INDEPENDENT AUDITOR'S REPORT

to the members of Booker Group plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Booker Group plc for the period ended 25 March 2016 set out on pages 66 to 104. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 25 March 2016 and of the Group's and the parent company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

Valuation of the defined benefit pension schemes £29.6m (2015: £19.7m) Risk vs 2015: ◀▶

Refer to page 30 (Audit Committee Report), page 74 (accounting policy) and page 89 (financial disclosures).

The risk – Significant assumptions are made in valuing the Group's defined benefit pension schemes obligations, including in particular the discount rate, inflation rates and the average life expectancy as explained in note 19. Small changes in the assumptions used could have a significant effect on the results and financial position of the Group.

Our response – Our audit procedures included testing of the controls over the maintenance of the schemes' membership data, sample testing from that data to the source documentation establishing the obligation to members. With the support of our own actuarial specialists, we then challenged the key assumptions applied by the Group to that data to determine the net defined benefit obligations. We critically assessed the inflation rates and life expectancy assumptions by comparing them against external market data and industry benchmarks. We also compared the discount and inflation rates used in the valuation of the defined benefit pension schemes against our internally developed benchmarks and with other companies reporting as at March 2016 to ensure that they are consistent with our expectations. In addition, we considered the adequacy of the Group's disclosures in relation to the defined benefit pension schemes.

Property provisions £39.8m (2015: £20.4m) Risk vs 2015: ◀▶

Refer to page 30 (Audit Committee Report), page 77 (accounting policy) and page 92 (financial disclosures).

The risk – The Group has recorded provisions on its leasehold properties as explained in note 20. The estimation of these provisions requires a significant degree of judgement and the use of assumptions, including the expected cash flows associated with the properties over the remaining lease term, the expected utilisation of the properties, expected costs related to dilapidations and to removing asbestos and the rates used to discount future cash flows to account for risk and the time value of money. As such there is a risk that the provisions, and associated charges or credits in the statement of comprehensive income, are materially misstated through the use of inappropriate assumptions and judgement.

Our response – Our procedures included obtaining the financial models used to assess the property provisions and comparing the methodology used to our interpretation of the requirements of the relevant accounting standards. We agreed the data input for a sample of properties, such as lease costs and expiry dates to the original signed lease agreements and expected sub-let income to existing sub-lease income agreements, third party valuation reports or where neither of those were available to the assumptions made by the in-house property specialist. We critically evaluated the discount rates used to discount forecast cash flows associated with the provisions by comparing the specific rates used to market data relevant to those cash flows. We critically evaluated the expected costs included in the models against the historical trend of charges incurred in respect of dilapidations and removing asbestos. We assessed the accuracy of the models by re-performing the calculation of the provisions. We performed sensitivity analysis on the key drivers within the financial models, including discount rates, forecast cash outflow and inflow and property utilisation rates to ascertain the extent of change in those assumptions would be required for the provisions to be further increased or decreased. We also considered the likelihood of such movements in those key assumptions arising. We also considered the adequacy of the Group's disclosures in relation to the property provisions in accordance with the relevant accounting standards.

Acquisition accounting in respect of Booker Retail Partners (GB) Limited ('BRP') £82.8m- net assets (New risk)

Refer to page 30 (Audit Committee Report), page 72 (accounting policy) and page 81 (financial disclosures).

The risk – In September 2015 the Group acquired Booker Retail Partners (GB) Limited, formerly Musgrave Retail Partners GB Limited, from Musgrave Group Plc. Accounting for this acquisition has involved significant judgement in respect of the identification of intangible assets such as brands and customers relationships. It has also included assessing the fair value of the net assets acquired in particular in respect of acquired properties, lease contracts and other property liabilities, working capital, and the calculation of amounts related to defined benefit pension schemes and taxation.

Our response – Our audit procedures included challenging the Directors' assessment of the fair value of the assets acquired and liabilities assumed with reference to evidence provided by third parties (such as property surveyors and actuaries). We critically evaluated the external valuers engaged by the Directors involved in assessing the fair value of properties and amounts related to defined benefit pension schemes.

We also used our own specialists to challenge the acquisition accounting including the amounts related to defined benefit pension schemes and taxation, and the identification of intangible assets. We have also considered the adequacy of the Group's disclosures in respect of the acquisition of BRP.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £7.6m (2015: £7.1m), determined with reference to a benchmark of Group profit before tax of £150.8m (2015: £138.8m), of which it represents 5.0% (2015: 5.1%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.35m (2015: £0.35m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's seven reporting components, we subjected four to audits for Group reporting purposes and the remaining three to reviews (including enquiry) of financial information. The latter were not individually financially significant enough to require an audit for Group reporting purposes, but provided us with additional audit coverage. Our work covered 100% of the Group's profit before tax, revenues and total assets (2015: 100%).

The Group audit team carried out the work on all the components at the Group's offices in Wellingborough, Deeside, Uxbridge and Eccles. Component materialities ranged between £1.1m and £6m (2015: between £5m and £6m).

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Strategic Report on pages 1 to 17, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the three years to 2019; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 17, in relation to going concern and longer term viability; and
- the part of the Corporate Governance Statement on page 22 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 63, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

18 May 2016

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 25 March 2016

	Note	52 weeks ended 25 March 2016			52 weeks ended 27 March 2015
		Before exceptional items £m	Exceptional items (Note 4) £m	Total £m	Total £m
Revenue		4,991.5	–	**4,991.5**	4,753.0
Cost of sales		(4,737.9)	–	**(4,737.9)**	(4,524.8)
Gross profit		253.6	–	**253.6**	228.2
Administrative expenses		(98.5)	(2.3)	**(100.8)**	(87.9)
Operating profit		155.1	(2.3)	**152.8**	140.3
Finance costs	6	(2.6)	–	**(2.6)**	(2.0)
Finance income	6	0.6	–	**0.6**	0.5
Profit before tax	4	153.1	(2.3)	**150.8**	138.8
Tax	7	(23.0)	–	**(23.0)**	(21.1)
Profit for the period attributable to the owners of the Group		130.1	(2.3)	**127.8**	117.7
Earnings per share (Pence)					
Basic	8			**7.24p**	6.73p
Diluted	8			**7.15p**	6.63p

All of the Group's operations during the period shown above represent continuing operations.

There were no exceptional items in the period ended 27 March 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 25 March 2016

	Note	52 weeks ended 25 March 2016 £m	52 weeks ended 27 March 2015 £m
Profit for the period		**127.8**	117.7
Items that will not be reclassified to profit or loss			
Remeasurements of the pension scheme	18	**(23.0)**	(18.5)
Tax on pension scheme remeasurements	7, 13	**3.1**	3.7
Total other comprehensive expense		**(19.9)**	(14.8)
Total comprehensive income for the period attributable to the owners of the Company		**107.9**	102.9

CONSOLIDATED BALANCE SHEET

As at 25 March 2016

	Note	25 March 2016 £m	27 March 2015 £m
ASSETS			
Non-current assets			
Property, plant and equipment	10	**229.8**	207.1
Intangible assets	11	**466.7**	439.8
Investment in joint venture	12	**1.5**	1.4
Deferred tax asset	13	**25.3**	28.1
		723.3	676.4
Current assets			
Inventories	14	**354.1**	328.1
Trade and other receivables	15	**180.9**	124.5
Cash and cash equivalents		**127.4**	147.0
		662.4	599.6
Total assets		**1,385.7**	1,276.0
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(677.9)**	(586.0)
Current tax		**(21.2)**	(19.9)
		(699.1)	(605.9)
Non-current liabilities			
Other payables	16	**(26.0)**	(26.9)
Retirement benefit liabilities	18	**(29.6)**	(19.7)
Provisions	19	**(40.8)**	(25.4)
		(96.4)	(72.0)
Total liabilities		**(795.5)**	(677.9)
Net assets		**590.2**	598.1
EQUITY			
Share capital	20	**17.7**	17.6
Share premium		**44.0**	41.2
Merger reserve		**260.8**	260.8
Capital redemption reserve		**122.8**	60.9
Other reserves		**14.0**	75.8
Share option reserve		**12.4**	11.2
Retained earnings		**118.5**	130.6
Total equity attributable to the owners of the Company		**590.2**	598.1

These financial statements were approved by the Board of Directors on 18 May 2016 and were signed on its behalf by:

Charles Wilson
Director

Jonathan Prentis
Director

CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 25 March 2016

	Note	52 weeks ended 25 March 2016 £m	52 weeks ended 27 March 2015 £m
Cash flows from operating activities			
Profit before tax		**150.8**	138.8
Depreciation	10	**23.5**	20.3
Amortisation	11	**1.2**	0.9
Net finance costs		**2.0**	1.5
Loss on disposal of property, plant and equipment		**0.1**	0.2
Equity settled share based payments		**6.9**	5.3
Decrease/(increase) in inventories		**4.0**	(0.5)
Increase in debtors		**(7.7)**	(10.9)
Increase/(decrease) in creditors		**19.8**	(1.9)
Contributions to pension scheme	18	**(0.8)**	(2.4)
Decrease in provisions	19	**(5.7)**	(1.4)
Net cash flow from operating activities		**194.1**	149.9
Net interest paid		**(0.2)**	(0.2)
Tax paid		**(18.8)**	(15.1)
Cash generated from operating activities		**175.1**	134.6
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(25.2)**	(23.6)
Acquisition of subsidiary, net of cash acquired	9	**(44.5)**	–
Acquisition of intangible asset		**(1.0)**	(1.0)
Investment in joint venture		**(0.1)**	(0.3)
Sale of property, plant and equipment		**0.3**	0.5
Net cash outflow from investing activities		**(70.5)**	(24.4)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**2.9**	5.0
Redemption of B shares	22	**(61.9)**	(60.9)
Dividends paid	22	**(65.2)**	(56.9)
Net cash outflow from financing activities		**(124.2)**	(112.8)
Net decrease in cash and cash equivalents		**(19.6)**	(2.6)
Cash and cash equivalents at the start of the period		**147.0**	149.6
Cash and cash equivalents at the end of the period		**127.4**	147.0

