehensive income for the period</b>			
Items which may be reclassified to profit and loss:			
Exchange differences on retranslation of subsidiary and associate investments		(2,285)	205
Fair value movement as recorded in the hedging reserve		19,996	(15,659)
Items which will not be reclassified to profit and loss:			
Actuarial gain on the defined benefit pension scheme		5	21
Tax effect of other comprehensive income	11	(3,481)	2,470
<b>Total comprehensive income for the period</b>		<b>216,944</b>	<b>172,842</b>
Attributable to non-controlling interests	29	(2,805)	119
Attributable to owners of the parent		219,749	172,723
<b>Earnings per share</b>			
Basic earnings per share attributable to ordinary equity holders (pence)	12	20.5	18.6
Diluted earnings per share attributable to ordinary equity holders (pence)	12	20.5	18.6

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

# Consolidated Statement of Financial Position

As at	Note	30 March 2019 £'000	31 March 2018 £'000
<b>Assets</b>			
<b>Non-current</b>			
Goodwill	14	949,606	929,718
Intangible assets	14	126,559	120,962
Property, plant and equipment	15	389,952	308,653
Investments in associates	13	6,920	5,140
Other receivables	17	10,989	3,187
Deferred tax asset	11	9,195	5,654
		<u>1,493,221</u>	<u>1,373,314</u>
<b>Current assets</b>			
Cash at bank and in hand	18	86,202	90,816
Inventories	16	670,721	558,690
Trade and other receivables	17	71,640	34,042
Other financial assets	20	6,294	-
Income tax receivable		3,781	-
		<u>838,638</u>	<u>683,548</u>
<b>Total assets</b>		<u>2,331,859</u>	<u>2,056,862</u>
<b>Equity</b>			
Share capital	23	(100,056)	(100,056)
Share premium		(2,474,249)	(2,474,249)
Retained earnings		(458,132)	(327,073)
Hedging reserve		(1,984)	14,532
Legal reserve		(10,010)	(10,000)
Merger reserve		1,979,131	1,979,131
Foreign exchange reserve		(5,909)	(7,833)
Put/call option reserve		13,855	13,855
Non-controlling interest		(10,887)	(13,692)
		<u>(1,068,241)</u>	<u>(925,385)</u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	21	(562,941)	(558,426)
Finance lease liabilities	25	(7,104)	(7,306)
Other financial liabilities	20	-	(19,209)
Other liabilities	19	(92,891)	(87,130)
Deferred tax liabilities	11	(27,148)	(24,495)
Provisions	22	(374)	(379)
		<u>(690,458)</u>	<u>(696,945)</u>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	21	(124,272)	(47,212)
Overdrafts	18	(5,646)	(6,112)
Trade and other payables	19	(395,966)	(336,072)
Finance lease liabilities	25	(3,630)	(1,870)
Other financial liabilities	20	(13,731)	(16,666)
Income tax payable		(23,197)	(19,677)
Provisions	22	(6,718)	(6,923)
		<u>(573,160)</u>	<u>(434,532)</u>
<b>Total liabilities</b>		<u>(1,263,618)</u>	<u>(1,131,477)</u>
<b>Total equity and liabilities</b>		<u>(2,331,859)</u>	<u>(2,056,862)</u>

The accompanying accounting policies and notes form an integral part of these consolidated financial statements. This consolidated statement of financial position was approved by the Board of Directors and authorised for issue on 22 May 2019 and signed on their behalf by:

Simon Arora, Chief Executive Officer.

# Consolidated Statement of Changes in Shareholders' Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Hedging reserve £'000	Legal reserve £'000	Merger reserve £'000	Foreign exch. reserve £'000	Put/call option reserve £'000	Non-control. interest £'000	Total Shareholders' equity £'000
Balance at 25 March 2017	100,000	2,472,482	204,077	(1,350)	10,000	(1,979,131)	7,825	(13,855)	13,573	813,621
Dividend payments to owners	-	-	(63,013)	-	-	-	-	-	-	(63,013)
Effect of share options	56	1,767	112	-	-	-	-	-	-	1,935
Total transactions with owners	56	1,767	(62,901)	-	-	-	-	-	-	(61,078)
Profit/(loss) for the period	-	-	185,883	-	-	-	-	-	(78)	185,805
Other comprehensive income	-	-	14	(13,182)	-	-	8	-	197	(12,963)
Total comprehensive income for the period	-	-	185,897	(13,182)	-	-	8	-	119	172,842
Balance at 31 March 2018	100,056	2,474,249	327,073	(14,532)	10,000	(1,979,131)	7,833	(13,855)	13,692	925,385
Allocation to legal reserve	-	-	(10)	-	10	-	-	-	-	-
Dividend payments to owners	-	-	(75,042)	-	-	-	-	-	-	(75,042)
Effect of share options	-	-	954	-	-	-	-	-	-	954
Total transactions with owners	-	-	(74,088)	-	-	-	-	-	-	(74,088)
Profit/(loss) for the period	-	-	205,154	-	-	-	-	-	(2,445)	202,709
Other comprehensive income	-	-	3	16,516	-	-	(1,924)	-	(360)	14,235
Total comprehensive income for the period	-	-	205,157	16,516	-	-	(1,924)	-	(2,805)	216,944
Balance at 30 March 2019	100,056	2,474,249	458,132	1,984	10,010	(1,979,131)	5,909	(13,855)	10,887	1,068,241

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

# Consolidated Statement of Cash Flows

Period ended		52 weeks ended 30 March 2019 £'000	53 weeks ended 31 March 2018 £'000
	Note		
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	259,446	241,993
Income tax paid		(47,271)	(43,996)
<b>Net cash flows from operating activities</b>		<b>212,175</b>	<b>197,997</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	15	(103,652)	(111,268)
Purchase of intangible assets	14	(2,654)	(3,362)
Business acquisitions net of cash acquired	7	(75,879)	(106,436)
Acquisition of shares in associates	13	(1,200)	-
Sale of shares in associates	13	-	310
Proceeds from sale of property, plant and equipment		563	554
Finance income received		369	182
Dividends received from associates	13	570	1,149
<b>Net cash flows from investing activities</b>		<b>(181,883)</b>	<b>(218,871)</b>
<b>Cash flows from financing activities</b>			
Receipt of bank loans	21	78,984	-
Net receipt of Group revolving bank loans		(5,000)	45,000
Net repayment of Heron facilities		(2,298)	(9,790)
Net repayment of Babou facilities		(5,742)	-
Finance costs paid		(21,476)	(20,192)
Receipt from exercise of employee share options		-	1,320
Capitalised fees on refinancing		(935)	(1,647)
Dividends paid to owners of the parent	33	(75,042)	(63,013)
Repayment of finance lease		(2,931)	(1,651)
<b>Net cash flows from financing activities</b>		<b>(34,440)</b>	<b>(49,973)</b>
Net increase in cash and cash equivalents		(4,148)	(70,847)
Cash and cash equivalents at the beginning of the period		84,704	155,551
<b>Cash and cash equivalents at the end of the period</b>		<b>80,556</b>	<b>84,704</b>
Cash and cash equivalents comprise:			
Cash at bank and in hand	18	86,202	90,816
Overdrafts		(5,646)	(6,112)
		<b>80,556</b>	<b>84,704</b>

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

# Notes to the Consolidated Financial Statements

## 1 General information and basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

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

The consolidated financial statements cover the 52 week period from 1 April 2018 to 30 March 2019 which is a different period to the parent company stand alone accounts (from 1 April 2018 to 31 March 2019). This exception is permitted under article 330 (2) of the Luxembourg company law of 10 August 1915 as amended as the Directors believe that;

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

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

B&M European Value Retail S.A. (the "Company") is the head of the Group and there is no consolidation that takes place above the level of this company.

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

### Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings, together with the Group's share of the net assets and results of associated undertakings, for the period from 1 April 2018 to 30 March 2019. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. The results of companies acquired are included in the consolidated statement of comprehensive income from the acquisition date.

During the year, on 19 October 2018, the Group acquired Paminvest SAS, a discount general merchandise retailer group operating under the trading name Babou in France ("Babou"). Babou has been consolidated in the Group accounts from this date. For more details see note 7.

During the prior year, on 2 August 2017, the Group acquired Heron Food Group Limited ("Heron"), a convenience retailer incorporated in the UK. Heron has been consolidated in the Group accounts from this date. For more details see note 7.

During the prior year the Group incorporated two new entities, Retail Industry Apprenticeships Limited (incorporated in the UK) and Bedford DC Investments Limited (incorporated in Jersey). Both have been consolidated from their incorporation date. See note 26 for a full list of the constituent Group entities.

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

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

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

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

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

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

## **Going concern**

As a value retailer, the Group is well placed to withstand volatility within the economic environment. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group will trade within its current banking facilities for the next twelve months.

Included within these forecasts is the proposed sale & leaseback of the new Southern warehouse. If this does not occur, then the Group also has the unconditional ability to extend the Babou acquisition loan facility when it is due for repayment in October 2019, for a further 12 months.

After making enquiries, the Directors are confident that the Group has adequate resources to continue its successful growth. Accordingly, they continue to adopt the going concern basis in preparing these financial statements

Note also that viability and going concern statements have been made in the 'Principal risks and uncertainties' section of this annual report.

## **Revenue**

Under IFRS 15 Revenue is recognised when all the following criteria are met;

- the parties to the contract have approved the contract;
- the Group can identify each parties rights regarding the goods to be transferred;
- the Group can identify the payment terms;
- the contract has commercial substance;
- it is probable that the Group will collect the consideration we are entitled to in respect to the goods to be transferred.

In the vast majority of cases the Group's sales are made through stores and the control of goods is immediately transferred at the same time as the consideration received via our tills. Therefore revenue is recognised at this point.

The Group does not actively sell vouchers to use in the future or operate discount schemes and, therefore, no deferred revenue is recognised.

The Group operates a small wholesale function which recognises revenue when goods are delivered and the invoice is raised. The revenue is considered collectable as the Group's wholesale customers are usually related parties to the Group (such as our associates) or are subject to credit checks before trade takes place.

Revenue is the total amount receivable by the Group for goods supplied, in the ordinary course of business, excluding VAT and trade discounts, and after deducting returns and relevant vouchers and offers.

### **Other administrative expenses**

Administrative expenses include all running costs of the business, except those relating to inventory (which are expensed through cost of sales), tax, interest and other comprehensive income. Transport and warehouse costs are included in this caption.

Elements which are unusual and significant, such as material restructuring costs, may be separated as a line item.

### **Goodwill**

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

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

Goodwill is tested for impairment at each year end and at any time where there is any indication that it may be impaired. Internally generated goodwill is not recognised as an asset.

### **Segment reporting**

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the executive directors of the Group. The executive directors are responsible for assessing the performance of the business for the purpose of making decisions about resources to be allocated.

### **Alternative performance measures**

The Group reports a selection of alternative performance measures as detailed below and in note 3, as the Directors believe that these measures provide additional information that is useful to the users of our accounts.

The alternative performance measures we report in these accounts are:

- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Adjusted EBITDA
- Adjusted Profit
- Adjusted Earnings per share

Interest, tax, depreciation and amortisation are as defined statutorily whilst the items we adjust for are those we consider not to be reflective of the underlying performance of the business as detailed in note 3. These adjustments relate to the effect of ineffective derivatives and foreign exchange on intercompany balances, which do not relate to underlying trading, and costs incurred in relation to acquisitions, which are non-recurring and do not relate to underlying trading.

The alternative performance measures used are not measures of performance or liquidity under IFRS and should not be considered in isolation or as a substitute for measures of profit, or as an indicator of the Group's operating performance or cash flows from operating activities as determined in accordance with IFRS.

## **Business combinations**

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

## **Brands**

Brands acquired by the business are amortised if the corresponding agreement is specifically time limited, or if the fair valuation exercise (carried out for brands acquired via business combinations) identifies a fair lifespan for the brand. This amortisation is charged to administrative expenses.

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

Where brands are considered to have an indefinite life they are reviewed at least annually for impairment or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly with the write down charged to administration expenses.

## **Intangible assets**

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

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

Computer software acquired	-	3 or 4 years
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Previously the Group amortised computer software over a period of four years. There has been a change in this policy during the year following the acquisition of Babou and given the common practice of amortising computer related items over 3 years in France. This has not affected the rest of the Group as management believes the range 3-4 years to be reasonable.

## **Property, plant and equipment**

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

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

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

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

## Depreciation

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

Leasehold buildings	-	Life of lease (max 50 years)
Freehold buildings	-	2-4% straight line
Plant, fixtures and equipment	-	10% - 33% straight line
Motor vehicles	-	12.5% - 33% straight line

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

There has been a minor change to the policy since the prior year regarding the rates for computer equipment (within the Plant, fixtures and equipment category). In line with common practice in France the Group now allows items of computer equipment to be depreciated at 3-4 years (previously 4 years). This does not affect the existing items in the remainder of the Group.

