

ALDI STORES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



ALDI STORES LIMITED

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ALDI STORES LIMITED

COMPANY INFORMATION

Directors	M C Barnes (resigned 15 April 2018) G Hurley D Ronald Q J King (appointed 1 April 2018)
Company secretary	K P Jansen
Registered number	02321869
Registered office	Holly Lane Atherstone Warwickshire England CV9 2SQ
Independent auditor	KPMG LLP Statutory Auditor and Chartered Accountants One Snowhill Snow Hill Queensway Birmingham West Midlands B4 6GH

ALDI STORES LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors have pleasure in presenting their strategic report for the year ended 31 December 2018.

Business review

As shown in the consolidated statement of comprehensive income on page 14, the group's turnover has increased by over £1.1bn (2017: £1.4bn) representing an increase of over 11% (2017: 16%). The profit for the year after taxation amounted to £138m (2017: £173m).

The group invested cash of £531m (2017: £447m) in the acquisition of tangible fixed assets to improve and increase the group's store and distribution network resulting in the opening of 71 new stores (2017: 74) in the UK and Ireland during the year and the creation of significant employment opportunities. The average number of employees increased by over 2,200 during 2018.

The group made UK and Ireland corporation tax payments totalling £46m (2017: £45m) during the year, as shown in the consolidated statement of cash flows on pages 20 to 21.

Principal risks and uncertainties

Competitive pressure in the United Kingdom and Ireland is a continuing risk for the group. The group manages this risk by continually looking to improve the quality and value of its products, to invest in its employees and to increase its number of stores to gain greater market share.

The group is subject to foreign currency exchange risk which impacts on purchases made in foreign currencies and translation of the Irish operation. The directors believe the current treasury management policy to be appropriate. Following the UK's decision to leave the European Union the group has established appropriate internal resource to consider and mitigate the effect of 'Brexit' on the group's operations and future financial performance.

The group is partly financed by long-term loans from group undertakings, which have a set repayment date. The directors believe that the group has the ability to meet the repayment obligations and service the finance costs.

Financial key performance indicators

The consolidated statement of financial position on page 15 of the financial statements shows that the group's financial position at the year end has increased from last year's net assets total of £2.53bn to £2.67bn. The directors believe the group's strong financial position will help support future growth of the business.

As shown in the consolidated statement of cash flows on pages 20 to 21, the group has generated net cash from operating activities of £305m (2017: £450m). Net cash of £524m (2017: £445m) was used in investing activities, primarily reflecting the group's investment in its store and distribution network.

During the year the group has continued to make significant investment in expanding its business, opening new stores and extending and refurbishing a number of existing stores and preparing for further growth in the future.

This report was approved by the board and signed on its behalf by:

G HURLEY
Director

Date:



24/02/19

ALDI STORES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

The group's principal activity is the retailing of grocery products in the United Kingdom and Ireland.

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Results and dividends

The profit for the year after taxation amounted to £138m (2017: £173m).

The directors do not recommend the payment of a final dividend. The profit for the year will be transferred to reserves.

Corporate responsibility

At Aldi, we understand the positive impact we can have on our customers, our suppliers, the natural environment and communities across the globe. That's why for us, Corporate Responsibility (CR) is about doing the right thing for all of these groups.

Customers

- Every week, we offer affordable fresh fruit and vegetables through our Super 6 offer.
- We are constantly working to reduce the salt content in our products, of which, 93% have achieved or exceeded the Food Standards Agency targets.
- Since 2016, we have supported the UK Government's Childhood Obesity Strategy aiming to reduce sugar by 20% across key categories, such as cereals, yoghurts and morning goods.