Reconciliation of net cash flow to movement in net cash in the period

	£m	£m
Net decrease in cash and cash equivalents	**(19.6)**	(2.6)
Opening net cash	**147.0**	149.6
Net cash at the end of the period	**127.4**	147.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

52 weeks ended 25 March 2016

	Note	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Other reserve £m	Share option reserve £m	Retained earnings £m	Total £m
At 27 March 2015		17.6	41.2	260.8	60.9	75.8	11.2	130.6	598.1
Profit for the period		–	–	–	–	–	–	127.8	127.8
Remeasurements of the pension scheme	18	–	–	–	–	–	–	(23.0)	(23.0)
Tax on pension scheme remeasurements	7, 13	–	–	–	–	–	–	3.1	3.1
Total comprehensive income for the period		–	–	–	–	–	–	107.9	107.9
Transactions with owners:									
Dividends to shareholders	22	–	–	–	–	–	–	(65.2)	(65.2)
Issue B shares	22	–	–	–	–	(61.8)	–	–	(61.8)
Redemption of B shares	22	–	–	–	61.9	–	–	(61.9)	–
Share options exercised		0.1	2.8	–	–	–	(5.7)	5.7	2.9
Share based payments	23	–	–	–	–	–	6.9	–	6.9
Tax on share schemes	7	–	–	–	–	–	–	1.4	1.4
Total transactions with owners		0.1	2.8	–	61.9	(61.8)	1.2	(120.0)	(115.8)
At 25 March 2016		17.7	44.0	260.8	122.8	14.0	12.4	118.5	590.2

52 weeks ended 27 March 2015

	Note	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Other reserve £m	Share option reserve £m	Retained earnings £m	Total £m
At 28 March 2014		17.4	36.4	260.8	–	136.8	8.5	136.7	596.6
Profit for the period		–	–	–	–	–	–	117.7	117.7
Remeasurements of the pension scheme	18	–	–	–	–	–	–	(18.5)	(18.5)
Tax on pension scheme remeasurements	7, 13	–	–	–	–	–	–	3.7	3.7
Total comprehensive income for the period		–	–	–	–	–	–	102.9	102.9
Transactions with owners:									
Dividends to shareholders	22	–	–	–	–	–	–	(56.9)	(56.9)
Issue B shares	22	–	–	–	–	(61.0)	–	–	(61.0)
Redemption of B shares	22	–	–	–	60.9	–	–	(60.9)	–
Share options exercised		0.2	4.8	–	–	–	(2.6)	2.6	5.0
Share based payments	23	–	–	–	–	–	5.3	–	5.3
Tax on share schemes	7	–	–	–	–	–	–	6.2	6.2
Total transactions with owners		0.2	4.8	–	60.9	(61.0)	2.7	(109.0)	(101.4)
At 27 March 2015		17.6	41.2	260.8	60.9	75.8	11.2	130.6	598.1

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. General information

a) Overview

Booker Group plc is a public limited company incorporated in the United Kingdom (Registration number 05145685). The Company is domiciled in the United Kingdom and its registered address is Equity House, Irthlingborough Road, Wellingborough, Northamptonshire, NN8 1LT. The nature of the Group's operations and its principal activities are set out in the Strategic and Directors' Reports.

b) Basis of accounting

In accordance with EU law (IAS Regulation EC 1606/2002), the group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the EU as at 25 March 2016 ('adopted IFRS'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company has elected to prepare its parent company accounts in accordance with UK Generally Accepted Accounting Principles ('UK GAAP') including FRS101 'Reduced Disclosure Framework'.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The parent Company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements are presented in Sterling and rounded to the nearest hundred thousand.

The financial statements for the current period have been prepared for a 52 week period to reflect internal management reporting.

c) Basis of consolidation

On 4 June 2007 the Company, then named Blueheath Holdings plc, became the legal parent company of Giant Topco Limited in a share-for-share transaction. Due to the relative values of the companies, the former Giant Topco Limited shareholders became the majority shareholders with 90.36% of the enlarged share capital. As part of the business combination Blueheath Holdings plc changed its name to Booker Group plc and changed its accounting reference date to 31 March. Following the transaction, the Company's continuing operations and executive management were predominantly those of Booker Wholesale Holdings Limited. IFRS3 'Business Combinations' defines the acquirer in a business combination as the entity that obtains control. Accordingly, the combination was accounted as a reverse acquisition i.e. as if Giant Topco Limited had acquired Blueheath Holdings plc in return for consideration equal to the fair value of the shares issued.

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power to direct the relevant activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

d) Accounting standards adopted in the period

The following Adopted IFRSs have been issued and applied by the Group in these financial statements for the first time. Their adoption does not have a material effect on the financial statements unless otherwise indicated:

New standards: None

Amendments and interpretations:

- Amendments to IAS19 'Defined benefit plans: Employee contributions'
- Annual Improvements to IFRSs 2010-12 cycle
- Annual Improvements to IFRSs 2011-13 cycle

Their adoption does not have a material effect on the financial statements.

e) New IFRS and amendments to IAS and interpretations

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period but have not yet been endorsed by the European Union as follows:

	Effective for accounting periods starting on or after
IFRS14 'Regulatory Deferral Accounts'	1 January 2016
Amendments to IFRS10, IFRS12 and IAS28 'Investment Entities: Applying the Consolidation Exception'	1 January 2016
Amendments to IAS16 and IAS28 'Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016
Amendments to IFRS11 'Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016
IFRS15 'Revenue from Contracts with Customers'	1 January 2018
IFRS9 'Financial Instruments'	1 January 2018
IFRS16 'Leases'	1 January 2019

The application of these standards and interpretations is not anticipated to have a material effect on the Group's financial statements, other than IFRS16 'Leases' which is currently being assessed.

f) Going concern

The risks noted in the Strategic Report are those known to the Directors at the date of this Report which the Directors consider to be material to the Group, but these do not necessarily comprise all the risks to which the Group is exposed. In particular, the Group's performance could be adversely affected by poor economic conditions. Additional risks and uncertainties currently unknown to the Directors, or which the Directors currently believe are immaterial, may also have a material adverse effect on the business, financial condition or prospects of the Group.

In August 2015, the Group negotiated an unsecured bank facility of £120m for a period of 5 years. At the period end, the Group had net cash of £127.4m. In addition, the Group complied with all its covenants during the year. The Group's forecasts and projections, taking account of possible changes in trading performance and considering the risks identified, show that the Group should be able to operate within the level of its bank facility.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Group and Company financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1. General information continued

g) Use of assumptions and estimates

The preparation of accounts in accordance with generally accepted accounting principles requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Some of these policies require a high level of judgement and the Directors believe that the most critical accounting policies and significant areas of judgement and estimation arise from the accounting for:

- IAS37 'Provisions, contingent liabilities and contingent assets'. The Group is party to a number of leases on properties that are no longer required for trading. Judgement is applied in determining whether leases are onerous. Whilst every effort is made to profitably sub-let these properties, it is not always possible to do so. Where a lease is onerous to the Group, a provision is established for the difference between amounts contractually payable to the landlord and amounts contractually receivable from the tenant (if any). In addition, provisions exist for the expected future dilapidation cost on leasehold properties and the expected future costs of removing asbestos from leasehold properties. The Directors consider that their estimates, which are based upon the advice of an in-house property department who monitor the UK property market, are appropriate.
- IFRS3 'Business Combinations'. Following the acquisition of Booker Retail Partners (GB) Limited and its subsidiaries, the Directors are required to fair value the assets and liabilities at the date of acquisition. There is an exercise of judgement involved in identifying and valuing the assets acquired. A summary of the assets and liabilities and the fair value adjustments are disclosed in note 9.
- IAS19 'Employee benefits'. Defined benefit schemes are accounted for in accordance with the advice of an independent qualified actuary but significant estimates are required in relation to the assumptions for future salary and pension increases, inflation, investment returns and mortality that underpin their valuations. Sensitivities in relation to key assumptions are disclosed in note 18.
- IAS36 'Impairment of assets'. In testing for impairment of goodwill and other assets, the Directors make judgements in determining the cash generating units ('CGUs') within the Group and allocating goodwill to these CGUs. They then make assumptions concerning the future development of the CGUs that are consistent with its annual budget and forecast into perpetuity. Should these assumptions regarding the discount rate or growth in the profitability be unfounded then it is possible that goodwill included in the balance sheet could be impaired. At 25 March 2016, the Directors do not consider that any reasonably likely changes in key assumptions would cause the carrying value of the goodwill to become impaired. Sensitivities in relation to key assumptions are disclosed in note 11.
- IAS12 'Income Taxes'. In applying the Group's accounting policy in relation to deferred tax, as set out below, the Directors are required to make assumptions regarding the Group's ability to utilise historical tax assets following an assessment of the likely quantum and timing of future taxable profits. A deferred tax asset is recognised to the extent that the Directors are confident that the Group's future profits will utilise historical tax assets. Similarly, the Directors are required to make an assessment of the quantum and timing of any future utilisation of Advanced Corporation Tax ('ACT') and will only recognise ACT when they are certain that it can be utilised.

2. Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Intangible assets

a) Business combinations and goodwill

Subject to the transitional relief in IFRS1, all business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 April 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is capitalised and is subject to an impairment review, both annually and when there are indications that its carrying value may not be recoverable.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

b) Other intangibles

Customer relationships and know-how are capitalised and amortised on a straight-line basis over 5 years, which is considered to be the useful economic life, and charged to administrative expenses.