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

## Investments in associates

Associates are those entities over which the Group has significant influence but which are neither subsidiaries nor interests in joint ventures. Investments in associates are recognised initially at cost and subsequently accounted for using the equity method. However, any goodwill or fair value adjustment attributable to the Group's share of associates is included in the amount recognised as investment in associates.

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

Items that have been recognised directly in the associate's other comprehensive income are recognised in the consolidated other comprehensive income of the Group. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the consolidated financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

During the year the Group has acquired a new associate, Centz Retail Holdings Limited, based in Ireland. See note 13 for more details.

## **Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required (for goodwill or indefinite life assets), the Group estimates the asset's recoverable amount.

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

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

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

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

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

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

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

## **Leases**

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

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

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged in the income statement over the period of the lease.

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

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

### **Lease premiums and incentives**

Lease premiums and lease incentives (as reverse lease premiums) are required to be spread over the term of the lease (as an element of the rent charge), with the resulting balance on the statement of financial position recorded in receivables or payables as appropriate.

### **Favourable and unfavourable leases**

Upon acquisition of a subsidiary a fair value review is performed to determine if certain leases held are favourable or unfavourable to the business when compared to an estimate of the underlying market rate. To the extent that a lease is determined to be favourable or unfavourable a balance is recognised in receivables or payables and then released over the remaining lease term as part of the rent charge for that lease.

Also see note 31 for a note on the implementation of IFRS 16 from 31 March 2019.

### **Onerous leases**

The Group carries a property provision which relates to leasehold property where an exit can be reasonably expected to occur, and the relevant lease is considered to be onerous.

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

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

### **Inventories**

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Stock purchased in foreign currency is booked in at the hedge rate applicable to that stock (if effectively hedged) or the underlying foreign currency rate on the date that the item is brought into stock.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to sell. Transport, warehouse and distribution costs are not included in the valuation of inventory.

### **Share options**

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

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

A cost is recorded through the income statement in respect of the number of options outstanding and the fair value of those options. A corresponding credit is made to the retained earnings reserve and the effect of this can be seen in the statement of changes in equity. See note 10 for more details.

### **Taxation**

#### **Current income tax**

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

that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

### **Deferred tax**

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

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

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

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

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

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

### **Financial instruments**

The Group uses derivative financial instruments such as forward currency contracts, fuel swaps and interest rate swaps to reduce its foreign currency risk, commodity price risk and interest rate risk.

Derivative financial instruments are recognised at fair value. The fair value is derived using an internal model and supported by valuations by third party financial institutions.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement. Effectiveness of the derivatives subject to hedge accounting is assessed prospectively at inception of the derivative, and at each reporting period end date prior to maturity.

Where a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset, such as an item of inventory, the associated gains and losses are recognised in the initial cost of that asset.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or

loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

## **Financial assets**

IFRS 9 has replaced IAS 39 during the year, and as such the Group's policy has been restated as follows. The new policy has had no impact on the statements of comprehensive income or financial position for the year.

IFRS 9 eliminates the previous IAS 39 category for financial assets of loans and receivables. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income.

A financial asset is measured at amortised cost if it meets both of the following conditions: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Under IFRS 9 trade receivables, without a significant financing component, are classified and held at amortised cost, being initially measured at the transaction price and subsequently measured at amortised cost less any impairment loss.

IFRS 9 introduces an 'expected loss' model ('ECL') for recognising impairment of financial assets held at amortised cost. The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group performs the calculation of expected credit losses separately for each customer group.

### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit and loss.

### **Derecognition**

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

### **Impairment of financial assets**

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

## **Financial liabilities**

The implementation of IFRS 9 has not significantly impacted the Group's financial liabilities policy.

### **Initial recognition and measurement**

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

### **Financial liabilities at fair value through profit or loss**

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

### **Other financial liabilities**

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

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

### **Derecognition**

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

### **Fair value of financial instruments**

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

## **Cash and cash equivalents**

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

## **Equity**

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares;
- "Share premium" represents the excess of the consideration made for the shares, over and above the nominal valuation of those shares;
- "Legal reserve" representing the statutory reserve required by Luxembourg law as an apportionment of profit within each Luxembourg company (up to 10% of the standalone share capital);
- "Hedging reserve" representing the fair value of the derivatives held by the Group at the period end that are accounted for under hedge accounting and that represent effective hedges;
- "Merger reserve" representing the reserve created during the reorganisation of the Group in 2014;
- "Retained earnings reserve" represents retained profits;
- "Put/call option reserve" representing the initial valuation of the put/call option held by the Group over the non-controlling interest of J.A. Woll Handels GmbH (Jawoll);

- "Foreign exchange reserve" represents the cumulative differences arising in retranslation of the subsidiaries results;
- "Non-controlling interest" representing the portion of the equity which belongs to the non-controlling interest in the Group's subsidiaries.

## Foreign currency translation

These consolidated financial statements are presented in pounds sterling.

The following Group companies have a functional currency of pounds sterling;

- B&M European Value Retail S.A.
- B&M European Value Retail 1 S.à r.l. (Lux Holdco)
- B&M European Value Retail Holdco 1 Ltd (UK Holdco 1)
- B&M European Value Retail Holdco 2 Ltd (UK Holdco 2)
- B&M European Value Retail Holdco 3 Ltd (UK Holdco 3)
- B&M European Value Retail Holdco 4 Ltd (UK Holdco 4)
- Bedford DC Investments Limited
- EV Retail Ltd
- B&M Retail Ltd
- Opus Homewares Ltd
- Retail Industry Apprenticeships Ltd
- Heron Food Group Ltd
- Heron Foods Ltd
- Cooltrader Ltd
- Heron Properties (Hull) Ltd

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

- B&M European Value Retail 2 S.à r.l. (SBR Europe)
- B&M European Value Retail Germany GmbH (Germany Holdco)
- J.A. Woll Handels GmbH (Jawoll)
- Jawoll Vertriebs GmbH
- Paminvest SAS
- SAS Babou
- Babou Relationship Partners – BRP SAS

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

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

## Pension costs

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

## **Provisions**

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

## **Critical judgements and key sources of estimation uncertainty**

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

## **Critical judgments**

### **Investments in Associates**

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

Under IFRS 10 control is determined by:

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

Although 50% owned, B&M Group does not have voting rights or substantive rights. Therefore, the level of power over the business is considered to be more in keeping with that of an associate than a joint-venture, and hence it has been treated as such within these consolidated financial statements.

### **Hedge accounting**

The Group hedge accounts for stock purchases made in US Dollars.

There is significant management judgment involved in forecasting the level of dollar purchases to be made within the period that the forward hedge has been bought for.

Management takes a prudent view that no more than 80% of the operational hedging in place can be subject to hedge accounting, due to forecast uncertainties, and assesses every forward hedge taken out, on inception, if that figure should be reduced further by considering general purchasing trends, and discussion of specific purchasing decisions.

### **Fair values on acquisition**

When the Group acquires a business it recognises the assets and liabilities acquired in the consolidated statement of financial position at fair value.

There is both significant management judgment and estimation uncertainty required in relation to this process, and specifically over key areas such as significant fixed assets, inventory, brand, the lease estate and the underlying basis for recording any goodwill.

In order to aid management in their decision making process, third parties are engaged to value significant items, and, as allowed by IFRS 3 ("*Business Combinations*"), a period of up to 12 months after acquisition is allowed for any additional information to be sourced that may affect the judgments made.

See note 7 for the outcome of this process in relation to recent acquisitions.

**Inventory Valuation**

Under IAS 2 (*"Inventories"*) inventory is required to be recognised at the lower of cost and net realisable value.

Management has exercised significant judgment in relation to the net realisable value of inventory acquired through the Babou acquisition.

In order to make this judgment, management considered the age, quality and sell through of these items of inventory immediately prior to acquisition as reflected in due diligence performed. Based on this, management judged that certain stock had to be written down on the basis that it would not realistically achieve the carrying value when sold through the existing Babou store network and irrespective of any future strategic decisions made, or to be made on or post acquisition.

**Estimation uncertainty****Goodwill impairment**

The Group's calculation for goodwill impairment includes several assumptions that are based upon managerial judgment.

As well as those discussed in note 14 around the inputs, they include the basis of the calculation itself i.e. which cash flows should be included, whether allowance should be made for growth of the store estate and, related to this, the level of capital expenditure to be included and on which timescale.

Management believes that the key element in determining whether an impairment is required is the value in use of the cash generating units themselves, which can be summarised as the return made by those cash generating units when considering the costs directly attributable to making those sales.

## Standards and Interpretations applied and not yet applied by the Group

See note 31 for a detailed note on the implementation of IFRS 16, which the Group will apply from 31 March 2019.

### Adoption of New and Revised Standards

The following amendments to accounting standards and interpretations, issued by the International Accounting Standards Board (IASB), have been adopted for the first time by the Group in the period with no significant impact on its consolidated results or financial position:

- Annual Improvements to IFRSs 2014-2016 Cycle
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- Amendments to IAS 40 Investment Property
- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

#### *IFRS 9 'Financial Instruments'*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and simplifies the classification of financial assets for measurement purposes.

The Group has applied IFRS 9 from 1 April 2018. There is no impact on the income statement or financial position from the adoption of IFRS 9.

#### *IFRS 15 'Revenue from Contracts with Customers'*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and related interpretations.

The Group has applied IFRS 15 from 1 April 2018 using the cumulative effective method (without practical expedients), with the effect of initially applying this standard being recognised at the date of initial application (1 April 2018). Comparative information has, therefore, not been restated.

Under IAS 18 revenue was recognised either over time where there was continuing service provided to the customer or at the point in time when the risks and rewards of ownership transferred to the customer. Under IFRS 15 revenue is recognised when performance obligations are satisfied. For the Group the transfer of control under IFRS 15 and satisfaction of performance obligations remains consistent with the transfer of risks and rewards to the customer under IAS18. Consequently, there were no profit or loss impacting adjustments required on application of IFRS 15.

Revenue is measured at the fair value of the consideration received or receivable and is recognised at the initial point of sale goods to the customers, when the risks and rewards of the ownership of the goods has passed to the buyer. Revenue is stated net of discounts, rebates, refunds and value-added tax.

Revenue principally represents the amounts receivable from customers for goods supplied. The vast majority of goods are supplied immediately at the point of sale in a retail store environment, and, therefore, performance obligations are considered to have been met at the point of sale.

#### *Other*

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed and require adoption by the Group in future reporting periods. The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

## Segmental information

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

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

For management purposes, the Group is organised into four operating segments, UK B&M, UK Heron, France Babou and Germany Jawoll segments. The France Babou segment has been active since the acquisition of Babou in October 2018. The UK Heron segment has been active since the acquisition of Heron Food Group in August 2017.

Items that fall into the corporate category include those related to the Luxembourg or associate entities, Group financing, corporate transactions, any tax adjustments and items we consider to be adjusting (see note 3).

The average euro rate for translation purposes was €1.1341/£ during the year, with the year end rate being €1.1648/£ (2018: €1.1336/£ and €1.1410/£, respectively).

52 week period to 30 March 2019	UK B&M £'000	UK Heron £'000	Germany Jawoll £'000	France Babou £'000	Corporate £'000	Total £'000
Revenue	2,789,431	354,057	213,663	129,144	-	3,486,295
EBITDA (note 3)	296,398	19,923	(10,223)	5,596	3,131	314,825
Depreciation and amortisation	(30,579)	(9,950)	(4,677)	(4,466)	(2)	(49,674)
Net finance income/(costs)	136	(765)	(525)	(62)	(14,509)	(15,725)
Income tax expense	(50,531)	(1,750)	4,782	(352)	1,134	(46,717)
Segment profit/(loss)	215,424	7,458	(10,643)	716	(10,246)	202,709
Total assets	1,760,772	215,529	156,130	172,700	26,728	2,331,859
Total liabilities	(342,511)	(52,830)	(32,977)	(80,251)	(755,049)	(1,263,618)
Capital expenditure*	(63,394)	(15,432)	(4,927)	(2,963)	(19,590)	(106,306)
53 week period to 31 March 2018	UK B&M £'000	UK Heron £'000	Germany Jawoll £'000	France Babou £'000	Corporate £'000	Total £'000
Revenue	2,619,488	210,008	200,306	-	-	3,029,802
EBITDA (note 3)	266,269	11,746	5,621	-	(5,240)	278,396
Depreciation and amortisation	(26,485)	(6,001)	(4,392)	-	(4)	(36,882)
Net finance income/(costs)	109	(481)	(370)	-	(11,456)	(12,198)
Income tax expense	(45,580)	(1,000)	(258)	-	3,327	(43,511)
Segment profit/(loss)	194,313	4,264	601	-	(13,373)	185,805
Total assets	1,718,328	204,162	127,078	-	7,294	2,056,862
Total liabilities	(361,834)	(56,909)	(27,287)	-	(685,447)	(1,131,477)
Capital expenditure*	(45,986)	(8,610)	(4,987)	-	(55,047)	(114,630)

\* includes capital expenditure on intangible assets.