ALDI STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Customers (continued)

- In 2018 we removed 3,000 tonnes of sugar from our soft drinks, introducing sugar free variants in both the UK and Ireland to help our customers make healthier choices.
- During 2018, we supported Public Health England's Change4Life campaign offering alternatives with less sugar such as Wheat Bisks or Active low-fat yoghurts.
- In the UK and Ireland, we provide clear traffic light nutritional labelling on the front of pack for a large variety of our products to help customers make an informed purchase.
- In 2018, we introduced an age restriction for the sale of high caffeine energy drinks to under 16s across all stores.
- All of our products are free from Genetically Modified ingredients and we do not permit the use of artificial trans fats or 'Southampton 6' colours in our own label or tertiary brand products.
- In the UK we follow the Portman Guidelines for clear advertising and labelling of alcohol products and include information on calories per 100ml. All of our stores abide by 'Challenge-25' and we actively support the 'Drinkaware' campaign across our own label portfolio to help foster a culture of responsible drinking in the UK.
- As part of our Team GB Partnership, Aldi UK continue to support initiatives such as Get Set to Eat Fresh in schools and our aim is to engage 1.2 million children in healthy eating and physical activity by 2020.

Supply chain

- In 2018, for the fifth year running, suppliers voted Aldi as the fairest supermarket to do business with in the Groceries Code Adjudicator (GCA) Survey.
- We are committed to ensuring the working conditions within supply chains meet our standards. We require all of our business partners to adhere to our Social Standards in Production, which are based on the United Nations (UN) and International Labour Organisation (ILO) guidelines.
- Through our Social Monitoring Programme (SMP), we work together with our suppliers to monitor and ensure continuous improvement of working conditions in production facilities.
- Aldi Social Assessments are carried out by a team of qualified ethical auditors based in Bangladesh and Hong Kong. This local expertise means we can directly monitor and address issues on the ground in high-risk sourcing countries.
- We were one of the first signatories of both the original Accord on Fire and Building Safety in Bangladesh in 2013 and the follow-on agreement in 2018. Through this agreement, we support measures to improve health and safety within garment factories in Bangladesh and we also implement our own additional Bangladesh Minimum Requirements to increase worker safety.
- Launched in 2013, the Aldi Factory Advancement (AFA) Project covers a selection of our key garment producers and business partners in Bangladesh and about 85,000 employees have experienced positive changes in their day-to-day working environment as a result of their engagement with the project.
- The AFA Project was extended in February 2018 with the launch of AFA Project PLUS, which aims to tackle the shortage of adequate childcare for working parents and their children in garment factories.
- We sponsored the 'Stronger Together' initiative, which equips businesses with the knowledge and resources to tackle labour exploitation and modern slavery in supply chains. We supported the organisation's expansion in South Africa by encouraging Produce and Wine suppliers to attend a workshop.
- We supported the Spain Ethical Trade Forum; a collaboration between retailers, suppliers and growers to improve working conditions in the Spanish produce sector. Three regional Forums took place in Spain in 2018 which were attended by our suppliers and growers.
- We continue to be a member of the Food Network for Ethical Trade (FNET); a collaboration between large food suppliers and retailers that share a goal of establishing a common approach to managing ethical trade in food supply chains.

ALDI STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Supply chain (continued)

- We signed up to the British Retail Consortium's Better Retail Better World initiative, a collaboration between 25 of the UK's largest retailers, who have agreed to implement a policy that no worker should pay for a job, which is key in tackling modern slavery.
- Our international Corporate Responsibility department worked with a third party consultancy specialising in ethical trade to carry out a full risk assessment of the Aldi South Group food supply chain, to help us prioritise our activities. In addition, we are developing an ethical trade strategy for food that will identify risks and put safeguards in place.
- Since signing up to the Greenpeace Detox Commitment, focusing on 11 priority chemicals in the production of textiles and shoes, Aldi has implemented a comprehensive chemical compliance system for supply chains of these goods. Additionally, an increasing use of sustainable material (e.g. organic cotton) contributes to this commitment and an improved environmental performance.