Revenue

Revenue is recognised when goods are received by the customer and the risks and rewards of ownership have passed to them. Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods net of discounts, volume rebates and value added tax. Discounts are accounted for in the period they are earned. Provision is made for expected customer returns.

Cost of sales

Cost of sales represents all costs incurred, net of supplier rebates (see below), up to the point of sale including the operating expenses of the trading outlets.

Supplier rebates

A number of different types of rebate are negotiated with suppliers in connection with the purchase of goods for resale. Such rebates are only recognised when earned by the Group, which occurs when all obligations conditional for earning the rebate have been discharged, and the rebate can be measured reliably based on the terms of the contract. These rebates are recognised as a credit within cost of sales and, to the extent that the rebate relates to unsold stock purchases, as a reduction in the cost of inventory.

There are two main types of supplier rebates:

a) Terms, which are generally annual agreements (not always coterminous with the Group's year end), are signed by the Group and the supplier. Rebates are determined relative to volumes purchased or by other conditional arrangements as follows:

- Volume based rebates include overriders, advertising allowances and targeted income. Rebates are accrued based on the Group's purchasing volumes and the current agreement with the supplier. Amounts are recognised once confirmation of agreement to that rebate has been received from the supplier
- Non-volume based rebates include marketing support, range promotion and product development. Amounts are recognised when the rebate is earned through the completion of any required obligations and confirmed by suppliers

Invoices are issued to suppliers periodically, quarterly or annually, depending on the terms of the agreement.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Supplier rebates continued

b) Promotional funding, which relates to price investments by suppliers through promotional activity. The calculation of funding is mechanical and based on a formula agreed in advance of each promotion with the supplier. Funding is recognised in the Income Statement as units are sold and is invoiced throughout the year, shortly after each promotion has ended.

Amounts relating to supplier rebates appear in a number of different balance sheet headings at the year end:

- Inventories: Where the rebate earned relates to inventories which are held by the Group at year end, the rebates are deducted from the cost of those inventories
- Trade receivables: Billed supplier rebates outstanding at the period end where the Group has no legal right to offset against trade payables
- Trade payables: Billed supplier rebates outstanding when the Group has a legal right to offset against payables
- Prepayments and accrued income: amounts due from suppliers in relation to supplier rebates which has been recognised but not yet invoiced
- Accruals and deferred income: amounts received in relation to supplier rebates that have not been earned at the year end

Employee benefits

a) Share based payments

The Group has issued equity settled share based payments to certain employees in exchange for services rendered by them. The fair value is measured using an option valuation model at the date of grant and is recognised as an employee expense over the period in which the employees become unconditionally entitled to the options, with a corresponding increase in equity, shown in a separate share option reserve. This valuation is based on estimates of the number of options that will eventually vest, based on related service and non-market vesting conditions that are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

b) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

c) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The defined benefit obligation calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses were recognised as at 1 April 2006, the date of transition to Adopted IFRSs. In respect of actuarial gains and losses that arise subsequent to 1 April 2006 the Group recognises them in the period they occur directly in other comprehensive income.

Where the calculation results in a benefit to the Group, the asset recognised is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Under IAS 19 (2011), the Group determines the net interest expense/(income) for the period on the net defined benefit liability/asset by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contributions and benefit payments.

d) Short-term benefits

Short-term employee benefit obligations are expensed as the related service is provided. An accrual is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Exceptional items

As permitted by IAS1 'Presentation of financial statements', an item is disclosed separately if it is considered unusual by its nature and scale, and is of such significance that separate disclosure is required for the financial statements to be properly understood. Such items are referred to as exceptional items.

Financial instruments

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as distributions and are recorded directly in equity.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, available for sale financial assets, cash and cash equivalents, loans and borrowings, and trade and other payables.

a) Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

b) Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits repayable on demand. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

d) Interest-bearing borrowings

Interest bearing borrowings are recognised in the balance sheet at amortised cost. Costs associated with extending the bank facility have been recognised in the income statement. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Guarantees

Third party property guarantees are initially recognised as a financial liability under IAS37 'Provisions, Contingent Liabilities and Contingent Assets'. These are measured and recognised at fair value. These property guarantees are included within 'Provisions' on the balance sheet.

Impairment

The carrying values of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any impairment. In performing the impairment reviews, the asset's recoverable amount is estimated and compared to the carrying amount.

An impairment loss is recognised to the extent that the carrying value of an asset exceeds its recoverable amount and is recognised in the income statement.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

2. Accounting policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on either the weighted average principle or the FIFO basis and includes certain warehousing and distribution costs incurred in bringing the inventory to their existing location and condition less attributable supplier volume rebates (see above). Net realisable value is the estimated selling price less the estimated costs of disposal.

Investment in joint ventures

The Group conducts its joint venture arrangements through jointly controlled entities and accounts for them using the equity method of accounting. The Group records its share of the joint controlled entities' post tax profit or loss within the income statement and its share of the net assets within investments. Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Where a lease has a minimum fixed increase, the total minimum lease payments are spread over the lease term. The total amount payable over the life of the lease remains unchanged but the timing of the income statement charge relative to the lease payments change. The excess of the rent charged over the cash payment in any period will be held on the balance sheet within 'Accruals and deferred income'.

Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Net financing costs

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Operating segments

IFRS8 'Operating Segments' requires that segments should be reported on the same basis as the internal reporting information that is provided to the Chief Operating Decision Maker ('CODM'). The CODM has been identified as the CEO. In accordance with IFRS8, the Group may aggregate operating segments into one reportable segment to the extent that the criteria for aggregation in IFRS8 are met. These criteria include consideration of whether the operating segments have similar economic characteristics; similar nature of products and services; similar type or class of customers; similar methods used to distribute products or provide services; and similar regulatory environments.

The CODM receives turnover information analysed in a number of different ways (for example by customer and product types, by delivery channels and between Wholesale, Booker Direct, Chef Direct, and Ritter-Courivaud). However, none of these 'possible' segments have a unique management structure, products share the same supply chain and distribution channels, and there are a large amount of supplier rebates, expenses and assets/(liabilities) that are not specific. It is therefore not possible to analyse, and the CODM does not receive, information in respect of profitability or balance sheets in the same way in which turnover is analysed. Internal reports reviewed regularly by the CODM focus on the operations of the Group as a whole and report the results and financial position on an IFRS basis.

As a result, the Group has not disclosed discrete financial information about any of the 'possible segments', which in any event would meet the criteria for aggregation under IFRS8, separately in these financial statements.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Labour and associated costs that have been incurred specifically on the 'Extra' business centre conversions have been capitalised in leasehold improvements and are being depreciated over the lesser of 10 years or the number of years remaining on the lease.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Freehold buildings — 30 years
- Leasehold improvements — lesser of the unexpired term of the lease and 50 years
- Plant and equipment — 3–20 years
- Motor vehicles — 4 years

Freehold land is not depreciated.

Depreciation expense is primarily charged in cost of sales with an immaterial amount in administrative expenses.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax rate that reflects the time value of money and the risks specific to the liability.

Taxation

Tax expense included in the Income Statement comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity, or to the extent it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Deferred tax is provided using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets (excluding goodwill) and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity. Deferred tax assets are only recognised to the extent that, following an assessment of the quantum and timing of future taxable profits, it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and the amount which is recognised is increased or reduced to the extent that it is then probable or no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends to settle its current tax assets and liabilities on a net basis.

3. Segmental reporting

The Group has considered the principles of IFRS8 as well as its internal reporting, management and operating structure. The Directors' conclusion is that the Group has a single reportable segment, that of wholesaling activities.

Other than the operation in India (which is immaterial), all of the Group's revenue originates from the UK. The functional currency of the Indian operation is Rupees.

The Group has no significant reliance on any individual customers.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

4. Profit before tax

This is stated after charging:

	2016 £m	2015 £m
Depreciation of property, plant and equipment (see note 10)	**23.5**	20.3
Amortisation of intangibles (see note 11)	**1.2**	0.9
Operating lease rentals – land and buildings	**55.0**	48.0
Operating lease rentals – plant and machinery	**20.4**	15.9
During the period, the Group incurred the following costs for services provided by the Company's auditor:		
Audit fees for the Company and the consolidated financial statements	**0.1**	0.1
Audit of subsidiary companies	**0.4**	0.2
Total audit fees	**0.5**	0.3
Taxation advisory services	**0.1**	–
Corporate finance and transaction services	**0.2**	–
	0.8	0.3

Exceptional items

	2016 £m	2015 £m
Included within administrative expenses:		
Restructuring costs	**4.0**	–
Acquisition costs	**2.3**	–
Release of other provisions (see note 19)	**(4.0)**	–
	2.3	–

Restructuring costs of £4.0m relate primarily to redundancy costs to align staffing levels across the branch network. Acquisition costs were incurred during the acquisition of BRP (see note 9) and were, in the main, fees in relation to legal and professional services. The £4.0m release of other provisions stems from a reassessment of the likelihood of crystallisation of certain liabilities reserved for many years ago.

5. Staff numbers and costs

The average number of persons employed by the Group during the period (including Booker Retail Partners (GB) Limited from 14 September 2015), was as follows:

	2016 Number	2015 Number
Business centre, distribution and selling	**12,042**	11,946
Administration	**1,102**	868
	13,144	12,814

The aggregate payroll costs of these persons (including Booker Retail Partners (GB) Limited from 14 September 2015) were as follows:

	£m	£m
Wages and salaries	**261.3**	237.8
Social security costs	**21.3**	21.1
Equity settled share based payments	**6.9**	5.3
Other pension costs	**6.4**	5.3
	295.9	269.5

Details of Directors' remuneration are provided in the Remuneration Report.