### 3 Reconciliation of non-IFRS measures from the statement of comprehensive income

EBITDA, Adjusted EBITDA and Adjusted Profit are non-IFRS measures and therefore reconciliations from the statement of comprehensive income are set out below.

Period to	52 weeks ended 30 March 2019 £'000	53 weeks ended 31 March 2018 £'000
<b>Profit on ordinary activities before interest and tax</b>	265,151	241,514
Add back depreciation and amortisation	49,674	36,882
<b>EBITDA</b>	<b>314,825</b>	<b>278,396</b>
Reverse the effect of derivatives recorded within cost of sales	(61)	(509)
Reverse the effect of derivatives recorded within administrative expenses	(5,646)	4,334
Foreign exchange on intercompany balances	2,799	-
Remove costs associated with the acquisition of Babou	425	-
Remove costs associated with the acquisition of Heron	-	1,049
<b>Adjusted EBITDA</b>	<b>312,342</b>	<b>283,270</b>
Depreciation and amortisation	(49,674)	(36,882)
Net adjusted finance costs (see note 6)	(22,899)	(21,596)
<b>Adjusted profit before tax</b>	<b>239,769</b>	<b>224,792</b>
Adjusted tax	(45,182)	(44,437)
<b>Adjusted profit for the period</b>	<b>194,587</b>	<b>180,355</b>
Attributable to non-controlling interests	(2,445)	(78)
Attributable to owners of the parent	197,032	180,433

The adjusting items are the effects of derivatives, one off refinancing fees, foreign exchange on the translation of intercompany balances and the effects of revaluing or unwinding balances related to the acquisition of subsidiaries, such as the call/put option held over the non-controlling interest of our German operation. Significant project costs may also be included if incurred, as they have been in both years in relation to acquisitions (see note 7). Adjusted tax represents the tax charge per the statement of comprehensive income as adjusted only for the effects of the other adjusting items detailed above.

The segmental split in EBITDA and Adjusted EBITDA reconciles as follows;

52 week period to 30 March 2019	UK B&M £'000	UK Heron £'000	Germany Jawoll £'000	France Babou £'000	Corporate £'000	Total £'000
<b>Profit before interest and tax</b>	265,819	9,973	(14,900)	1,130	3,128	265,151
Add back depreciation and amortisation	30,579	9,950	4,677	4,466	2	49,674
<b>EBITDA</b>	<b>296,398</b>	<b>19,923</b>	<b>(10,223)</b>	<b>5,596</b>	<b>3,131</b>	<b>314,825</b>
Adjusting items detailed above	-	-	-	-	(2,483)	(2,483)
<b>Adjusted EBITDA</b>	<b>296,398</b>	<b>19,923</b>	<b>(10,223)</b>	<b>5,596</b>	<b>648</b>	<b>312,342</b>
53 week period to 31 March 2018	UK B&M £'000	UK Heron £'000	Germany Jawoll £'000	France Babou £'000	Corporate £'000	Total £'000
Profit before interest and tax	239,784	5,745	1,229	-	(5,244)	241,514
Add back depreciation and amortisation	26,485	6,001	4,392	-	4	36,882
<b>EBITDA</b>	<b>266,269</b>	<b>11,746</b>	<b>5,621</b>	<b>-</b>	<b>(5,240)</b>	<b>278,396</b>
Adjusting items detailed above	-	-	-	-	4,874	4,874
<b>Adjusted EBITDA</b>	<b>266,269</b>	<b>11,746</b>	<b>5,621</b>	<b>-</b>	<b>(366)</b>	<b>283,270</b>

Adjusted EBITDA and related measures are not measures of performance or liquidity under IFRS and should not be considered in isolation or as a substitute for measures of profit, or as an indicator of the Group's operating performance or cash flows from operating activities as determined in accordance with IFRS.

#### 4 Reconciliation of the 52-week results from the 53-week adjusted results

As in the prior year, in the commentary accompanying these accounts management consider that presenting an adjusted 52-week result for the prior year is helpful to the users of this annual report in order to directly compare like for like periods.

Therefore, a reconciliation to an adjusted 52-week statement of comprehensive income derived from the adjusted 53-week statement of comprehensive income by removing the final week of the financial year, is set out below.

Revenue and gross margin were directly taken from the specific week 53 figures and other costs were apportioned accordingly by considering the final accounting month of the year.

The adjusting items are those detailed in note 3.

	52 weeks to 30 March 2019 £'000	52 weeks to 24 March 2018 £'000	Week 53 £'000	53-weeks to 31 March 2018 £'000
<b>Adjusted</b>				
Revenue	3,486,295	2,976,274	53,528	3,029,802
Cost of sales	<b>(2,302,711)</b>	(1,966,071)	(35,366)	(2,001,437)
<b>Gross profit</b>	<b>1,183,584</b>	1,010,203	18,162	1,028,365
Administrative expenses	<b>(920,916)</b>	(767,309)	(14,668)	(781,977)
<b>Profit before net finance costs and tax</b>	<b>262,668</b>	242,894	3,494	246,388
Add back depreciation and amortisation	49,674	36,155	727	36,882
<b>EBITDA</b>	<b>312,342</b>	279,049	4,221	283,270
Depreciation and amortisation	<b>(49,674)</b>	(36,155)	(727)	(36,882)
Net finance costs	<b>(22,899)</b>	(21,350)	(246)	(21,596)
<b>Profit before tax</b>	<b>239,769</b>	221,544	3,248	224,792
Tax	<b>(45,182)</b>	(43,804)	(633)	(44,437)
<b>Profit after tax</b>	<b>194,587</b>	177,740	2,615	180,355
Attributable to non-controlling interests	<b>(2,445)</b>	(78)	-	(78)
Attributable to owners of the parent	<b>197,032</b>	177,818	2,615	180,433

The 53<sup>rd</sup> week only affects the UK B&M segment as the European retail segments report annual figures. Therefore we also present a reconciliation of the 52 week profit and loss UK retail segment figures as follows:

	52-weeks to 30 March 2019 £'000	52 weeks to 24 March 2018 £'000	Week 53 £'000	53-weeks to 31 March 2018 £'000
<b>UK B&amp;M segment</b>				
Revenue	2,789,431	2,565,960	53,528	2,619,488
EBITDA	296,398	262,048	4,221	266,269
Depreciation and amortisation	<b>(30,579)</b>	(25,758)	(727)	(26,485)
Net finance income	136	107	2	109
Income tax expense	<b>(50,531)</b>	(44,916)	(664)	(45,580)
Segment profit	<b>215,424</b>	191,481	2,832	194,313

## 5 Operating profit

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

Period ended	52 weeks ended 30 March 2019 £'000	53 weeks ended 31 March 2018 £'000
Auditor's remuneration	440	354
Payments to auditors in respect of non-audit services:		
Taxation advisory services	-	-
Other assurance services	82	78
Other professional services	-	21
Inventories:		
Cost of inventories recognised as an expense (included in cost of sales)	2,296,861	2,000,927
Depreciation of property, plant and equipment:		
Owned assets	44,969	34,234
Leased assets	2,547	997
Amortisation (included within administration costs)	2,158	1,652
Operating lease rentals	178,168	149,469
New store pre-opening costs	6,742	4,956
Loss on sale of property, plant and equipment	644	277
(Gain)/loss on foreign exchange	(8,572)	2,201

## 6 Finance costs and finance income

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

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Interest on debt and borrowings	(20,999)	(19,960)
Ongoing amortisation of finance fees	(1,862)	(1,491)
Finance charges payable under finance leases and hire purchase contracts	(407)	(327)
<b>Total adjusted finance expense</b>	<b>(23,268)</b>	<b>(21,778)</b>
Unwinding of deferred acquisition costs for subsidiaries	(2,683)	(2,170)
<b>Total finance costs</b>	<b>(25,951)</b>	<b>(23,948)</b>
Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Interest income on loans and bank accounts	369	182
<b>Total adjusted finance income</b>	<b>369</b>	<b>182</b>
Gain on revaluing call/put option held over the minority interest of Jawoll	9,141	11,568
Gain on revaluing deferred consideration in respect of Heron	716	-
<b>Total finance income</b>	<b>10,226</b>	<b>11,750</b>

Total net adjusted finance costs are therefore;

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Total adjusted finance expense	(23,268)	(21,778)
Total adjusted finance income	369	182
<b>Total net adjusted finance costs</b>	<b>(22,899)</b>	<b>(21,596)</b>

## 7 Business combination

On 19 October 2018 the Group acquired Paminvest SAS a discount general merchandise retailer group operating under the trading name Babou in France (“Babou”). As part of the same transaction the Group acquired the third party distribution service provider to Babou and these operations were immediately brought into the Paminvest group.

The transaction has been accounted for via the acquisition method of accounting. The Group purchased 100% of the share capital for a fair value of €90.1m (£79.4m at the acquisition date exchange rate of 1.1346 €/£) which was made in cash funded by the drawdown of a new loan facility (see note 21).

The fair values of the identifiable assets and liabilities of Babou, which are provisional and can be updated up to 12 months after acquisition under IFRS 3, on the date of the acquisition were:

<b>Assets</b>	<b>€'000</b>	
Babou brand asset (10 year life)	4,690	
Favourable lease contracts	1,946	
Other intangible assets	1,402	
Property, plant and equipment	32,049	
Inventories	83,280	
Corporation and deferred tax	2,671	
Receivables and other assets	24,629	
Cash	4,038	
<b>Total assets</b>	<b>154,705</b>	
<b>Liabilities</b>		
Unfavourable lease contracts	(6,016)	
Creditors and accruals	(64,947)	
Finance leases	(5,114)	
Bank loans	(12,488)	
<b>Total liabilities</b>	<b>(88,565)</b>	
<b>Net assets acquired</b>	<b>66,140</b>	
<b>Fair value of consideration</b>	<b>90,130</b>	
<b>Goodwill recognised on acquisition</b>	<b>23,990</b>	

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

Fees of £0.4m were incurred during the acquisition all of which have been expensed through the P&L, and which are treated as adjusting for the purposes of note 3.

The goodwill (which translates to £21.1m on the acquisition date) largely relates to the growth potential of the business, the current location of the stores and the existing workforce. None of the elements which make up goodwill can, or are not material enough to be recognised as a separate intangible asset.

The effect the acquisition has had on the consolidated income statement can be seen in the segment note (note 2). Had the company been bought at the start of the year it would have contributed an estimated extra €162.3m to revenue and €2.8m to operating profit under their local accounting policies (French GAAP, on the basis that it was not practical to translate to IFRS). These translate to £143.1m and £2.5m at the exchange rate used for the Group consolidated income statement.

The balance on the consolidated statement of cash flows reconciles as follows:

	<b>€'000</b>	<b>£'000</b>
Initial cash consideration	<b>90,130</b>	<b>79,438</b>
Cash acquired	<b>(4,038)</b>	<b>(3,559)</b>
<b>Net cash for acquisitions</b>	<b>86,092</b>	<b>75,879</b>

In the prior year, on 2 August 2017 the Group acquired Heron Food Group Limited (“Heron”), a discount convenience retailer incorporated in the UK.

The transaction was accounted for via the acquisition method of accounting. The Group purchased 100% of the share capital, for a fair value of £122.5m, which breaks down as follows:

	<b>£'000</b>
Initial cash consideration	<b>112,123</b>
Fair value of deferred consideration	<b>10,422</b>
Total	<b>122,545</b>

The deferred consideration represented a cash amount of £12.8m payable in 2019 based upon certain conditions. As this is now payable imminently it has been fully unwound to an expected final value of £12.1m (see note 20).

The fair values of the identifiable assets and liabilities of Heron on the date of the acquisition were:

<b>Assets</b>	<b>£'000</b>
Heron brand asset	14,178
Favourable lease contracts	1,385
Other intangible assets	1,305
Property, plant and equipment	67,299
Inventories	13,835
Receivables and other assets	8,081
Cash	8,315
<b>Total assets</b>	<b>114,398</b>
<b>Liabilities</b>	
Unfavourable lease contracts	(9,984)
Creditors and accruals	(32,395)
Provisions	(1,538)
Corporation and deferred tax	(4,107)
Finance leases	(3,199)
Overdraft	(2,628)
Bank loans	(25,582)
<b>Total liabilities</b>	<b>(79,433)</b>
<b>Net assets acquired</b>	<b>34,965</b>
<b>Fair value of consideration</b>	<b>122,545</b>
<b>Goodwill recognised on acquisition</b>	<b>87,580</b>

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

Fees of £1.0m were incurred during the acquisition all of which have been expensed through the P&L, and which are treated as adjusting for the purposes of note 3.

The goodwill largely related to the growth potential of the business, the current location of the stores and the existing workforce. None of the elements which make up goodwill could, or were not material enough to be recognised as a separate intangible asset.