6. Finance costs and income

	2016 £m	2015 £m
Interest on bank loans and overdrafts	(0.8)	(0.7)
Interest on pension scheme liabilities	(0.5)	–
Unwinding of discount on property provisions (see note 19)	(1.3)	(1.3)
Finance costs	(2.6)	(2.0)
Bank interest receivable	0.6	0.5
Finance income	0.6	0.5
Net finance costs	(2.0)	(1.5)

7. Tax

i) Analysis of charge in the period

	2016 £m	2015 £m
Arising in respect of current period		
Current tax	27.7	26.2
Deferred tax	(1.7)	0.5
	26.0	26.7
Arising in respect of prior periods		
Overstatement in respect of prior period current tax	(3.6)	(5.3)
Over/(understatement) in respect of prior period deferred tax asset	0.6	(0.3)
	(3.0)	(5.6)
Total tax charge	23.0	21.1

UK corporation tax is calculated at 20% (2015: 21%) of the estimated assessable profit for the period. Taxation in other jurisdictions is calculated at the rates prevailing in respective jurisdictions.

ii) Reconciliation of effective tax rate

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £m	2015 £m
Profit after exceptional items and tax	150.8	138.8
Tax using the current UK corporation tax rate of 20% (2015: 21%)	30.2	29.1
Non-deductible expenses	0.6	1.7
Over/(understatement) of prior year deferred tax asset	0.6	(0.3)
Overstatement of prior year current tax	(2.1)	(2.8)
Overstatement of prior year current tax – ACT utilisation	(1.5)	(2.5)
Recognition/utilisation of previously unrecognised tax losses	(6.1)	(4.1)
Impact of change in future tax rates	1.3	–
Total tax charge	23.0	21.1
Effective tax rate	15.3%	15.2%

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

7. Tax continued

iii) Tax in the statement of comprehensive income

	2016 £m	2015 £m
Deferred tax credit on:		
Pension scheme remeasurements	**3.1**	3.7

iv) Tax in the statement of changes in equity

	2016 £m	2015 £m
Deferred tax credit on share options granted	**(2.6)**	4.5
Current tax credit on share options exercised	**4.0**	1.7
	1.4	6.2

v) Factors that may affect future current and total tax charge

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 25 March 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This, if enacted, will reduce the group's future current tax charge and the value of its deferred tax asset accordingly.

8. Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to the owners of the Group by the weighted average number of ordinary shares outstanding during the period.

	2016	2015
Profit for the period attributable to the owners of the Group (£m)	**127.8**	117.7
Weighted average number of shares (m)	**1,765.2**	1,748.1
Basic earnings per share (pence)	**7.24p**	6.73p

b) Diluted earnings per share

Diluted earnings per share is based on the weighted average number of ordinary shares in issue adjusted by dilutive outstanding share options and dilutive shares issuable under the Group's share plans. The number of shares included in the diluted EPS in relation to the SAYE and the share option schemes has been calculated in accordance with IAS33 'Earnings per Share'.

	2016	2015
Profit for the period attributable to the owners of the Group (£m)	**127.8**	117.7
Weighted average number of shares (m) used in basic EPS	**1,765.2**	1,748.1
Effects of employee share options (m)	**22.4**	26.7
Weighted average number of shares (m) used in diluted EPS	**1,787.6**	1,774.8
Diluted earnings per share (pence)	**7.15p**	6.63p

9. Business combination

On 14 September 2015, the Group acquired the entire share capital of Musgrave Retail Partners GB Limited and its subsidiaries ('Budgens and Londis') for £40m on a cash/debt free basis with a normalised working capital level. This resulted in overall consideration of £110.9m being the sum of £40.0m plus net cash acquired of £66.4m and a working capital adjustment of £4.5m. Originally, it was acquired by Booker Group plc, but this was subsequently transferred to Booker Wholesale Holdings Ltd.

Through Booker, Budgens and Londis coming together, the Group seeks to become the UK's leading wholesaler to independent retailers by:

- combining the best ranges from Booker, Budgens and Londis to improve the overall choice;
- consolidating buying volumes to improve prices for customers; and
- better utilisation of the supply chain network to reduce costs.

The acquisition had the following effect on the Group's assets and liabilities:

	Book value £m	Fair value adjustments £m	Fair value £m
Property, plant and equipment	18.6	2.8	21.4
Inventories	30.9	(0.9)	30.0
Trade and other receivables	53.2	(4.5)	48.7
Cash & cash equivalents	66.4	–	66.4
Trade and other payables	(71.7)	(0.6)	(72.3)
Provisions	(15.8)	(4.0)	(19.8)
Retirement benefit asset	2.3	10.5	12.8
Deferred tax liability	–	(4.4)	(4.4)
Net fair value of identifiable assets and liabilities	83.9	(1.1)	82.8
Goodwill			28.1
Cash consideration			110.9

The fair value adjustments made on acquisition have primarily had the effect of:

- increasing the property valuations;
- increasing the pension surplus to reflect valuations of the schemes in accordance with IAS19;
- increasing provisions in respect of rents that are not in line with the market rent; and
- providing for deferred tax liabilities in respect of the above adjustments.

The goodwill is underpinned by the synergies that the Group is expected to obtain from improved cost prices from suppliers and logistics efficiencies. None of the goodwill recognised will be deductible for tax purposes.

In the 28 weeks to 25 March 2016, BRP contributed turnover of £340.9m and, a loss (before synergies and accounting policy alignment) before interest, tax and exceptional items of £7.5m.

Turnover for the 52 weeks to 25 March 2016 was £680.0m with a loss (before synergies and accounting policy alignment) before interest, tax and exceptional items of £9.7m.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

10. Property, plant & equipment

	Freehold land and buildings £m	Leasehold improvements £m	Plant, equipment & vehicles £m	Total £m
Cost				
At 28 March 2014	109.2	75.4	272.3	456.9
Additions	1.3	6.4	15.9	23.6
Disposals	(0.5)	–	(1.3)	(1.8)
Reclassification	(6.6)	7.0	(0.4)	–
At 27 March 2015	103.4	88.8	286.5	478.7
Additions	0.5	8.4	16.3	25.2
Disposals	(1.8)	(0.2)	(3.1)	(5.1)
Reclassification	–	0.5	(0.5)	–
Acquired	10.0	2.8	8.6	21.4
At 25 March 2016	**112.1**	**100.3**	**307.8**	**520.2**
Depreciation				
At 28 March 2014	3.0	40.7	208.7	252.4
Charge for the period	3.7	5.3	11.3	20.3
Disposals	–	–	(1.1)	(1.1)
At 27 March 2015	6.7	46.0	218.9	271.6
Charge for the period	2.5	6.9	14.1	23.5
Disposals	(1.7)	(0.1)	(2.9)	(4.7)
At 25 March 2016	**7.5**	**52.8**	**230.1**	**290.4**
Net book value				
At 25 March 2016	**104.6**	**47.5**	**77.7**	**229.8**
At 27 March 2015	96.7	42.8	67.6	207.1
At 28 March 2014	106.2	34.7	63.6	204.5

The cost of freehold land and buildings includes land of £49.0m (2015: £47.0m) on which depreciation is not provided.

11. Intangible assets

	Goodwill £m	Customer relationships £m	Know-how £m	Total £m
Cost				
At 28 March 2014	436.4	0.5	3.0	439.9
Additions	–	–	2.0	2.0
At 27 March 2015	436.4	0.5	5.0	441.9
Additions	28.1	–	–	28.1
At 25 March 2016	**464.5**	**0.5**	**5.0**	**470.0**
Amortisation				
At 28 March 2014	–	0.4	0.8	1.2
Charge for the period	–	0.1	0.8	0.9
At 27 March 2015	–	0.5	1.6	2.1
Charge for the period	–	–	1.2	1.2
At 25 March 2016	**–**	**0.5**	**2.8**	**3.3**
Net book value				
At 25 March 2016	**464.5**	**–**	**2.2**	**466.7**
At 27 March 2015	436.4	–	3.4	439.8
At 28 March 2014	436.4	0.1	2.2	438.7

Goodwill arose in the Group from the following:

- the acquisition of Budgens and Londis in September 2015 (see note 9);
- the acquisition of the Big Food Group Limited by Giant Topco Limited in February 2005; and
- the acquisition of Ritter-Courivaud Limited in October 2010.

During the prior period, the Group paid £1m, with a further £1m of contingent consideration payable in accordance with the procurement agreement with Provenance Too Limited which holds the intellectual property in Provenance Limited. Provenance Too Limited has no other assets or liabilities and the entire consideration has been classified as know-how, since the Group has acquired expertise in the sourcing and supply of 'Fruit and vegetables'.

Under IAS36 'Impairment of Assets', the Group is required to test goodwill for impairment at least annually, or more frequently if indicators of impairment exist. Impairment reviews compare the carrying value of goodwill, other intangible fixed assets and net operating assets contained in each cash generating unit ('CGU') with its recoverable amount.

The recoverable amount of each CGU is considered to be its value in use, calculated by reference to the pre-tax cash flow projections of each CGU based on the Group's approved budget for 2017 and three year plan to 2019. Cash flows beyond this period are extrapolated into perpetuity using an estimated growth rate of 2% (2015: 2%), being the Directors' estimated view of the long term compound growth in the economy. This is considered appropriate because the CGU is considered to be a long term business. The discount rate used reflects the market assumptions for the risk free rate and equity risk premium and also takes into account the cost of debt.