The effect the acquisition has had on the consolidated income statement can be seen in the segment note (note 2) for both the prior and current year. Had the company been bought at the start of the prior year it would have contributed an estimated extra £108.6m to revenue and £3.4m to operating profit, under their local accounting policies (FRS 102 compliant, on the basis that it was not practical to translate to IFRS), to our prior year results.

The balance on the consolidated statement of cash flows reconciles as follows:

	<b>£'000</b>
Initial cash consideration	<b>112,123</b>
Cash acquired	<b>(8,315)</b>
Overdraft acquired	<b>2,628</b>
Net cash for acquisitions	<b>106,436</b>

## 8 Employee remuneration

Expense recognised for employee benefits is analysed below:

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Wages and salaries	391,708	347,027
Social security costs	20,290	16,945
Pensions - defined contribution plans	3,312	1,424
	<u>415,309</u>	<u>365,396</u>

There are £116k of defined contribution pension liabilities owed by the Group at the period end (2018: £221k).

The Group has one employee who is a member of a defined benefit scheme (2018: one employee). The liability held on the balance sheet at the year end was £245k (2018: £250k).

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

Babou operates a scheme where they must provide a certain amount per employee to pay upon their retirement date. The accrual on this scheme was £1,174k at year end.

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

Period ended	52 weeks to 30 March 2019	53 weeks to 31 March 2018
Sales staff	32,768	30,758
Administration	1,035	1,284
	<u>33,803</u>	<u>32,042</u>

## 9 Key management remuneration

Key management personnel and Directors' remuneration includes the following:

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
<b>Directors' remuneration:</b>		
Short term employee benefits	2,204	3,067
Benefits accrued under the share option scheme	219	226
	<u>2,423</u>	<u>3,293</u>
<b>Key management expense (includes Directors' remuneration):</b>		
Short term employee benefits	5,278	7,103
Benefits accrued under the share option scheme	328	280
Pension	40	4
	<u>5,647</u>	<u>7,387</u>
<b>Amounts in respect of the highest paid director emoluments:</b>		
Short term employee benefits	1,212	2,049
Benefits accrued under the share option scheme	84	-
	<u>1,296</u>	<u>2,049</u>

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

## 10 Share Options

The Group operates two share option schemes, both of which split down to various tranches. Details of these schemes follow.

### 1) The Company Share Option Plan (CSOP) scheme

The CSOP scheme was adopted by the Group as a Schedule 4 CSOP Scheme on 29 March 2014. No grant under this scheme can be made more than 10 years after this date.

#### Eligibility

Employees and executive directors of the Group are eligible for the CSOP and the awards are made at the discretion of the remuneration committee.

#### Limits & Pricing

A fixed number of options offered to each participant, with the pricing set as the close price on the grant date. The options offered to each individual cannot exceed a total value of £30,000 measured as the option price multiplied by the number of options awarded, with the whole scheme limited to 10% of the share capital in issue.

#### Vesting & Exercise

The awards vest on the third anniversary of grant, subject to the following condition:

In order for an option to be eligible for vesting, the underlying UK EBITDA in the last financial year that ended prior to the third anniversary of the grant should not be less than 130% of the underlying UK EBITDA in the last financial year that ended before the grant was made.

Once vested the award can be exercised up until the tenth anniversary of the grant.

#### Tranches

To the end of March 2019 there have been four tranches of the CSOP, details are as follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Date of grant	1 Aug 2014	11 Aug 2014	17 Dec 2015	19 Aug 2016
Option price	271.5p	267.0p	286.0p	276.8p
Options granted	596,646	104,860	10,489	21,676
Fair value of each option at date of grant	83p	81p	79p	50p
Options outstanding at 25 March 2017	460,375	59,920	10,489	21,676
Granted	-	-	-	-
Forfeited	(22,098)	-	-	-
Exercised	(427,228)	(59,920)	-	-
<b>Options outstanding at 31 March 2018</b>	<b>11,049</b>	-	<b>10,489</b>	<b>21,676</b>
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	(10,489)	-
Exercised	-	-	-	-
<b>Options outstanding at 30 March 2019</b>	<b>11,049</b>	-	-	<b>21,676</b>

### 2) Long-Term Incentive Plan (LTIP) Awards

The LTIP was adopted by the board on 29 May 2014. No grant under this scheme can be made more than 10 years after this date.

#### Eligibility

Employees and executive directors of the Group are eligible for the LTIP and the awards are made at the discretion of the remuneration committee.

## Limits & Pricing

A fixed number of options offered to each participant, with the pricing set at £nil. The options offered to each individual cannot exceed a total value of 100% (200% under exceptional circumstances) of the participants base salary where the value is measured as the market value of the shares on grant multiplied by the number of options awarded, with the whole scheme limited to 10% of the share capital in issue.

## Dividend Credits

All participants in any new LTIP awards granted after 1 April 2018 are entitled to a dividend credit where the notional dividend they would have received on the maximum number of shares available under their award is converted into new share options and added to the award based upon the share price on the date of the dividend. These additional awards have been reflected in the tables below.

## Vesting & Exercise

The share options vest on the third anniversary of the grant date, subject to a set of conditions as follows:

LTIP 2014:

- The Total Shareholders Return (TSR) must exceed 15%, where the TSR is a measure of the change in share price and dividends paid in the vesting period.
- The underlying UK EBITDA in the Financial Year ended March 2017 is at least 130% greater than the underlying UK EBITDA in the Financial Year ended March 2014.

LTIP 2015, 2016, 2017A, 2018A:

- 50% of the awards are subject to a TSR performance condition, where the Group's TSR over the vesting period is compared with a comparator group. The awards vest on a sliding scale where the full 50% is awarded if the Group falls in the upper quartile, 12.5% vests if the Group falls exactly at the median, and 0% below that.
- 50% of the awards are subject to an EPS performance target. The awards vest on a sliding scale based upon the Earnings per share as follows:

Award	EPS as at	50% paid at	12.5% paid at
LTIP 2015	March-18	19.0p	15.0p
LTIP 2016	March-19	22.5p	17.5p
LTIP 2017A	March-20	24.0p	19.0p
LTIP 2018A	March-21	28.0p	23.0p

Below the 12.5% boundary, no options vest.

LTIP 2017/B1, 2017/B2, 2018/B1, 2018/B2.

- Group EBITDA must be positive in each year of the LTIP.
- The awards also have an employee performance condition attached.

Vested awards can be exercised up to the tenth anniversary of grant.

## Tranches

To the end of March 2019 there have been nine awards of the LTIP, with the details as follows.

Note that the LTIP 2015, LTIP 2016, LTIP 2017A and LTIP 2018A have been split into the element subject to the TSR (50%) and the element subject to the EPS (50%) since these were valued separately.

	2014	2015-TSR	2015-EPS	2016-TSR	2016-EPS
Date of grant	1 Aug 2014	5 Aug 2015	5 Aug 2015	18 Aug 2016	18 Aug 2016
Nil price options granted	200,000	40,616	40,616	122,385.5	122,385.5
Fair value of each option at date of grant	134p	210p	341p	164p	254p
Options outstanding at 25 March 2017	74,074	40,616	40,616	122,385.5	122,385.5
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Exercised	(74,074)	-	-	-	-
Options outstanding at 31 March 2018	-	40,616	40,616	122,385.5	122,385.5
<b>Granted</b>	-	-	-	-	-
<b>Forfeited</b>	-	-	<b>(9,139)</b>	-	-
<b>Exercised</b>	-	-	-	-	-
<b>Options outstanding at 30 March 2019</b>	-	<b>40,616*</b>	<b>31,477*</b>	<b>122,385.5</b>	<b>122,385.5</b>
<b>Core Valuation Assumptions</b>					
Risk Free Rate	1.39%	0.92%	0.92%	0.09%	0.09%
Expected Life (Years)	3	5	5	5	5
Volatility	25%	24%	24%	26%	26%
Dividend Yield	0%	0.95%	0.95%	1.73%	1.73%

\* These share options have vested but are in a holding period.

	2017A-TSR	2017A-EPS	2017/B1	2017/B2	2018/B1
Date of grant	7 Aug 2017	7 Aug 2017	7 Aug 2017	14 Aug 2017	23 Jan 2018
Nil price options granted	40,610	40,610	287,963	101,654	19,264
Fair value of each option at date of grant	272p	351p	361p	360p	400p
Options outstanding at 25 March 2017	-	-	-	-	-
Granted	40,610	40,610	287,963	101,654	19,264
Forfeited	-	-	(16,072)	-	-
Exercised	-	-	-	-	-
<b>Options outstanding at 31 March 2018</b>	<b>40,610</b>	<b>40,610</b>	<b>271,891</b>	<b>101,654</b>	<b>19,264</b>
<b>Granted</b>	-	-	-	-	-
<b>Forfeited</b>	-	-	<b>(8,036)</b>	<b>(8,025)</b>	<b>(2,408)</b>
<b>Exercised</b>	-	-	-	-	-
<b>Options outstanding at 30 March 2019</b>	<b>40,610</b>	<b>40,610</b>	<b>263,855</b>	<b>93,629</b>	<b>16,856</b>
<b>Core Valuation Assumptions</b>					
Risk Free Rate	0.52%	0.52%	0.25%	0.25%	0.25%
Expected Life (Years)	5	5	3	3	3
Volatility	32%	32%	32%	32%	32%
Dividend Yield	1.4%	1.4%	1.4%	1.4%	1.4%

	2018A-TSR	2018A-EPS	2018/B2
Date of grant	22 Aug 2018	22 Aug 2018	20 Aug 2018
Nil price options granted	224,914.5	224,914.5	236,697
Fair value of each option at date of grant	240p	409p	406p
<b>Options outstanding at 31 March 2018</b>	-	-	-
<b>Granted</b>	<b>224,914.5</b>	<b>224,914.5</b>	<b>236,697</b>
<b>Granted via dividend credit</b>	<b>1,758</b>	<b>1,758</b>	<b>1,797</b>
<b>Forfeited</b>	-	-	<b>(11,190)</b>
<b>Exercised</b>	-	-	-
<b>Options outstanding at 30 March 2019</b>	<b>226,672.5</b>	<b>226,672.5</b>	<b>227,304</b>
<b>Core Valuation Assumptions</b>			
Risk Free Rate	0.97%	0.97%	0.25%
Expected Life (Years)	5	5	3
Volatility	29%	29%	30%
Dividend Yield	0%	0%	0%

No LTIP options have lapsed in either period. The summary year end position is as follows;

Period ended	30 March 2019	31 March 2018
Share options outstanding at the start of the year	843,246	952,537
Share options granted during the year (including via dividend credit)	691,839	490,101
Share options forfeited or lapsed during the year	(49,287)	(38,170)
Share options exercised in the year	-	(561,222)
Share options outstanding at the end of the year	1,485,798	843,246
Of which;		
Share options that are not vested	1,402,656	832,197
Share options that are vested, but are not eligible for exercise (in holding)	72,093	-
Share options that are vested and eligible for exercise	11,049	11,049

All exercised options are satisfied by the issue of new share capital.

In the year, £954k has been charged to the income statement in respect to the share option schemes (2018: £615k). At the end of the year the outstanding share options had a carrying value of £1,733k (2018: £788k).

## 11 Taxation

The relationship between the expected tax expense based on the standard rate of corporation tax in the UK of 19% (2018: 19%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Current tax expense	50,732	44,039
Deferred tax credit	(4,015)	(528)
Total tax expense recorded in profit and loss	<u>46,717</u>	<u>43,511</u>
Current tax charge/(credit) in other comprehensive income	2	(54)
Deferred tax charge/(credit) in other comprehensive income	3,479	(2,416)
Total tax charge/(credit) recorded in other comprehensive income	<u>3,481</u>	<u>(2,470)</u>
Result for the year before tax	249,426	229,316
Expected tax charge at the standard tax rate	47,391	43,570
Effect of:		
Expenses not deductible for tax purposes	3,804	2,440
Income not taxable	(3,723)	(2,709)
Foreign operations taxed at local rates	(758)	790
Changes in the rate of corporation tax	(58)	55
Adjustment in respect of prior years	(114)	(485)
Other	175	(150)
Actual tax expense	<u>46,717</u>	<u>43,511</u>

### Deferred taxation

Statement of financial position	30 March 2019 £'000	31 March 2018 £'000
Accelerated tax depreciation	(3,250)	(4,671)
Relating to intangible brand assets	(20,955)	(18,339)
Fair valuing of assets and liabilities (asset)	2,942	5,030
Fair valuing of assets and liabilities (liability)	(2,427)	(1,035)
Movement in provision	1,308	11
Relating to share options	360	206
Held over gains on fixed assets	(450)	(450)
Losses carried forward	4,501	-
Other temporary differences (asset)	84	407
Other temporary differences (liability)	(67)	-
Net deferred tax liability	<u>(17,953)</u>	<u>(18,841)</u>
Analysed as;		
Deferred tax asset	9,195	5,654
Deferred tax liability	<u>(27,148)</u>	<u>(24,495)</u>

	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Statement of comprehensive income		
Accelerated tax depreciation	1,411	129
Relating to intangible brand assets	(1,530)	107
Fair valuing of assets and liabilities	(4,278)	2,278
Movement in provision	326	(75)
Relating to share options	153	108
Held over gains on fixed assets	-	21
Losses carried forward	4,501	-
Other temporary differences	(39)	376
Effect of foreign exchange	(8)	-
Net deferred tax credit	<u>536</u>	<u>2,944</u>
Analysed as;		
Total deferred tax in profit or loss	4,015	528
Total deferred tax in other comprehensive income	(3,479)	2,416

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

## 12 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit or loss for the financial period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding at each period end.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during each year plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares.