The main assumptions on which the forecast cash flows were based include the level of sales, gross margin and expenses within the business and have been set by the Directors based on their past experience of the business and its industry together with their expectations of the market. The level of sales depends upon the size of the markets in which the Group operates together with the Directors' estimations of its market share and competitive pressures. Gross margin is dependent upon the net costs to the business of purchasing products together with the level of supplier rebates and income to support sales activities. Expenses are based on the current cost base of the Group adjusted for variable costs and known plans for the business.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

11. Intangible assets continued

The Directors believe that three CGUs exist within the Group:

a) Ritter – goodwill allocated £12.5m (2015: £12.5m)

A pre tax discount rate of 9.4% (2015: 9.7%) has been applied to the projected cash flows.
A sensitivity analysis has been performed in order to review the impact of changes in key assumptions. With all other assumptions held constant, neither a 10% increase in the pre-tax discount rate, nor a decline in growth of 10% into perpetuity, would require an impairment to be made.

b) Budgens and Londis – goodwill allocated £3.1m (2015: n/a)

A pre tax discount rate of 12.0% has been applied to the projected cash flows.
A sensitivity analysis has been performed in order to review the impact of changes in key assumptions. With all other assumptions held constant, neither a 10% increase in the pre-tax discount rate, nor a decline in growth of 10% into perpetuity, would require an impairment to be made.

c) Remaining business – goodwill allocated £448.9m (2015: £423.9m)

A pre tax discount rate of 9.5% (2015: 9.7%) has been applied to the projected cash flows.
A sensitivity analysis has been performed in order to review the impact of changes in key assumptions. With all other assumptions held constant, neither a 10% increase in the pre-tax discount rate, nor a decline in growth of 10% into perpetuity, would require an impairment to be made.

Last year, the Directors identified Makro as a CGU. Over the last 12 months this business has been fully integrated into the Booker network, with customers being moved between branches to ensure the most efficient result for the Group and the customer. It is therefore no longer considered to be a CGU as it does not generate independent cash inflows.

The Directors believe that the assumptions on which the carrying value of intangible and net operating assets is supported are reasonable and that no impairment is required.

12. Investment in joint venture

	2016 £m	2015 £m
At start of period	**1.4**	1.1
Addition	**0.5**	0.7
Share of loss for the period	**(0.4)**	(0.4)
At end of period	**1.5**	1.4

During the period the Group invested £0.5m in its joint venture Booker Satnam Wholesale Private Limited. Whilst at the year end, the Group owned 85% (2015: 83%) of the share capital, the Group has joint control through the contractually agreed sharing of control. The share of loss for the period has been included within administrative expenses and has not been disclosed separately on the face of the income statement in view of its materiality.

13. Deferred tax assets and liabilities

a) Recognised deferred tax assets

The following are the major deferred tax assets recognised by the Group:

	Decelerated tax depreciation £m	Other items £m	Retirement benefit obligations IAS19 £m	Property leases IAS17 £m	Trading losses £m	Share based payments IFRS2 £m	Total £m
At 28 March 2014	11.7	0.7	0.7	3.1	2.0	1.9	20.1
(Over)/understatement in respect of prior year deferred tax	–	1.0	–	–	(0.7)	–	0.3
Credit/(charge) to the income statement	(0.2)	0.2	(0.5)	–	(0.5)	0.5	(0.5)
Exceptional tax charge							
Credit to equity	–	–	3.7	–	–	4.5	8.2
At 27 March 2015	11.5	1.9	3.9	3.1	0.8	6.9	28.1
On acquisition of Budgens & Londis	–	0.1	(4.5)	–	–	–	(4.4)
Over/(understatement) in respect of prior year deferred tax	–	–	–	–	(0.6)	–	(0.6)
Credit/(charge) to the income statement	(1.1)	(0.6)	0.1	(3.1)	6.3	0.1	1.7
Credit to equity	–	–	3.1	–	–	(2.6)	0.5
At 25 March 2016	**10.4**	**1.4**	**2.6**	**–**	**6.5**	**4.4**	**25.3**

IAS12 'Income Taxes' requires the offsetting of balances within the same tax jurisdiction. All of the deferred tax assets were available for offset against deferred tax liabilities.

b) Unrecognised deferred tax assets

Based on an assessment of the quantum and timing of future taxable profits, deferred tax assets have not been recognised in respect of the following:

	2016 £m	2015 £m
Tax losses	**16.0**	16.7
Surplus ACT carried forward	**23.7**	25.2
Surplus capital allowances	**7.9**	–
	47.6	41.9

The Group has unrecognised deferred tax assets:

- unutilised tax trading losses from both UK and overseas operations of £77.2m, £16.0m cash benefit, (2015: £76.9m, £16.7m cash benefit) which includes £29m, £5.2m cash benefit, acquired during the year;
- surplus ACT of £23.7m, £23.7m cash benefit (2015: £25.2m, £25.2m cash benefit); and
- surplus capital allowances over accounting depreciation charged of £44.0m, cash benefit £7.9m which were acquired during the year.

These have not been recognised following a detailed assessment by the Group in accordance with the accounting policy set out in note 2.

The tax trading losses have various expiry dates the earliest of which, in respect of £1.2m of the losses, is 31 March 2018. There are no expiry dates attributed to the surplus ACT nor in respect of £59.8m of the tax losses.

The Group does not have any unremitted overseas earnings.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

14. Inventories

	2016 £m	2015 £m
Goods held for resale	**354.1**	328.1

15. Trade and other receivables

	2016 £m	2015 £m
Trade receivables	**132.2**	78.7
Allowance for doubtful debts	**(10.6)**	(4.3)
	121.6	74.4
Prepayments and accrued income	**59.3**	50.1
	180.9	124.5

Trade receivables of £121.6m (2015: £74.4m) comprise principally of amounts receivable from the sale of goods and are classified as loans and receivables in note 17. All amounts are expected to be received within twelve months.

The movement in the allowance for doubtful debts is as follows:

	2016 £m	2015 £m
At start of period	**4.3**	4.3
Acquired	**6.4**	–
Utilised in the period	**(0.8)**	(1.0)
Charged to income statement	**0.7**	1.0
	10.6	4.3

16. Trade and other payables

	2016 £m	2015 £m
i) Current		
Trade payables	**573.3**	505.4
Other taxes and social security costs	**36.7**	30.1
Other payables	**6.6**	7.2
Accruals and deferred income	**61.3**	43.3
	677.9	586.0
ii) Non-Current		
Accruals and deferred income	**26.0**	26.9

£616.6m (2015: £542.7m) of trade and other payables are classified under financial liabilities in note 17.

The non-current accruals and deferred income relate to lease incentives and guaranteed minimum lease payments, which are accounted for on a straight line basis in accordance with the Group's accounting policy.

17. Financial instruments

Details of significant accounting policies and methods adopted, including the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

The book value and fair value of the financial instruments are as follows:

	Book value		Fair value	
	2016 £m	**2015 £m**	**2016 £m**	**2015 £m**
Financial assets				
Loans and other receivables	**121.6**	74.4	**121.6**	74.4
Cash and cash equivalents	**127.4**	147.0	**127.4**	147.0
	249.0	221.4	**249.0**	221.4
Financial liabilities				
Trade and other payables	**(616.6)**	(542.7)	**(616.6)**	(542.7)
Property guarantees	**(1.0)**	(5.0)	**(1.0)**	(5.0)
	(617.6)	(547.7)	**(617.6)**	(547.7)

Loans and other receivables represent amounts receivable from the sale of goods, together with amounts due from supplier rebates (see note 15) and are initially measured at fair value and then subsequently held at amortised cost.

Fair value of property guarantees have been estimated by discounting estimated future cash flows based on the terms and maturity and risk of each guarantee crystallising.

Fair value hierarchy

The table below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
2016				
Financial assets	**–**	**249.0**	**–**	**249.0**
Financial liabilities	**–**	**(617.6)**	**–**	**(617.6)**
2015				
Financial assets	–	221.4	–	221.4
Financial liabilities	–	(547.7)	–	(547.7)

There have been no transfers between categories during the period.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

17. Financial instruments continued

Liquidity risk

The Group will finance operations and growth from existing cash resources, finance leases and committed borrowing facilities to ensure the constant availability of an appropriate amount of reasonably priced funding to meet both current and future forecast requirements.

In August 2015, the Group negotiated an unsecured bank facility of £120m for a period of 5 years. The revolving credit facility bears floating interest rates linked to LIBOR plus a margin of 0.8%. In the event of default of covenants on the bank facility, any drawn facility and any interest accrued are repayable on demand.

	2016 £m	2015 £m
Facility available	**120.0**	120.0
Bank guarantees	**–**	(7.0)
Undrawn facility available	**120.0**	113.0

The following is an analysis of the undiscounted contractual cash flows payable under financial liabilities:

	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due between 3 and 4 years £m	Over 4 years £m
2016					
Trade and other payables	**616.6**	**–**	**–**	**–**	**–**
2015					
Trade and other payables	542.7	–	–	–	–

It is not possible to quantify the timing of the cash flows relating to the property guarantees.

The undiscounted cash flows for borrowings differ from their carrying value in the balance sheet due to the inclusion of contractual interest payments and the adjustment for non-cash items including unamortised borrowing costs. The undiscounted cash flows for financial instruments reflect the amounts payable on these instruments which differs from the fair value recorded on the balance sheet. There is no difference between the discounted and undiscounted cash flows associated with trade payables due to their short term nature.

Credit risk

The Group is predominantly a cash sales business with low levels of trade receivables in comparison to total sales for the year and has no significant concentration of credit risk, with exposure spread over a large number of customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group has an accounting policy to provide for certain overdue trade receivables based on past experience, and believe that there are no significant unprovided overdue financial assets.

Interest rate risk

Interest rate risk is relatively small to the Group, as there are no fixed borrowings and the revolving credit facility is only partially drawn for a small part of the year. Therefore the Group has chosen not to hedge its borrowings.

Capital risk

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In assessing the level of capital all components of equity are taken into account (i.e. share capital and retained earnings). The Group has £127.4m of net cash as at 25 March 2016 and is not subject to externally imposed capital requirements. Management of capital therefore focuses around its ability to generate cash from its operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to raise funds. The Group believes it is meeting its objectives for managing capital as funds are available for reinvestment where necessary as well as being in a position to make returns to shareholders where this is felt appropriate.

Foreign currency risk

Less than 1% of purchases are denominated in foreign currencies.

The majority of sales are denominated in sterling, with the exception of sales made from the Group's Indian operation which are denominated in rupees.

The Directors do not consider that the Group has significant exposure to movements in foreign exchange and the Group does not hold any foreign exchange contracts.

18. Post employment benefits

The Group operates a variety of post employment benefit arrangements, covering both funded defined benefit and funded defined contribution schemes to provide benefits to both full-time and part-time employees.

Defined contribution schemes

Pension contributions of £6.4m (2015: £5.3m) were charged to defined contribution schemes in the period. Included within accruals is £0.5m (2015: £0.4m) of outstanding pension contributions.

Defined benefit schemes

The Group operates a number of defined benefit pension schemes, the assets of which are held in separate trustee-administered funds to meet future benefit payments.

The main Group pension scheme is the Booker Pension Scheme ('the Booker Scheme'), a funded defined benefit pension arrangement based on final salary and which was closed to new entrants in 2001 with benefits ceasing to accrue from 2002. However, active members' benefits retain a link to their final salaries.

On 14 September 2015 the Group acquired Musgrave Retail Partners GB Limited, which operates the Budgens Pension Scheme ('the Budgens Scheme') and the Londis Pension Scheme ('the Londis Scheme'), both trust based occupational defined benefit pension schemes. The Londis Scheme was closed to new entrants in 1991 and future benefit accrual in 2009. The Budgens Scheme closed to both new entrants and future accrual in 2010, albeit active member's benefits retain a link to their final salaries.

The benefit obligations as at 25 March 2016 have been calculated by an independent actuary on an IAS19 basis, by rolling forward from the results of the latest actuarial funding valuation, which is 31 March 2013, 31 March 2015 and 1 April 2014 for the Booker Scheme, the Budgens Scheme and the Londis Scheme respectively.

The present value of the defined benefit obligation has been calculated using the projected unit credit method.

(a) Major assumptions used by the actuary – weighted average

	2016	**2015**
Discount rate	**3.50%**	3.40%
RPI inflation	**3.00%**	2.95%
CPI inflation	**2.00%**	1.95%
Rate of increase in salaries	**2.00%**	1.95%
Pension increases in payment	**2.95%**	2.90%

The average life expectancy in years of a member is as follows:

		2016	**2015**
Aged 65 retiring immediately (current pensioner)	Male	**21.6**	21.5
	Female	**23.9**	23.7
Aged 40 retiring at 65 (future pensioner)	Male	**23.4**	22.7
	Female	**25.8**	25.1

At 25 March 2016, the weighted average duration of the defined benefit obligation is approximately 16 years.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

18. Post employment benefits continued

Defined benefit schemes continued

(b) The amounts recognised in the balance sheet

	Booker £m	Budgens & Londis £m	2016 £m	2015 £m
Equities	99.8	27.2	**127.0**	110.4
Diversified growth funds	143.7	8.3	**152.0**	151.3
Bonds	303.1	54.6	**357.7**	328.5
Property	44.6	–	**44.6**	51.5
Cash	3.8	0.1	**3.9**	7.8
Fair value of scheme assets	595.0	90.2	**685.2**	649.5
Present value of defined benefit obligation	(640.2)	(74.6)	**(714.8)**	(669.2)
Net (liability)/asset	(45.2)	15.6	**(29.6)**	(19.7)

The bid value of the assets was provided by each of the various fund managers in which the schemes are invested. All scheme assets have quoted prices in active markets.

The schemes do not hold any of the Group's financial instruments or property as plan assets.

(c) Movement in the fair value of the scheme assets

	2016 £m	2015 £m
Opening fair value of scheme assets	**649.5**	611.0
Employer contributions	**0.8**	2.4
Interest income	**23.1**	26.3
Return on assets (less amount included in net interest expense)	**(35.0)**	49.8
Benefits paid	**(40.4)**	(40.0)
Assets acquired on business combination	**87.2**	–
Closing fair value of scheme assets	**685.2**	649.5

(d) Movement in the present value of the defined benefit obligation

	2016 £m	2015 £m
Opening defined benefit obligation	**(669.2)**	(614.6)
Interest cost	**(23.6)**	(26.3)
Remeasurement gains/(losses):		
Actuarial gains/(losses) from changes in financial assumptions	**3.9**	(72.9)
Actuarial losses from changes in demographic assumptions	**(1.1)**	–
Actuarial gains arising from experience adjustments	**9.2**	4.6
Benefits paid	**40.4**	40.0
Liabilities acquired on business combination	**(74.4)**	–
Closing defined benefit obligation	**(714.8)**	(669.2)

(e) Movement in the net defined benefit liability

	2016 £m	2015 £m
Opening defined benefit obligation	(19.7)	(3.6)
Employer contributions	0.8	2.4
Net asset acquired on business combination	12.8	–
Net charge recognised in the income statement	(0.5)	–
Total remeasurements included in OCI	(23.0)	(18.5)
Closing net defined benefit liability	(29.6)	(19.7)

(f) Amounts recognised in the income statement

	2016 £m	2015 £m
Interest income on scheme assets	23.1	26.3
Interest cost on defined benefit obligation	(23.6)	(26.3)
Net interest expense on defined benefit obligation	(0.5)	–

(g) Sensitivities

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, RPI inflation, salary increases, pension increases, and life expectancy. The sensitivity analysis below shows the impact on the defined benefit obligation at the end of the reporting period of reasonably possible changes in these assumptions, which have been determined in isolation whilst holding all other assumptions constant:

Discount rate	+/- 0.1%	Decrease/increase in liabilities by £11m
RPI inflation rate	+/- 0.1%	Increase/decrease in liabilities by £9m
Rate of increases in salaries	+/- 0.1%	Increase/decrease in liabilities by £0.4m
Pension increases in payment	+/- 0.1%	Increase/decrease in liabilities by £5m
Life expectancy for current and future pensioners	+/- 1 year	Increase/decrease in liabilities by £24m

Changes in RPI inflation impact CPI inflation and pension increases both before retirement and in payment.

(h) Contributions to be paid

Booker Scheme – the last actuarial funding valuation was carried out at 31 March 2013, which revealed a shortfall of approximately £24m. This shortfall was expected to be recovered through Company deficit contributions (£9.6m paid in the year ending 31 March 2014 and £2.4m paid in the year ending 31 March 2015) and the returns achievable on the assets of the Scheme. No contributions have been paid over this period. The contribution schedule will be reviewed following next actuarial valuation of the Booker Scheme, which is scheduled for 31 March 2016.

Budgens Scheme – the last actuarial funding valuation was carried out at 31 March 2015, which revealed a nil shortfall at this date.

Londis Scheme – the last actuarial funding valuation was carried out at 1 April 2014, which revealed a shortfall of £0.5 million at this date. This shortfall is expected to be recovered through returns on the scheme assets, and no contributions are required.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

19. Provisions

	Property provisions £m	Other £m	Total £m
At 27 March 2015	20.4	5.0	25.4
Acquired	19.8	–	19.8
Unwinding of discount	1.3	–	1.3
Credited to income statement – exceptionals	–	(4.0)	(4.0)
Credited to income statement	(0.3)	–	(0.3)
Utilised	(1.4)	–	(1.4)
At 25 March 2016	**39.8**	**1.0**	**40.8**

The property provisions principally relate to:

- the onerous leases on property currently vacant or sublet for less than the cost of the underlying head lease;
- the expected future dilapidation cost on leasehold properties; and
- the expected future costs of removing asbestos from leasehold properties. Although not a health risk, the Group is legally required to undertake a programme of removal.

Certain onerous lease provisions relating to vacant properties have been adjusted during the year, following a reassessment of the length of time those properties would remain vacant. Additionally, following the acquisition of Booker Retail Partners (GB)Limited, a review has been made of the future dilapidation costs on leasehold properties. All of these provision movements result in a net £nil charge to the Income Statement.

Approximately £4m is expected to be utilised in the year to March 2017.

Other provisions relate to third party property guarantees, for which the timing and quantum of payments is uncertain. Payment could be made on demand and the provision represents management's current estimate of the future liability.

20. Share capital

	Number of shares	Share capital £m
Allotted, called up and fully paid (£0.01 ordinary shares)		
At 27 March 2015	1,755,014,689	17.6
Share options exchanged (see note 23)	1,088,547	–
Share options exercised (see note 23)	16,733,834	0.1
At 25 March 2016	**1,772,837,070**	**17.7**

The total authorised number of ordinary shares is 2,000,000,000 (2015: 2,000,000,000) with a par value of £0.01 per share.

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company.

The Company also has in issue 1,520,361 B shares that were redeemed by the shareholders on 29 April 2016 for 3.5 pence per share (see note 22b for more details).

6,661,793 ordinary shares in the Company (representing 0.38% of total shares issued) are held by the Booker Employee Benefit Trust which was established in 2006 to hold shares on a discretionary basis for the benefit of employees of the Group from time to time. There has been no movement in the number of shares held in the trust during the year.

21. Share capital and reserves

For movements in share capital and reserves please refer to the Consolidated Statement of Changes in Equity.

The merger reserve represents the capital adjustment required to reserves to effect the reverse acquisition.

The capital redemption reserve relates to the redemption of B shares, as described in note 22.

The other reserve represents the premium over the nominal value of the shares issued in relation to acquisitions less any returns of capital.

The share option reserve comprises the fair value of outstanding share options charged to the profit and loss account.