Adjusted (and adjusted 52 week) basic and diluted earnings per share are calculated in the same way as above, except using adjusted \ adjusted 52-week profit attributable to ordinary equity holders of the parent, as defined in notes 3 and 4.

There are share option schemes in place (see note 10) which have a dilutive effect on both periods presented. The following reflects the income and share data used in the earnings per share computations:

Period ended	30 March 2019 £'000	31 March 2018 £'000
Profit for the period attributable to owners of the parent	205,154	185,833
Adjusted profit for the period attributable to owners of the parent	197,032	180,433
Adjusted 52 week profit for the period attributable to owners of the parent	<u>197,032</u>	<u>177,818</u>
	<b>Thousands</b>	<b>Thousands</b>
Weighted average number of ordinary shares for basic earnings per share	1,000,561	1,000,353
Dilutive employee share options	453	298
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>1,001,014</u>	<u>1,000,651</u>
	<b>Pence</b>	<b>Pence</b>
Basic earnings per share	20.5	18.6
Diluted earnings per share	20.5	18.6
Adjusted basic earnings per share	19.7	18.0
Adjusted diluted earnings per share	19.7	18.0
Adjusted 52 week basic earnings per share	19.7	17.8
Adjusted 52 week diluted earnings per share	19.7	17.8

## 13 Investments in associates

Period ended	30 March 2019 £'000	31 March 2018 £'000
<b>Net book value</b>		
Carrying value at the start of the period	5,140	5,669
Acquisition of holding in Centz Retail Holdings	1,200	-
Dividends received	(570)	(1,149)
Share of profits in associates since the prior year valuation exercise	775	1,919
Impairment of holding in Home Focus Group	-	(208)
Sale of 20% holding in Home Focus Group	-	(310)
Effect of foreign exchange on translation	375	(781)
Carrying value at the end of the period	<u>6,920</u>	<u>5,140</u>

On 19 November 2018, the Group acquired a 22.5% holding in Centz Retail Holdings Limited, a company incorporated in Ireland, for €1,350,000. The principal activity of the company is retail sales and their registered address is 5 Old Dublin Road, Stillorgan, Co. Dublin.

The Group has a 50% (2018: 50%) interest in Multi-lines International Company Ltd, a company incorporated in Hong Kong. The principal activity of the company is the purchase and sale of goods and their registered address is 8/F, Hope Sea Industrial Centre, No. 26 Lam Hing Street, Kowloon Bay, Hong Kong.

The Group also holds 20% (2018: 20%) of the ordinary share capital of Home Focus Group Ltd, a company incorporated in Republic of Ireland and whose principal activity is retail sales and their registered address is Boole House, Beech Hill Office Campus, Beech Hill Road, Clonskeagh, Dublin 4.

During the prior year the Group sold 20% of the holding in Home Focus Group for €350k. The remaining 20% holding is also subject to a contract of sale in December 2020 for the same amount, therefore the remaining stake was revalued to €350k with a resulting impairment which has been recognised in profit and loss. The holding in Home Focus is considered immaterial for further disclosure.

None of the entities have discontinued operations or other comprehensive income, except that on consolidation all entities have a foreign exchange translation difference.

Period ended	30 March 2019 £'000	31 March 2018 £'000
<b>Multi-lines</b>		
Non-current assets	2,344	1,106
Current assets	50,045	36,004
Non-current liabilities	-	-
Current liabilities	(39,577)	(25,555)
Net assets	<u>12,812</u>	<u>11,555</u>
Revenue	160,903	169,244
Profit	<u>1,562</u>	<u>3,805</u>

The figures for Multi-lines show 12 months to December 2018 (2018: 12 months to December 2017), being the period used in the valuation of the associate.

Centz Retail Holdings Limited report to a year end of December. Given the limited period of ownership of six weeks until that date, no profit or loss has been recognised related to this entity at this year end and it is therefore considered immaterial for further disclosure.

## 14 Intangible assets

	Goodwill £'000	Software £'000	Brands £'000	Other £'000	Total £'000
<b>Cost or valuation</b>					
At 25 March 2017	841,691	4,620	100,047	1,494	947,852
Additions due to purchase of Heron	87,580	1,305	14,178	-	103,063
Additions	-	1,612	1,750	-	3,362
Disposals	-	(289)	-	-	(289)
Effect of retranslation	447	3	68	20	538
At 31 March 2018	929,718	7,251	116,043	1,514	1,054,526
Additions due to purchase of Babou	21,144	139	4,134	1,096	26,513
Additions	-	2,404	250	-	2,654
Disposals	-	(51)	-	-	(51)
Effect of retranslation	(1,256)	(28)	(214)	(59)	(1,557)
At 30 March 2019	949,606	9,715	120,213	2,551	1,082,085
<b>Accumulated amortisation / impairment</b>					
At 25 March 2017	-	1,425	-	1,043	2,468
Charge for the year	-	1,436	13	203	1,652
Disposals	-	(289)	-	-	(289)
Effect of retranslation	-	3	-	12	15
At 31 March 2018	-	2,575	13	1,258	3,846
Charge for the year	-	1,854	227	77	2,158
Disposals	-	(41)	-	-	(41)
Effect of retranslation	-	(11)	(5)	(27)	(43)
At 30 March 2019	-	4,377	235	1,308	5,920
<b>Net book value at 30 March 2019</b>	<b>949,606</b>	<b>5,338</b>	<b>119,978</b>	<b>1,243</b>	<b>1,076,165</b>
Net book value at 31 March 2018	929,718	4,676	116,030	256	1,050,680

### Impairment review of intangible assets held with indefinite life

The Group holds the following assets with indefinite life:

Segment	30 March 2019	31 March 2019	31 March 2018	31 March 2018
	Goodwill £'000	Brand £'000	Goodwill £'000	Brand £'000
UK B&M	807,496	95,900	807,496	95,650
UK Heron	87,580	14,178	87,580	14,178
Germany Jawoll	33,934	5,108	34,642	5,215
France Babou	20,596	-	-	-

Not all items in the brand classification have an indefinite life as some are time limited. The brand intangible assets that have been identified as having an indefinite life are designated as such as management believe that these assets will hold their value for an indefinite period of time.

In each case the goodwill and brand assets have been allocated to one group of CGUs, being the store estate within the specific segment to which those assets relate. The Babou assets are a new addition in the year and the Heron assets were a new addition in the prior year, see note 7 for more details.

The Group performs impairment tests at each period end. The impairment test involves assessing the net present value (NPV) of the expected cash flows in relation to the stores within each CGU according to a number of assumptions to calculate the value in use (VIU) for the group of CGUs.

The Jawoll and Babou balances are held in Euros, with underlying balances of €39.5m and €24.0 for Goodwill respectively and €6.0m for the Jawoll brand (2018: Jawoll unchanged, Babou N/A). Since the cashflows that support the carrying values are also primarily in Euros, the impairment test for these assets have been carried out in that currency.

After a review, the impairment tests calculations were altered to include additional costs, such as those related to transport and distribution of stock, and the results below for the prior year have been restated to reflect this. There was no material impact on the result of the impairment test with no impairment required.

In each case, the results of the impairment tests identified that the VIU was in excess of the carrying value of assets within the group of CGUs at the period end dates.

The Jawoll business suffered a loss in the year (see note 2) but management believe that this was due to exceptional circumstances that will not be repeated. Looking ahead, Jawoll's results, and specifically the margin which was affected by the level of mark downs on old stock in the year, are expected to improve. As such the Jawoll gross margin has been added as a key assumption in this year's calculation. No other indicators of impairment were noted.

The key assumptions used were

- (i) The Group's discount rate, calculated via an internal model.
- (ii) The inflation rate for expenses, which has been based upon the consumer price index for the relevant country.
- (iii) The like for like sales growth, an estimate made by management.
- (iv) Gross margin for Jawoll, an estimate made by management.
- (v) A terminal growth rate, an estimate made by management based upon the expected position of the business at the end of the five year forecast period.

The assumptions were as follows:

As at	<b>30 March 2019</b>	31 March 2018
Discount rate (B&M)	<b>10.4%</b>	10.7%
Discount rate (Heron)	<b>10.7%</b>	11.5%
Discount rate (Jawoll)	<b>12.4%</b>	13.2%
Discount rate (Babou)	<b>12.4%</b>	N/A
Inflation rate for costs (B&M & Heron)	<b>2.4%</b>	3.6%
Inflation rate for costs (Jawoll)	<b>1.3%</b>	1.7%
Inflation rate for costs (Babou)	<b>1.6%</b>	N/A
Like for like sales growth (B&M)	<b>2.0%</b>	2.0%
Like for like sales growth (Heron)	<b>2.0%</b>	3.0%
Like for like sales growth (Jawoll)	<b>5.0%</b>	2.0%
Like for like sales growth (Babou)	<b>0.0%</b>	N/A
Gross margin (Jawoll)	<b>38.0%</b>	N/A
Terminal growth rate (B&M)	<b>0.5%</b>	0.5%
Terminal growth rate (Heron)	<b>3.0%</b>	3.0%
Terminal growth rate (Jawoll)	<b>3.0%</b>	3.0%
Terminal growth rate (Babou)	<b>3.0%</b>	3.0%

These assumptions are reflected for five years in the CGU forecasts and beyond this a perpetuity calculation is performed using the assumptions made regarding terminal growth rates.

The sensitivity of the assumptions is set out below together with the levels at which an impairment would be triggered in relation to each of the key assumptions as set out above.

	<b>B&amp;M</b>		<b>Heron</b>	
	<b>30 March 2019</b>	31 March 2018	<b>30 March 2019</b>	31 March 2018
Discount rate	<b>35.8%</b>	27.7%	<b>22.4%</b>	17.1%
Inflation rate for expenses	<b>11.3%</b>	9.5%	<b>8.5%</b>	6.6%
Like for like sales	<b>(4.2)%</b>	(2.1)%	<b>(2.5)%</b>	0.8%
Terminal growth rate	<b>N/A*</b>	N/A*	<b>(26.8)%</b>	(6.9)%

	Jawoll		Babou	
	30 March 2019	31 March 2018	30 March 2019	31 March 2018
Discount rate	34.3%	29.6%	80.0%	N/A
Inflation rate for expenses	8.1%	7.2%	8.9%	N/A
Like for like sales	(0.3)%	(2.0)%	(4.7)%	N/A
Gross margin	31.3%	N/A	N/A	N/A
Terminal growth rate	N/A*	(73.1)%	N/A*	N/A

\* calculation is not sensitive to this input for this segment

## 15 Property, plant & equipment

	Land and buildings £'000	Motor vehicles £'000	Plant, fixtures and equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 25 March 2017	46,250	3,485	183,910	233,645
Acquisition of Heron	31,388	5,787	30,124	67,299
Additions	58,097	4,493	48,678	111,268
Disposals	(506)	(1,313)	(4,180)	(5,999)
Effect of retranslation	306	5	164	475
At 31 March 2018	135,535	12,457	258,696	406,688
Acquisition of Babou	153	63	28,030	28,246
Additions	34,960	5,628	63,064	103,652
Disposals	(174)	(1,231)	(1,991)	(3,396)
Effect of retranslation	(492)	(11)	(1,266)	(1,769)
At 30 March 2019	169,982	16,906	346,533	533,421
<b>Accumulated depreciation</b>				
At 25 March 2017	12,685	1,796	53,416	67,897
Charge for the period	4,607	1,559	29,065	35,231
Disposals	(181)	(1,106)	(3,880)	(5,167)
Effect of retranslation	41	2	31	74
At 31 March 2018	17,152	2,251	78,632	98,035
Charge for the period	5,028	2,671	39,817	47,516
Disposals	(13)	(686)	(935)	(1,634)
Effect of retranslation	(144)	(4)	(300)	(448)
At 30 March 2019	22,023	4,232	117,214	143,469
<b>Net book value at 30 March 2019</b>	<b>147,959</b>	<b>12,674</b>	<b>229,319</b>	<b>389,952</b>
Net book value at 31 March 2018	118,383	10,206	180,064	308,653

The carrying value of assets held under finance lease and hire purchase contracts at 30 March 2019 was £10.8m (2018: £7.5m) and total depreciation charged on these assets during the period was £2.5m (2018: £1.0m). The assets held under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Under the terms of the loan and notes facilities in place at 30 March 2019, fixed and floating charges were held over £130.8m of the net book value of land and buildings, £12.3m of the net book value of motor vehicles and £190.4m of the net book value of the plant, fixtures and equipment. (2018: £99.6m, £9.7m, £167.5m respectively).