22. Dividends and return of capital

a) Dividends charged to reserves

	2016 £m	2015 £m
Final dividend of 3.14 pence per share (2015: 2.75 pence per share) paid in respect of the prior period	**55.2**	47.8
Interim dividend of 0.57 pence per share (2015: 0.52 pence per share) paid in respect of the current period	**10.0**	9.1
	65.2	56.9

The Directors are proposing a final dividend of 4.03 pence per share, which will absorb approximately £72m of distributable reserves.

b) Return of Capital

On 21 July 2014 the Company issued 1,743,934,763 B shares that were redeemable by the shareholder. On 22 July 2014 the Company redeemed 1,740,934,613 B shares for 3.5 pence per share (a total of £60.9m) and the shares were cancelled. The 3,000,150 remaining B shares (a total of £0.1m) have been classified as a financial liability in accruals and deferred income, and were redeemed on 30 April 2015 for 3.5 pence per share. Following the redemption, such B shares were cancelled.

On 20 July 2015 the Company issued 1,766,091,414 B shares that were redeemable by the shareholder. On 21 July 2015 the Company redeemed 1,764,571,053 B shares for 3.5 pence per share (a total of £61.8m) and the shares were cancelled. The 1,520,361 remaining B shares (a total of £0.1m) have been classified as a financial liability in accruals and deferred income, and were redeemed on 29 April 2016 for 3.5 pence per share. Following the redemption, such B shares were cancelled.

The Board is proposing to implement another capital return to shareholders of 3.20 pence per ordinary share (at a cost of approximately £57m, based on the current issued share capital of the company). It is proposed that this is achieved by the issue of a new class of 'B' shares. The return of capital requires the approval of shareholders, which will be sought at the AGM on 6 July 2016.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

23. Share based payments

The Group has a number of share schemes for employees. The total charge for the period relating to employee share-based payments was £6.9m (2015: £5.3m), all of which related to equity-settled share based payment transactions.

a) Sharesave schemes

The Sharesave scheme has been in operation since 2008 and all employees are eligible to participate once the necessary service requirements have been met. Options are offered at a discount of 20% to the average of the market value of a share on the three dealing days immediately preceding the offer. Options are exercisable three years after the commencement of the savings contract and not more than six months thereafter. The options granted have been fair valued using the Black Scholes option pricing model, using the following assumptions:

	SAYE 2015	SAYE 2014	SAYE 2013	SAYE 2012
Grant date	November 2015	November 2014	November 2013	December 2012
Share price at grant date	185.90p	144.60p	152.30p	97.60p
Exercise price	146.99p	94.61p	112.21p	79.21p
Expected volatility	24%	25%	24%	26%
Expected life	3.2 years	3.2 years	3.2 years	3.2 years
Risk free rate	1.01%	1.07%	0.91%	0.54%
Expected dividend yield	2.59%	3.02%	1.77%	2.39%
Fair value at grant date	43.0p	46.0p	44.0p	23.0p

b) Performance Share Plans (PSP)

In 2008 a discretionary PSP for the benefit of certain employees was established by the Remuneration Committee. The awards are free share-based awards and normally vest three years after the grant date, provided relevant performance criteria have been met.

PSP 2012, 2013, 2014 and 2015

The options granted in November 2012 (6.0 million options), October 2013 (4.2 million options), October 2014 (6.9 million options) and October 2015 (5.1 million options) to senior employees all had the same conditions. They will vest and become exercisable three years from the date of the award, subject to continued employment and the performance conditions mentioned below being satisfied and will lapse if not exercised within ten years of the date of award. The awards are granted in two tranches:

i) Earnings Per Share (EPS) condition

50% of each award will be linked to an absolute EPS performance target with 25% of this element vesting for achieving growth of 6% per annum and rising on a straight line basis with full vesting requiring 12% growth per annum, as measured at the year end prior to the grant and then 3 years later.

ii) Total Shareholder Return (TSR) condition

50% of each award will be linked to an Absolute TSR performance target with 25% of this element vesting for achieving growth of 8% per annum and rising on a straight line basis with full vesting requiring 15% growth per annum, when measured over the 3 years from the grant date.

PSP 2008-2012

The awards under these 4 schemes have all vested and 4.7 million remain to be exercised.

The options granted have been fair valued using the Monte Carlo option pricing model, using the following assumptions:

	PSP 2015	PSP 2014	PSP 2013	PSP 2012	PSP 2011	PSP 2010	PSP 2008
Grant date	Nov 15	Oct 14	Oct 13	Nov 12	Nov 11	Oct 10	Jul 08
Share price at grant date	179.00p	121.40p	141.90p	99.30p	78.95p	53.75p	23.75p
Expected volatility	25%	25%	24%	26%	27%	30%	25%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	2-3 years
Risk free rate	0.85%	0.95%	0.89%	0.44%	0.70%	1.10%	5.00%
Expected dividend yield	2.68%	3.59%	1.90%	2.35%	2.2%	2.4%	2.5%
Fair value of TSR component	52.0p	32.0p	51.0p	33.0p	29.0p	23.5p	8.4p
Fair value of EPS component	165.0p	109.0p	134.0p	93.0p	n/a	n/a	n/a

The terms and conditions of the outstanding share based payments are as follows:

		Grant date	Number (m)	Vesting period	Expiry date	Exercise price
SAYE 2015	SAYE to all staff	November 2015	5.6	3.2 year service	June 2019	146.99p
PSP 2015	Option granted to senior employees	November 2015	5.1	3 year service	November 2025	nil
SAYE 2014	SAYE to all staff	November 2014	6.8	3.2 year service	June 2018	94.61p
PSP 2014	Option granted to senior employees	October 2014	5.8	3 year service	October 2024	nil
SAYE 2013	SAYE to all staff	November 2013	5.2	3.2 year service	June 2017	112.21p
PSP 2013	Option granted to senior employees	October 2013	4.3	3 year service	October 2023	nil
PSP 2012	Option granted to senior employees	November 2012	2.5	Vested	November 2022	nil
SAYE 2012	SAYE to all staff	December 2012	0.6	Vested	July 2016	79.21p
PSP 2011	Option granted to senior employees	November 2011	0.4	Vested	November 2021	nil
PSP 2010	Option granted to senior employees	October 2010	0.3	Vested	October 2020	nil
PSP 2008	Option granted to senior employees	July 2008 – July 2009	1.5	Vested	July 2018 – July 2019	nil
Total options outstanding			38.1			

The number and weighted average exercise price of options is as follows:

	2016		2015	
	Number of share options Million	Weighted average exercise price Pence	Number of share options Million	Weighted average exercise price Pence
Outstanding at beginning of period	**48.4**	**34.3**	49.4	33.0
Granted	**10.9**	**78.1**	14.9	51.2
Lapsed	**(3.8)**	**55.0**	(4.6)	69.7
Forfeited	**(0.7)**	**–**	(0.5)	–
Exercised	**(16.7)**	**12.2**	(10.8)	38.7
Outstanding at end of period	**38.1**	**55.1**	48.4	34.3
Exercisable at end of period	**5.3**		13.7	

Under the rules of the PSP 2010-2015 schemes, tax approved Company Share Option Plan ('CSOP') options were also granted with an exercise price equal to the market value of the shares at the time of grant.

During the period, employees forfeited 0.7m (2015: 0.5m) PSP options for 1.1m (2015: 1.1m) CSOP options, which were immediately exercised at a cost equal to the share price at the date the original PSP was granted.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

24. Operating leases

The Group leases a number of trading properties under operating leases. The leases are typically of 5 to 15 years duration, although some have lessee only break clauses. Lease payments are reviewed as contracted and increases applied accordingly. The Group also leases certain items of plant and equipment.

Operating lease payments represent rents payable by the Group for certain of its wholesale, distribution and office properties and other assets such as motor vehicles. The leases have varying terms, escalation charges and renewal rights.

At the balance sheet date, the Group (including Booker Retail Parters (GB) Limited) had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Others	
	2016 £m	2015 £m	2016 £m	2015 £m
Within one year	**65.3**	52.0	**15.0**	10.3
Within two to five years	**234.3**	186.4	**29.7**	15.1
After five years	**277.5**	237.6	**3.7**	–
	577.1	476.0	**48.4**	25.4

The Group subleases various wholesale, distribution and office properties under non-cancellable operating leases. The total minimum operating sublease receipts expected to be received are as follows:

	2016 £m	2015 £m
Within one year	**7.2**	1.2
Within two to five years	**20.4**	1.0
After five years	**26.1**	1.6
	53.7	3.8

25. Capital commitments

The outstanding commitments at 25 March 2016 in respect of contracted capital expenditure not provided for amounted to approximately £2.7m (2015: £2.1m).

26. Related party transactions

Only members of the Board are considered to be key management personnel. It is the Board who have responsibility for planning, directing and controlling the activities of the Group. Board compensation is disclosed in the Remuneration Report.