A significant addition was made to the land & buildings category in relation to the southern warehouse. At the year end the balance in relation to this stood at £72.2m (2018: £55.0m). The warehouse is undergoing a fit out phase and has not yet been brought into use and is therefore not yet depreciated. The intention is that the asset will undergo a sale & leaseback process near to or at completion. A further £1.0m of assets in the land & buildings category relates to other assets under construction (2018: £0.5m).

Included within land and buildings is land with a cost of £62.8m (2018: £62.6m) which is not depreciated.

## 16 Inventories

As at	30 March 2019 £'000	31 March 2018 £'000
Goods for resale	<u>670,721</u>	<u>558,690</u>

Included in the amount above was a net credit of £3.5m related to inventory provisions (2018: £1.3m net charge). In the period to 30 March 2019 £2,297m (2018: £2,001m) was recognised as an expense for inventories.

## 17 Trade and other receivables

	30 March 2019 £'000	31 March 2018 £'000
<b>Non-current</b>		
Lease premiums	1,786	2,150
Favourable leases	1,967	1,037
Other receivables	7,236	-
	<u>10,989</u>	<u>3,187</u>
<b>Current</b>		
Trade receivables	4,866	3,221
Deposits on account	5,507	1,575
Provision for impairment	(247)	(160)
Net trade receivables to non-related parties	<u>10,126</u>	<u>4,636</u>
Prepayments	39,190	27,165
Related party receivables	13,079	410
Lease premiums	251	324
Favourable leases	555	183
Other tax	3,213	-
Other receivables	5,226	1,324
	<u>71,640</u>	<u>34,042</u>

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

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

Period ended	30 March 2019 £'000	31 March 2018 £'000
Provision for impairment at the start of the period	(160)	(18)
Impairment during the period	(247)	(145)
Utilised/released during the period	160	3
Balance at the period end	<u>247</u>	<u>(160)</u>

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

Aside from the related party balances (see note 28) there were no significant balances within debtors at either March 2019 or March 2018 and as such there is no specific concentration of credit risk.

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

	<b>30 March</b>	31 March
As at	<b>2019</b>	2018
	<b>£'000</b>	£'000
Neither past due nor impaired	<b>1,901</b>	2,086
Past due less than one month	<b>2,387</b>	651
Past due between one and three months	<b>66</b>	230
Past due for longer than three months	<b>513</b>	254
Balance at the period end	<b>4,867</b>	3,221

## 18 Cash and cash equivalents

	<b>30 March</b>	31 March
As at	<b>2019</b>	2018
	<b>£'000</b>	£'000
Cash at bank and in hand	<b>86,202</b>	90,816
Overdrafts	<b>(5,646)</b>	(6,112)
Cash and cash equivalents	<b>80,556</b>	84,704

As at the year end the Group had available £93.4m of undrawn committed borrowing facilities (2018: £89.0m).

## 19 Trade and other payables

	<b>30 March</b>	31 March
As at	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Non-current</b>		
Accruals	<b>503</b>	250
Reverse lease premium	<b>82,299</b>	78,859
Unfavourable leases	<b>9,810</b>	8,021
Other payables	<b>279</b>	-
	<b>92,891</b>	87,130
<b>Current</b>		
Trade payables	<b>306,902</b>	264,224
Other tax and social security payments	<b>14,933</b>	7,845
Accruals and deferred income	<b>45,430</b>	28,251
Reverse lease premium	<b>15,849</b>	14,446
Unfavourable leases	<b>2,234</b>	1,165
Related party trade payables	<b>3,248</b>	12,345
Other payables	<b>7,370</b>	7,796
	<b>395,966</b>	336,072

Trade payables are generally on 30 day terms and are not interest bearing. The carrying value of trade payables approximates to their fair value. For further details on the related party trade payables, see note 28.

## 20 Other financial assets and liabilities

### Other financial assets

As at	30 March 2019 £'000	31 March 2018 £'000
<b>Current financial assets at fair value through profit and loss:</b>		
Foreign exchange forward contracts	2,383	-
Fuel swap contracts	127	-
<b>Current financial assets at fair value through other comprehensive income:</b>		
Foreign exchange forward contracts	3,784	-
Total current other financial assets	<u>6,294</u>	<u>-</u>
Total other financial assets	<u>6,294</u>	<u>-</u>

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	30 March 2019 £'000	31 March 2018 £'000
<b>Non-current financial liabilities at fair value through profit and loss:</b>		
Put/call options over the non-controlling interest of Jawoll	-	8,076
Deferred consideration in relation to the purchase of Heron	-	11,133
Total non-current other financial liabilities	<u>-</u>	<u>19,209</u>
<b>Current financial liabilities at fair value through profit and loss:</b>		
Deferred consideration in relation to the purchase of Heron	12,084	-
Foreign exchange forward contracts	535	923
<b>Current financial liabilities at fair value through other comprehensive income:</b>		
Foreign exchange forward contracts	1,112	15,743
Total current other financial liabilities	<u>13,731</u>	<u>16,666</u>
Total other financial liabilities	<u>13,731</u>	<u>35,875</u>

The put/call options over the non-controlling interest in Jawoll arose as part of the acquisition of the entity. The valuation at year end reflects management's latest projections for the final amount to be exchanged at the year end foreign exchange rate. The option matures later in 2019.

The deferred consideration relates to the acquisition of Heron. The valuation at year end reflects management's calculation of the amount expected to be payable later in 2019.

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

## Fair value hierarchy

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

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

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

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<b>30 March 2019</b>				
Foreign exchange contracts	4,520	-	4,520	-
Fuel swap contract	127	-	127	-
Deferred consideration in relation to Heron	(12,084)	-	-	(12,084)
 31 March 2018				
Foreign exchange contracts	(16,666)	-	(16,666)	-
Put/call options on Jawoll non-controlling interest	(8,076)	-	-	(8,076)
Deferred consideration in relation to Heron	(11,133)	-	-	(11,133)

The put/call option and deferred consideration were valued with reference to the sale and purchase agreements underpinning the relevant acquisition. The key variable in determining the fair value of these balances is the forecast EBITDA, respectively of Jawoll and Heron, as prepared by management.

The movement in the valuation of the call/put option reconciles as follows:

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Opening value	8,076	17,886
Unwinding of the call/put option valuation	1,016	1,459
Adjustment to the valuation of the call/put option	(9,141)	(11,568)
Effect of foreign exchange	49	299
Closing value	-	8,076

The valuation is based upon this years achieved EBITDA and is, therefore no longer considered sensitive to this variable. Previously a 5% change in EBITDA would have resulted in a 5% change to the valuation. It is also not considered sensitive to the discount rate because if a liability were to arise it would be expected to be within the next 12 months.

The movement in the valuation of deferred consideration reconciles as follows:

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Opening value	11,133	-
Recognised on acquisition of Heron	-	10,422
Unwinding of the deferred consideration balance	1,667	711
Revaluation of the deferred consideration	(716)	-
Closing value	12,084	11,133

The balance is based upon the EBITDA over the preceding two years and is therefore no longer considered sensitive to this input. The balance is also not considered sensitive to the discount rate as it is expected to be due imminently and has therefore not been discounted.

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

## 21 Financial liabilities – borrowings

As at	30 March 2019 £'000	31 March 2018 £'000
<b>Current</b>		
Revolving facility bank loan	40,000	45,000
Acquisition facility	78,461	-
Babou loan facilities	3,599	-
Heron loan facilities	2,212	2,212
	<u>124,272</u>	<u>47,212</u>
<b>Non-current</b>		
High yield bond notes	248,194	247,558
Term facility bank loan	298,102	297,288
Babou loan facilities	5,362	-
Heron loan facilities	11,283	13,580
	<u>562,941</u>	<u>558,426</u>

The acquisition facility of €92.0m was drawn down by the Group on 19 October 2018 to facilitate the purchase of Babou. It has an initial maturity date of October 2019, but can be extended at the sole discretion of the Group for up to one additional year. It is held at amortised cost with £0.9m of fees initially attributed to it. The gross amount and other details can be seen in the maturity table below.

The term facility bank loan and high yield bond notes are held at amortised cost and were initially capitalised in February 2017 with £3.2m and £3.3m (respectively) of fees attributed to them.

The Babou and Heron loan facilities were brought into the Group as part of the acquired balance sheets on 19 October 2018 and 2 August 2017 respectively, all are carried at their gross cash amount. The Babou loan facilities are held with various counterparties and at various margins and maturities, further details are included in the maturity table below.

The maturities of the loan facilities and finance leases (also see note 25) are as follows.

	Interest rate	Maturity	30 March 2019	31 March 2018
	%		£'000	£'000
Finance leases	1.0-6.0%	2019-37	10,734	9,176
Revolving facility loan	2.00% + LIBOR	Apr-19/18	40,000	45,000
Term facility bank loan A	2.00% + LIBOR	Jul-21	300,000	300,000
High yield bond notes	4.125%	Feb-22	250,000	250,000
Acquisition facility	1.075% (see note)	Oct-19	78,984	-
Heron loan facilities – Melton	2.25% + LIBOR	Jul-25	5,159	6,050
Heron loan facilities – Offset	2.45% + LIBOR	Sep-22	3,967	4,572
Heron loan facilities – Term	2.50% + LIBOR	Dec-21	4,370	5,170
Babou – BNP Paribas (1)	1.96% + EURIBOR	Jan-20	393	-
Babou – BNP Paribas (2)	0.76%	Jan-23	661	-
Babou – Caisse d'Épargne (1)	1.50% + EURIBOR	Feb-22	478	-
Babou – Caisse d'Épargne (2)	1.45% + EURIBOR	Feb-23	1,503	-
Babou – Caisse d'Épargne (3)	1.50% + EURIBOR	Feb-22	660	-
Babou – Caisse d'Épargne (4)	1.51%	Feb-24	612	-
Babou – CIC (1)	2.18%	Jan-21	594	-
Babou – CIC (2)	1.45%	Apr-20	191	-
Babou – CIC (3)	1.20%	May-22	1,099	-
Babou – Crédit Agricole (1)	2.07%	Jan-20	218	-
Babou – Crédit Agricole (2)	0.515%	Jan-23	660	-
Babou – Crédit Lyonnais	1.15% + EURIBOR	Apr-20	266	-
Babou – Société Générale (1)	1.15% + EURIBOR	Apr-20	332	-
Babou – Société Générale (2)	0.63%	Dec-22	1,293	-
			<b>702,174</b>	<b>619,968</b>

The acquisition facility, term loan A and the high yield bond notes have carrying values which include transaction fees allocated on inception.

The acquisition facility interest rate varies over the course of the year. The rate shown in the table is the effective rate. The P&L charge is based upon the effective rate.

The acquisition facility, all Babou facilities and an element of the finance leases have gross values in euros, and the values above have been translated at the period end rates of €1.1648/£ (2018: €1.141/£).

## 22 Provisions

	Property provisions £'000	Other £'000	Total £'000
At 25 March 2017	1,756	4,035	5,791
Brought in on acquisition of Heron	1,538	-	1,538
Provided in the period	1,280	2,264	3,544
Utilised during the period	(1,198)	(1,807)	(3,005)
Released during the period	(538)	(31)	(569)
Effect of retranslation	3	-	3
At 31 March 2018	2,841	4,461	7,302
<b>Provided in the period</b>	506	2,361	2,867
<b>Utilised during the period</b>	(846)	(1,857)	(2,703)
<b>Released during the period</b>	(374)	-	(374)
<b>At 30 March 2019</b>	<b>2,127</b>	<b>4,965</b>	<b>7,092</b>
<b>Current liabilities 2019</b>	<b>1,753</b>	<b>4,965</b>	<b>6,718</b>
<b>Non-current liabilities 2019</b>	<b>374</b>	<b>-</b>	<b>374</b>
Current liabilities 2018	2,462	4,461	6,923
Non-current liabilities 2018	379	-	379

The property provision relates to the expected future costs on specific leasehold properties. This is inclusive of onerous leases and dilapidations on these properties. The timing in relation to utilisation is dependent upon the individual lease terms.

The other provisions principally relate to disputes concerning insured liability claims. A prudent amount has been set aside for each claim as per legal advice received by the Group. These claims are individually non-significant and average £9.4k per claim (£8.4k in 2018).

## 23 Share capital

As at	30 March 2019 £'000	31 March 2018 £'000
<b>Allotted, called up and fully paid</b>		
<i>B&amp;M European Value Retail S.A.</i>		
1,000,561,222 ordinary shares of 10p each	<b>100,056</b>	100,056
	<b>100,056</b>	100,056

### *Ordinary shares*

Each ordinary share ranks pari passu with each other ordinary share and each share carries one vote. The Group parent is authorised to release up to a maximum of 2,971,661,000 ordinary shares.