COMPANY PROFIT & LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

For the 52 weeks ended 25 March 2016

	Note	52 weeks ended 25 March 2016 £m	52 weeks ended 27 March 2015 £m
Income from shares in group undertakings	6a	**280.0**	150.0
Administrative expenses		**(0.1)**	–
Profit on ordinary activities before taxation		**279.9**	150.0
Taxation	4	**–**	–
Profit on ordinary activities after taxation		**279.9**	150.0
Other comprehensive income		**–**	–
Total comprehensive income		**279.9**	150.0

COMPANY BALANCE SHEET

As at 25 March 2016

	Note	2016 £m	2015 £m
Fixed assets			
Investments	5	**46.9**	40.0
Debtors	6a	**514.4**	404.4
Creditors due within one year	6b	**(27.3)**	(73.1)
Net current assets		**487.1**	331.3
Net assets		**534.0**	371.3
Capital and reserves			
Share capital	7	**17.7**	17.6
Share premium		**44.0**	41.2
Capital redemption reserve		**122.8**	60.9
Other reserves		**14.0**	75.8
Share option reserve		**12.4**	11.2
Retained earnings		**323.1**	164.6
Shareholders' funds		**534.0**	371.3

These financial statements were approved by the Board of Directors on 18 May 2016 and were signed on its behalf by:

Charles Wilson
Director

Jonathan Prentis
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Share option reserve £m	Retained earnings £m	Total £m
At 28 March 2014		17.4	36.4	–	136.8	8.5	129.8	328.9
Profit for the period		–	–	–	–	–	150.0	150.0
Dividends to shareholders	9	–	–	–	–	–	(56.9)	(56.9)
Issue B shares	9	–	–	–	(61.0)	–	–	(61.0)
Redemption of B shares	9	–	–	60.9	–	–	(60.9)	–
Share options exercised		0.2	4.8	–	–	(2.6)	2.6	5.0
Share based payments	8	–	–	–	–	5.3	–	5.3
At 27 March 2015		17.6	41.2	60.9	75.8	11.2	164.6	371.3
Profit for the period		–	–	–	–	–	279.9	279.9
Dividends to shareholders	9	–	–	–	–	–	(65.2)	(65.2)
Issue B shares	9	–	–	–	(61.8)	–	–	(61.8)
Redemption of B shares	9	–	–	61.9	–	–	(61.9)	–
Share options exercised		0.1	2.8	–	–	(5.7)	5.7	2.9
Share based payments	8	–	–	–	–	6.9	–	6.9
At 25 March 2016		**17.7**	**44.0**	**122.8**	**14.0**	**12.4**	**323.1**	**534.0**

COMPANY CASH FLOW STATEMENT

For the 52 weeks ended 25 March 2016

	Note	52 weeks ended 25 March 2016 £m	52 weeks ended 27 March 2015 £m
Cash flows from operating activities			
Profit before tax		**279.9**	150.0
Cash generated from operating activities		**279.9**	150.0
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**2.9**	5.0
Redemption of B shares	9	**(61.9)**	(60.9)
Dividends paid	9	**(65.2)**	(56.9)
Repayment of intercompany balances		**(155.7)**	(37.2)
Net cash outflow from financing activities		**(279.9)**	(150.0)
Net cash inflow from activities		**–**	–
Cash and cash equivalents at the start of the period		**–**	–
Cash and cash equivalents at the end of the period		**–**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. General information

a) Basis of preparation

Booker Group plc (the 'Company') is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS101'). The amendments to FRS101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied. In these financial statements, the Company has adopted FRS101 for the first time. In transition to FRS101 there has been no effect on the reported financial position, financial performance and cash flows.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006. The Company has not taken advantage of the FRS101 disclosure exemptions.

In the transition to FRS101, the Company has applied IFRS1 whilst ensuring that its assets and liabilities are measured in compliance with FRS101.

The financial statements are prepared on the historical cost basis.

b) New IFRS and amendments to IAS and interpretations

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period but have not yet been endorsed by the European Union as set out in note 1(e) to the group financial statements.

c) Use of judgements and estimates

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

- IAS36 'Impairment of assets'. In testing for impairment of investments and other assets, the Directors have made certain assumptions concerning the future development of the business that are consistent with its annual budget and forecast into perpetuity. Should these assumptions regarding the discount rate or growth in the profitability be unfounded then it is possible that investments included in the balance sheet could be impaired. At 25 March 2016, the Directors do not consider that any reasonably likely changes in key assumptions would cause the carrying value of the investments or other assets to become impaired.
- IFRS2 'Share based payments'. The Group has issued equity settled share based payments to certain employees in exchange for services rendered by them. The fair value is measured using an option valuation model at the date of grant and is recognised as an employee expense over the period in which the employees become unconditionally entitled to the options, with a corresponding increase in equity, shown in a separate share option reserve. This valuation is based on estimates of the number of options that will eventually vest, based on related service and non-market vesting conditions that are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

2. Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS101 balance sheet at 28 March 2014 for the purposes of the transition to FRS101.

Guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Investments

Investments are stated at cost less any provision for impairment in value. The carrying values of investments are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

Share based payments

The Company has issued equity settled share based payments to employees of a subsidiary. The fair value is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. This fair value is accounted as an investment in the subsidiary with a corresponding increase in equity. Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Taxation

The Company applies the same accounting policy as the group, as set out in note 2 of the Group financial statements.

3. Profit and loss account

The audit fee of £0.1m (2015: £0.1m) for the current and prior period was borne by another group undertaking without recharge.

(a) Employee information

The Company had no employees throughout this or the previous period.

(b) Directors' remuneration

The Director's remuneration is borne by a subsidiary company and it is disclosed in the Remuneration Report.

4. Taxation

a) Analysis of charge in period

	2016 £m	2015 £m
Current tax	–	–

b) Reconciliation of the current taxation charge

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £m	2015 £m
Profit before tax	**279.9**	150.0
Tax using the current UK corporation tax rate of 20% (2015: 21%)	**56.0**	31.5
Non-taxable dividend income from subsidiaries	**(56.0)**	(31.5)
Tax charge for the period	–	–

Factors that may affect future current and total tax charge:

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 25 March 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the group's future current tax charge and the value of its deferred tax asset accordingly.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

5. Fixed asset investments

	Shares in subsidiary undertakings £m	Capital contribution £m	Total £m
Cost and net book value			
At start of period	20.0	20.0	40.0
Capital contribution	–	6.9	6.9
At end of period	**20.0**	**26.9**	**46.9**

The capital contribution relates to the charge in respect of share based payments to employees of subsidiary undertakings – details are shown in note 23 of the Group financial statements.

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries and joint ventures owned, as at 25 March 2016 are disclosed below. Unless otherwise stated the country of incorporation is the United Kingdom and all are 100% owned.

Name of company	Principal activity
Booker Wholesale Holdings Ltd*	Holding company
Booker Ltd	Wholesaler
Ritter Courivaud Ltd	Wholesaler
Booker Retail Partners (GB) Ltd	Wholesaler
Booker Direct Ltd	Wholesaler
Makro Self Service Wholesalers Ltd	Wholesaler
Booker India PVT. Ltd (India)	Wholesaler
Booker Satnam Wholesale Private Ltd (India, 85% owned)	Wholesaler
Giant Midco Ltd	Holding company
Giant Bidco Ltd	Holding company
The Big Food Group Ltd	Holding company
BF Ltd	Holding company
Makro Holding Ltd	Holding company
J Smylie & Sons (IOM) Ltd (Isle of Man)	Property company
Booker EBT Limited	Corporate Trustee
Saneyia Ltd (Cyprus)	Holding company
Booker Cyprus Ltd (Cyprus)	Holding company
Giant Booker Ltd	Holding company
IRTH (15) Ltd	Finance company
IRTH (19) Ltd	Finance company

Name of company	Principal activity
Budgens Property Investments Ltd	Dormant
Budgens Stores Ltd	Dormant
Booker Retail UK Ltd	Dormant
Londis Pension Trustees Ltd	Dormant
Budgens Pension Trustees No2 Ltd	Dormant
Linnco Ltd	Dormant
Murdoch Norton Ltd	Dormant
Budgen Holdings Ltd	Dormant
Bishop's Group Ltd	Dormant
Londis (Holdings) Ltd	Dormant
Neighbourhood Stores Ltd	Dormant
Budgens Nominees Ltd	Dormant
Budgens Pension Trustees Ltd	Dormant
Booker Cash & Carry Ltd	Dormant
Booker Finance Ltd	Dormant
IRTH (17) Ltd	Dormant
IRTH (18) Ltd	Dormant
Makro Properties Ltd	Dormant
Leovic Ltd (96% owned)	Dormant

* Direct subsidiary of Booker Group plc.

6. Related party transactions

	2016 £m	2015 £m
a) Amounts owed by Group undertakings		
Makro Holding Ltd	**84.0**	84.0
Booker Wholesale Holdings Ltd	**430.4**	320.4
	514.4	404.4

During the year, the Company has received dividends from Booker Wholesale Holdings Ltd of £280.0m (2015: £150.0m). A dividend of £170.0m was paid by Booker Limited to Booker Wholesale Holdings Ltd in specie of intercompany debts owed to the Company.

	2016 £m	2015 £m
b) Amounts owed to Group undertakings		
Amounts owed to Group undertakings		
Booker Ltd	**27.3**	73.1

During the year, a dividend of £170.0m was paid by Booker Limited to Booker Wholesale Holdings Ltd in specie of intercompany debts owed to the Company to fund the dividends paid by the company of £65.2m and the B share redemption of £61.9m. In addition Booker Limited received the share option proceeds of £2.9m on behalf of the Company.

Amounts owed by/to Group undertakings are interest free, unsecured and payable on demand.

7. Share capital

Details of the share capital of the Company is shown in note 20 of the Group financial statements.

8. Share options

The Company has a number of share schemes for employees of the Group, details are shown in note 23 of the Group financial statements.

9. Dividends and return of capital

The dividends charged to reserves are shown in note 22 of the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

10. Reconciliation of movement in shareholders' funds

	2016 £m	2015 £m
Profit for the period	**279.9**	150.0
Dividends paid	**(65.2)**	(56.9)
Group share based payment charge	**6.9**	5.3
Return of capital	**(61.8)**	(61.0)
Shares issued	**2.8**	4.8
Share options exercised	**0.1**	0.2
Shareholders' funds at the start of the period	**371.3**	328.9
Shareholders' funds at the end of the period	**534.0**	371.3

11. Financial instruments

Credit risk

The Company is owed £514.4m (2015: £404.4m) by group undertakings.

Interest rate risk

Interest rate risk is relatively small to the Group, as there are no fixed borrowings and the revolving credit facility is only partially drawn for a small part of the year. Therefore the Group has chosen not to hedge its borrowings.

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

Directors
Stewart Gilliland
Non-Executive Chairman

Charles Wilson
Chief Executive

Jonathan Prentis
Group Finance Director

Guy Farrant
Executive Director

Lord Bilimoria
Non-Executive Director

Helena Andreas
Non-Executive Director

Andrew Cripps
Non-Executive Director

Karen Jones
Non-Executive Director

Gary Hughes
Non-Executive Director

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