B&M European Value Retail S.A. released 561,222 shares during the prior period in relation to exercised employee and director share options, see note 10.

## 24 Cash generated from operations

Period ended	52 weeks ended 30 March 2019 £'000	53 weeks ended 31 March 2018 £'000
Profit before tax	249,426	229,316
Adjustments for:		
Net interest expense	15,725	12,198
Depreciation	47,516	35,231
Amortisation of intangible assets	2,158	1,652
Loss on disposal of property, plant and equipment	644	277
Loss on share options	954	615
Change in inventories	(40,947)	(79,099)
Change in trade and other receivables	(26,847)	(1,168)
Change in trade and other payables	15,728	39,377
Change in provisions	(210)	1,511
Share of profit from associates	(775)	(1,711)
Non-cash foreign exchange effect from retranslation of subsidiary cashflows	1,781	(31)
Loss resulting from fair value of financial derivatives	(5,707)	3,825
Cash generated from operations	<b>259,446</b>	241,993

## 25 Commitments

From 31 March 2019 the Group will apply IFRS 16, please see note 31 for more details.

### **Operating leases**

The vast majority of the Group's operating lease commitments relate to the property comprising its store network. At the year-end over 95% of these leases expire in the next 15 years (2018: >95%) The leases are separately negotiated and no subgroup is considered to be individually significant nor to contain individually significant terms. The Group was not subject to non-trivial contingent rent agreements at the year end date. The following table sets out the total future minimum lease payments under non-cancellable operating leases, taking account of lease premiums.

As at	<b>30 March 2019 £'000</b>	31 March 2018 £'000
Not later than one year	194,334	154,508
Later than one year and not later than five years	669,634	554,293
Later than five years	658,614	548,974
	<b>1,522,582</b>	<b>1,257,775</b>

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

As at	<b>30 March 2019 £'000</b>	31 March 2018 £'000
Lease payments	179,297	150,512
Sublease receipts	(1,129)	(1,043)
	<b>178,168</b>	<b>149,469</b>

### Finance leases

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

As at	<b>30 March 2019</b>		31 March 2018	
	<b>Minimum payments £'000</b>	<b>PV of minimum payments £'000</b>	Minimum payments £'000	PV of minimum payments £'000
Not later than one year	3,769	3,630	2,121	1,870
Later than one year and not later than five years	7,699	6,875	6,507	6,047
Later than five years	230	229	1,260	1,259
	<b>11,698</b>	<b>10,734</b>	<b>9,888</b>	<b>9,176</b>

### Capital commitments

There were £30.2m of contractual capital commitments not provided within the Group financial statements as at 30 March 2019 (2018: £44.1). The figures include an estimated £26.3m in relation to the build and fit out of the southern warehouse which, whilst the majority is not yet committed, is considered very likely to be incurred (2018: £40.7m). The southern warehouse is expected to undergo a sale & leaseback around the date of completion.

## 26 Group information and ultimate parent undertaking

The financial results of the Group include the following entities.

<b>Company name</b>	<b>Country</b>	<b>Date of incorporation</b>	<b>Percent held within the Group</b>	<b>Principal activity</b>
B&M European Value Retail S.A.	Luxembourg	May 2014	Parent	Holding company
B&M European Value Retail 1 S.à r.l.	Luxembourg	November 2012	100%	Holding company
Bedford DC Investment Ltd	Jersey	June 2017	100%	Property development
B&M European Value Retail Holdco 1 Ltd	UK	December 2012	100%	Holding company
B&M European Value Retail Holdco 2 Ltd	UK	December 2012	100%	Holding company
B&M European Value Retail Holdco 3 Ltd	UK	November 2012	100%	Holding company
B&M European Value Retail Holdco 4 Ltd	UK	November 2012	100%	Holding company
B&M European Value Retail 2 S.à r.l.	Luxembourg	September 2012	100%	Holding company
EV Retail Limited	UK	September 1996	100%	Holding company
B&M Retail Limited	UK	March 1978	100%	General retail
Opus Homewares Limited	UK	April 2003	100%	Dormant
Retail Industry Apprenticeships Ltd	UK	June 2017	100%	Employment services
Heron Food Group Ltd	UK	August 2002	100%	Holding company
Heron Foods Ltd	UK	October 1978	100%	Convenience retail
Cooltrader Ltd	UK	September 2012	100%	Dormant
Heron Properties (Hull) Ltd	UK	February 2003	100%	Dormant
B&M European Value Retail Germany GmbH	Germany	November 2013	100%	Holding company
J.A. Woll Handels GmbH	Germany	November 1987	80%	General retail
Jawoll Vertriebs GmbH I	Germany	September 2007	80%	General retail
Paminvest SAS	France	July 2010	100%	Holding company
SAS Babou	France	November 1977	100%	General retail
Babou Relationship Partners – BRP SAS	France	December 2012	100%	Administrative services

### Registered Offices

- The Luxembourg entities are all registered at 9 allée Scheffer, L-2520, Luxembourg.
- The UK entities are all registered at The Vault, Dakota Drive, Estuary Commerce Park, Speke, Liverpool, L24 8RJ.
- The German entities are all registered at Am Hornberg 6, 29614, Soltau.
- Babou and Paminvest are registered at 8 rue du Bois Joli, 63800 Cournon d’Auvergne.
- BRP SAS are registered at 7 rue Biscornet, 75012 Paris.

### Changes during the year

The Group acquired the French retailing group headed by Paminvest SAS. Initially this comprised six entities, but it has since been rationalised into the three entities given above. See note 7 for further details on the transaction.

### Changes during the prior year

The Group acquired four businesses comprising the Heron Food Group as detailed in note 7. Retail Industry Apprenticeships Ltd and Bedford DC Investment Ltd were incorporated and are fully owned by the Group. BestFlora was fully incorporated into the other Germany entities and disposed of.

### Associates

The Group has a 50% interest in Multi-lines International Company Limited, a company incorporated in Hong Kong, a 20% (40% prior to December 2017) interest in Home Focus Group Limited, a company incorporated in the Republic of Ireland, and a 22.5% (acquired in November 2018) interest in Centz Retail Holdings Limited, also incorporated in the Republic of Ireland. The share of profit/loss from the associates is included in the statement of comprehensive income, see note 13.

### Ultimate parent undertaking

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

## 27 Financial risk management

The Group uses various financial instruments, including bank loans, related party loans, finance company loans, cash, equity investment, derivatives and various items, such as trade receivables and trade payables that arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, currency risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. In order to manage the Group's exposure to those risks, in particular the Group's exposure to currency risk, the Group enters into forward foreign currency contracts. No transactions in derivatives are undertaken of a speculative nature.

### Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and commodity price risk. Commodity price risk is not considered material to the business as the Group is able to pass on pricing changes to its customers.

Despite the impact of price risk not being considered material, the Group has engaged in swap contracts over the cost of fuel in order to minimise the impact of any volatility.

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

As at	Change in fuel price	30 March 2019 £'000	31 March 2018 £'000
Effect on profit before tax	+5%	159	-
	-5%	(159)	-

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

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

### Currency risk

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

In relation to translation risk, this is not considered material to the business as amounts owed in foreign currency are short term of up to 30 days and are of a relatively modest nature. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts.

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

### Approach to hedge accounting

As part of the Group's response to currency risk the currency forwards taken out are intended to prudently cover the majority of our stock purchases forecast for that period. However, the Group only hedge accounts for the part of the forward that we are reasonably certain will be spent in the forecast period, allowing for potential volatility. Therefore management always consider the likely volatility for a period and assign a percentage to each tranche of forwards purchased, usually in the range 60-80%

Effectiveness of the hedged forward is then assessed against the Group hedge ratio, which has been set by management at 80% as a reasonable guide to the certainty level we expect the hedged portions of our forwards to at least achieve. If they fail, or are expected to fail, to meet this ratio of effectiveness then they are treated as non-hedged items, and immediately expensed through Profit and Loss.

Ineffectiveness can be caused by exceptional volatility in the market, by the timing of product availability, or the desire to manage short term company cash flows, for instance, when a large amount of cash is required at relatively short notice.

If the Group did not hedge account then the difference is that the gain or loss in other comprehensive income would be presented in profit or loss and the assets and liabilities presented under the classification fair value through profit or loss would be at fair value through other comprehensive income.

The difference to the consolidated income statement if none of our forwards been hedge accounted during the year would have been a loss of £2.3m and a loss in other comprehensive income of £2.7m.

The net effective hedging gains transferred to the cost of inventories in the year was £2.8m (2018: net loss of £21.1m). At the year end the amount of outstanding US Dollar contracts covered by hedge accounting was £696m (2018:£689m).

### Foreign currency sensitivity

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

The impact on the Group's profit before tax and other comprehensive income (net of tax) is largely due to changes in the fair value of our foreign exchange derivatives and revaluation of creditors and deposits held on account with our US Dollar suppliers.

As at	Change in USD rate	30 March 2019 £'000	31 March 2018 £'000
Effect on profit before tax	+2.5%	(4,648)	(588)
	-2.5%	4,886	618
Effect on other comprehensive income	+2.5%	(7,976)	(10,150)
	-2.5%	8,385	10,671

The following table demonstrates the sensitivity (net of tax) to a reasonably possible change in the Euro period end exchange rates with all other variables held constant. The effect on other comprehensive income is due to the foreign exchange reserve on retranslation of the Group's subsidiaries that have the Euro as a functional currency.

As at	Change in Euro rate	30 March 2019 £'000	31 March 2018 £'000
Effect on profit before tax	+2.5%	(418)	18
	-2.5%	440	(19)
Effect on other comprehensive income	+2.5%	(2,969)	(2,012)
	-2.5%	3,121	2,115

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

### Interest rate risk

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

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

If LIBOR interest rates had been 50 basis points higher/lower throughout the year with all other variables held constant, the effect upon calculated pre-tax profit for the year would have been:

As at	Basis point increase / decrease	30 March 2019 £'000	31 March 2018 £'000
Effect on profit before tax	+50	(1,754)	(1,716)
	-50	1,754	1,716

This sensitivity has been calculated by changing the interest rate for each interest payment and accrual made by the Group over the period, by the amount specified in the table above, and then calculating the difference that would have been required.

The Group also has a very limited exposure to EURIBOR via the loans held by Babou, see note 21, however this is considered immaterial for disclosure.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's principal financial assets are cash, derivatives and trade receivables. The credit risks associated with cash and derivatives are limited as the main counterparties are banks with high credit ratings (A long term and A-1 short term (standard & poor) or better, (2018: A-, A-1 (or better) respectively). The principal credit risk arises therefore from the Group's trade receivables.

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

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

### 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	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
<b>30 March 2019</b>					
Interest bearing loans	149,759	23,715	576,083	1,243	750,800
Forward foreign exchange contracts	1,647	-	-	-	1,647
Trade Payables	310,150	-	-	-	310,150
Deferred consideration (Heron)	12,084	-	-	-	12,084
31 March 2018					
Interest bearing loans	66,273	21,109	587,778	2,099	677,259
Forward foreign exchange contracts	16,666	-	-	-	16,666
Trade payables	276,569	-	-	-	276,569
Call/put option (Jawoll)	-	9,637	-	-	9,637
Deferred consideration (Heron)	-	12,800	-	-	12,800

### Fair value

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

As at	<b>30 March</b>	31 March
	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Financial assets</b>		
<b>Fair value through profit and loss</b>		
Forward foreign exchange contracts	2,383	-
Fuel price swap	127	-
<b>Fair value through other comprehensive income</b>		
Forward foreign exchange contracts	3,784	-
<b>Loans and receivables</b>		
Cash and cash equivalents	86,202	90,816
Trade receivables	23,205	5,046
Other receivables	5,226	1,324
	<hr/>	<hr/>
	<b>30 March</b>	31 March
	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Financial liabilities</b>		
<b>Fair value through profit and loss</b>		
Forward foreign exchange contracts	535	923
Put/call options over the non-controlling interest of Jawoll	-	8,076
Deferred consideration in relation to the purchase of Heron	12,084	11,133
<b>Fair value through other comprehensive income</b>		
Forward foreign exchange contracts	1,112	15,743
<b>Amortised cost</b>		
Overdraft	5,646	6,112
Interest-bearing loans and borrowings	687,213	603,426
Trade payables	310,150	276,569
Other payables	7,370	7,796
	<hr/>	<hr/>

## 28 Related party transactions

The Group has transacted with the following related parties over the periods:

Multi-lines International Company Limited, a supplier, and Home Focus Group and Centz Retail Holdings, both customers, are associates of the Group.

Ropley Properties Ltd, Triple Jersey Ltd, TJL UK Ltd, Rani Investments and Multi Lines International (Properties) Ltd, all landlords of properties occupied by the Group, and SSA Investments the beneficial owners of equipment hired to the Group are directly or indirectly owned by director Simon Arora, his family, or his family trusts (together, the Arora related parties).

David Heuck, a director of Heron is the landlord of a property occupied by the Group (Comprising the Heron related parties).

Jawoll Immobilien GmbH, Stern Grundstück Entwicklungs GmbH, DS Grundstücks GmbH and Silke Stern are all landlords of properties occupied by the Group and are related by virtue of connection to a shareholder of J.A.Woll-Handels GmbH (together, the German related parties). These were considered a related party as the shareholder was also a member of key management. However they left the business in the prior year and as such these entities are no longer considered related parties of the Group.

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

	<b>30 March</b>	31 March
Period ended	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Sales to associates of the Group</b>		
Centz Retail Holdings Limited	<b>8,858</b>	-
Home Focus Group Limited	<b>2,180</b>	2,408
<b>Total sales to related parties</b>	<b>11,038</b>	2,408
	<b>30 March</b>	31 March
Period ended	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Purchases from associates of the Group</b>		
Multi-lines International Company Ltd	<b>141,015</b>	146,360
<b>Purchases from parties related to key management personnel</b>		
Multi-Lines International (Properties) Ltd	<b>410</b>	151
David Heuck	<b>43</b>	28
DS Grundstücks GmbH	-	794
Jawoll Immobilien GmbH	-	550
Rani Investments	<b>129</b>	194
Ropley Properties Ltd	<b>2,996</b>	2,976
Silke Stern	-	157
Stern Grundstück Entwicklungs	-	620
SSA Investments	<b>44</b>	-
TJL UK Ltd	<b>823</b>	675
Triple Jersey Ltd	<b>13,083</b>	12,666
<b>Total purchases from related parties</b>	<b>158,543</b>	165,171

Included in the current year figures above are four new leases (three stores) and five renewals of existing stores, entered into by Group companies during the current period with the Arora related parties (2018: six new stores and two renewals). The total expense on these leases in the period was £1,412k (2017: £1,778k). There was also one conditionally exchanged lease with Arora related parties in the current period with a long stop completion date (2018: four), and no expense is incurred on this lease until it is completed.

The following table sets out the total amount of trading balances with related parties outstanding at the period end.

	<b>30 March</b>	31 March
As at	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Trade receivables from associates of the Group</b>		
Centz Retail Holdings Ltd	<b>2,045</b>	-
Home Focus Group Ltd	<b>143</b>	316
Multi-lines International Company Ltd	<b>10,891</b>	94
<b>Total related party trade receivables</b>	<b>13,079</b>	410

	<b>30 March</b>	31 March
	<b>2019</b>	2018
As at	<b>£'000</b>	£'000
<b>Trade payables to associates of the Group</b>		
Multi-lines International Company Ltd	<b>1,933</b>	9,680
<b>Trade payables to companies owned by key management personnel</b>		
Rani Investments	<b>26</b>	40
Ropley Properties Ltd	<b>655</b>	643
TJL UK Ltd	<b>-</b>	3
Triple Jersey Ltd	<b>623</b>	1,979
<b>Total related party trade payables</b>	<b>3,237</b>	12,345

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

The business has not recorded any impairment of trade receivables relating to amounts owed by related parties at 30 March 2019 (2018: no impairment). This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

The future operating lease commitments on the Arora related party properties are;

	<b>30 March</b>	31 March
As at	<b>2019</b>	2018
	<b>£'000</b>	£'000
Not later than one year	<b>17,568</b>	16,308
Later than one year and not later than five years	<b>67,666</b>	65,565
Later than five years	<b>79,648</b>	85,934
	<b>164,882</b>	167,807

The future operating lease commitments on the German related party properties were (note these are no longer considered to be related parties);

	<b>30 March</b>	31 March
As at	<b>2019</b>	2018
	<b>£'000</b>	£'000
Not later than one year	<b>-</b>	877
Later than one year and not later than five years	<b>-</b>	2,438
Later than five years	<b>-</b>	-
	<b>-</b>	3,315

The future operating lease commitments on the Heron related party properties are;

	<b>30 March</b>	31 March
As at	<b>2019</b>	2018
	<b>£'000</b>	£'000
Not later than one year	<b>43</b>	43
Later than one year and not later than five years	<b>170</b>	170
Later than five years	<b>354</b>	397
	<b>567</b>	610

The balances remaining on the finance lease asset and liabilities at each year end is as follows (note that none of these entities are considered to be related parties at the 2019 year end)

	<b>30 March 2019 £'000</b>	31 March 2018 £'000
As at		
<b>Finance lease assets from parties related to key management personnel</b>		
DS Grundstücks GmbH	-	2,084
Jawoll Immobilien GmbH	-	1,020
Silke Stern	-	497
Stern Grundstück Entwicklungs	-	2,213
<b>Total assets held under finance lease from related parties</b>	<b>-</b>	<b>5,814</b>
<b>Finance lease liabilities with parties related to key management personnel</b>		
DS Grundstücks GmbH	-	2,262
Jawoll Immobilien GmbH	-	1,170
Silke Stern	-	577
Stern Grundstück Entwicklungs	-	2,410
<b>Total finance lease liabilities held with related parties</b>	<b>-</b>	<b>6,419</b>

The Group disposed of part of the holding in Home Focus Group during the prior year, and received dividends from Multi-Lines International Company Limited. See note 13 for further information on the Group's associates.

For further details on the transactions with key management personnel, see note 9 and the remuneration report.

## 29 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 comprehensive income/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 in April 2014. The percentage has not changed over the period of ownership.

In the 52 weeks to 30 March 2019 a loss of £2,805k was recorded in the non-controlling interest of Jawoll (52 weeks 2018: £119k gain), and no dividends have been paid (2018: no dividends).

The summarised financial information of the subsidiary is as follows:

	<b>Period ended 30 March 2019 £'000</b>	Period ended 31 March 2018 £'000
Revenue	213,663	200,306
EBITDA	(10,223)	5,621
Profit after tax	(10,643)	859
Net cashflows	(3,099)	4,240
	<b>30 March 2019 £'000</b>	<b>31 March 2018 £'000</b>
As at		
Non-current assets	42,802	38,756
Current assets	85,332	54,961
Non-current liabilities	(6,450)	(7,357)
Current liabilities	(31,289)	(20,310)
Net assets	<b>90,395</b>	<b>66,050</b>

## 30 Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current or prior period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group uses the following definition of net debt:

External interest bearing loans and borrowings less cash and short-term deposits.

The interest bearing loans figure used is the gross amount of cash borrowed at that time, as opposed to the carrying value under the amortised cost method, and includes finance leases.

	<b>30 March 2019 £'000</b>	31 March 2018 £'000
As at		
Interest bearing loans and borrowings	<b>702,174</b>	619,968
Less: Cash and short term deposits - overdrafts	<b>(80,556)</b>	(84,704)
Net debt	<b>621,618</b>	535,264

## 31 Effects of applying the new lease standard (IFRS 16)

The new leasing standard, IFRS 16, is applicable to the Group from 31 March 2019 and will be applied to the financial statements for all future periods. This will have a significant effect on the presentation of the statement of comprehensive income, the statement of financial position and some effect on the statement of cashflows.

The Group has undertaken an extensive exercise to prepare for the introduction of the new standard, including production of a model, and the figures stated below are subject to a full substantive audit of the inputs of the model.

In adopting IFRS 16, the Group has chosen to implement it using the fully retrospective approach which means that we will restate our prior year accounts to include adoption of the standard and the tables below show the effect as currently calculated on this year's accounts.

Although the impact of IFRS 16 on the statement of comprehensive income is large, IFRS 16 is essentially presentational and does not impact on the underlying cash generation of the business nor how we commercially operate and manage the business and the store portfolio.

The figures below are indicative and are subject to final refinement of the key assumptions below and full substantive audit of the inputs to the model, the model itself and the judgments made by management over areas such as the appropriate lease term and selection of discount rates.

The figures have currently been produced based upon a lease term that is equivalent to the lease term used in our lease commitment disclosure (note 25) and discount rates based upon the external rate of borrowing available to the Group with adjustments made for inputs such as lease term, type of store, operating segment and regionality. The weighted average discount rate in the following is 5.2%.

The following indicative figures exclude the effect of:

- Finance Leases
  - For which the net effect is expected to be minor and for which the current interest, depreciation and net book value can be seen in notes 5, 6 and 15.
- Favourable and unfavourable leases
  - The effect of which is expected to be directly additive to the right of use asset and liabilities recognised, with no change to the P&L effect. The balances on these can be seen in notes 17 and 19.
- Leases which are out of contract, including those from which the Group continues to trade, and leases which are out of scope.
  - No assumption has currently been made regarding lease renewal other than where there is a contractual obligation to renew.
- Tax
  - A large deferred tax asset is expected to arise originating from the brought forward debit in the profit and loss reserves. This is realisable as contracts unwind since the final contractual position is net nil once expired.
  - In terms of tax cash flow, B&M Retail's initial brought forward debit will unwind over the average length of lease to which it relates, whilst it is tax neutral elsewhere as no other local accounts will adopt it.

#### Effect on the financial statements

Under the current assumptions and with the caveats outlined above, the Group's estimated right of use assets would be in the region of £1.0bn and our lease liability in the region of £1.1bn as at 30 March 2019.

The rental charge going through operational costs at present will be excluded and replaced by the amortisation of the right of use asset and an interest charge on the unwinding of the lease liability.

This means that profit before interest and tax will be higher than currently reported, as will EBITDA (see note 3). Profit before tax could either increase or decrease, although with a typically young lease estate the overall effect will be to reduce profit, as reflected below.

	52 weeks to 30 March 2019 £'m
<b>Recognised Balances</b>	
Amortisation on right-of-use lease assets	126
Interest charge on lease liabilities	55
	181
<b>Derecognised Balances</b>	
Rental charge	167
<b>Net effects</b>	
Net credit to Profit before interest and taxation	41
Net debit to Profit before tax	14
Net credit to EBITDA (see note 3)	167

Over the full life of each individual lease the full profit or loss impact is the same under both the old and new accounting standards.

Cash flow in relation to rent is no longer considered to be an operational cash flow, and the relevant cash flows will be reclassified to financing activities and split between capital and interest.

### Sensitivity of the discount rate

Where a leased asset does not have a known implicit rate of interest (as in most cases) the discount rate is calculated using the marginal rate of borrowing available to the company for a similar asset over a similar timescale.

This is a calculation based on several inputs, including the start date, the underlying cost of borrowing of the company, length of the lease, the type of location in which a store is located and geography.

Whilst these inputs are not judgmental in themselves, how they impact on the discount rate selected is a matter of significant management judgment, and as such the calculation is sensitive to this process.

The below table shows the effects based upon a 50bps movement to the discount rate across the estate of assets which do not have an known implicit rate;

	+50bps £'m	-50bps £'m
<i>Debits shown as positive</i>		
Amortisation charge	(3)	3
Interest charge	4	(4)
Right-of-use asset	(24)	30
Lease liability	23	(28)

### **32 Post balance sheet events**

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

### **33 Dividends**

An interim dividend of 2.7 pence per share (£27.0m) was paid in December 2018

A final dividend of 4.9 pence per share (£49.0m), giving a full year dividend of 7.6 pence per share (£76.0m), is proposed

Relating to the prior year:

An interim dividend of 2.4 pence per share (£24.0m) was paid in December 2017.

A final dividend of 4.8 pence per share (£48.0m), giving a full year dividend of 7.2 pence per share (£72.0m), was paid in August 2018.

### **34 Contingent liabilities and guarantees**

As at 31 March 2019 and 30 March 2018, B&M European Value Retail S.A., B&M European Value Retail 1 S.à r.l., B&M European Value Retail 2 S.à r.l., B&M European Value Retail Holdco 1 Ltd, B&M European Value Retail Holdco 2 Ltd, B&M European Value Retail Holdco 3 Ltd, B&M European Value Retail Holdco 4 Ltd, EV Retail Ltd and B&M Retail Ltd are all guarantors to both the loan and notes agreements which are formally held within B&M European Value Retail SA. The amounts outstanding as at the period end were £419m for the loans (2018: £345m), with the balance held in B&M European Value Retail Holdco 4 Ltd, and £250m (2018: £250m) for the notes, with the balance held in B&M European Value Retail S.A.

As at 31 March 2018 and 30 March 2019, Heron Food Group Limited and Heron Foods Ltd are guarantors to the loans which are formally held within Heron Foods Ltd. The amount outstanding at the year end was £13m (2018: £16m) with the balance held in Heron Foods Ltd.

### **35 Directors**

The directors that served during the period were:

Name

Peter Bamford  
S Arora (CEO)  
P McDonald (CFO)  
T Hübner (see note below)  
R McMillan  
K Guion  
H Brouwer (retired 14 November 2018)  
T Hall (appointed 18 September 2018)  
C Bradley (appointed 15 November 2018)

All directors served for the whole period except where indicated above.

As announced on 7 February 2019, Thomas Hübner retired from the board on 1 May 2019.

**Statement of Directors' Responsibilities**

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

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

Approved by order of the Board.

**Simon Arora**

Chief Executive Officer

**Paul McDonald**

Chief Financial Officer

22 May 2019