Sustainable resources

- In the UK, all of our everyday fresh primary beef, lamb, pork, chicken and milk is 100% British and certified to Red Tractor. In Ireland, we are the largest retailer of Bord Bia certified products. We sit on one of the Red Tractor Boards to influence the ongoing improvement of their standards.
- We are the second-largest retailer of RSPCA Assured products with our Specially Selected fresh primary chicken, primary pork and bacon certified to RSPCA Assured standards.
- The scope of our animal welfare strategy covers core and seasonal fresh pork, chicken and liquid milk products. We report internally on antibiotic use and animal welfare KPIs on a quarterly basis.
- We are a sponsor of Responsible Use of Medicines in Agriculture (RUMA), part of the Food Industry Initiative on Antimicrobials (FIIA) and we are committed to the responsible use of antibiotics in all our meat, poultry and milk products.
- We source 100% sustainable palm oil for our own label food (since 2015) and non-food (since the end of 2018), which is certified by the Roundtable for Sustainable Palm Oil (RSPO). Non-food, palm oil Derivatives & Fractions (D&Fs) that are not physically available will be covered by RSPO Credits until 2025.
- All of our facial tissues, toilet paper, sanitary range and nappies, as well as all customer publications, in-store posters and till receipts are made using materials from responsibly managed forests certified by the Forestry Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). Our international goal is for all timber-based products and packaging material to be sourced from FSC or PEFC certified forests or consist of 100% recycled materials (70% recycled for packaging) by the end of 2020. At the end of 2018, 75% of UK and 71% of Irish products containing wood were FSC or PEFC certified or consisted of 100% recycled material.
- From the 1st January 2019 100% of our own-label fresh, frozen and canned fish in the UK is responsibly sourced as it meets our International Fish Sourcing Policy. Two frozen products have been given exceptions as they will meet the policy by April 2019 when they enter Fishery Improvement Plans. Ireland will meet this international goal by the end of 2020.
- By volume in 2018 Aldi UK was the number one retailer of MSC-certified products.
- All of our cosmetics, toiletries or household products are certified by Cruelty Free International with the Leaping Bunny logo on pack.
- All cocoa used in our own label products will come from certified sustainable sources by the end of 2020. This international goal accepts Rainforest Alliance, UTZ and Fairtrade certification to achieve this. In 2018, we increased certified cocoa products from 59% to 73% in the UK and 61% to 75% in Ireland.
- Aldi UK was one of the largest retailers of Fairtrade flowers in 2018 (volume of products). We are also the only retailer to source from Ethiopia, where we have strong supplier links allowing the suppliers to grow their business substantially.

ALDI STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Energy and environment

Waste management

- Since 2014, we have sent zero waste direct to landfill and we recycle 100% of our operational cardboard and plastic waste.
- Aldi are a signatory to Courtauld 2025, an industry-wide initiative to reduce the environmental impact of food and drink waste across the supply chain.
- In September 2017, Aldi UK and Ireland became a signatory of Friends of Champions 12.3, a subsidiary of the Champions 12.3 group, which was formed to combine the efforts of major businesses to reduce food waste by 50% by 2030. In July 2018 we carried out our first independent audit into the amount of food wasted. The audit based on 2017 data showed that 1.25% of food was wasted. This figure is now used as our baseline going forward.
- In 2018, 1,249 tonnes of surplus food was removed from the Aldi UK supply chain by 189 of our suppliers and donated to our food waste partners Company Shop, this is the equivalent of 2.9 million meals.
- Following a successful year in which we donated food to those in need via our FareShare partnership, our Supplier Conference and Christmas Eve donation event; Aldi UK donated the equivalent of over 2 million meals.
- In Ireland, Aldi partners with FoodCloud to donate unsold food from all our stores to charities and community organisations nationwide, helping to alleviate food poverty and food waste. Since the partnership began in 2014, Aldi has donated over 1.6 million meals to charities. In 2018, Ireland donated the equivalent of 290,000 meals.

Energy management

- 100% of our UK and Ireland stores, Regional Distribution Centres (RDCs) and offices run on green electricity. We have reduced our carbon footprint by 53% since 2012, despite store and RDC growth.
- We continue to roll-out solar panels across our estate and have installed them at over 390 stores as well as all 9 UK RDCs.
- In 2018, we underwent a full recertification audit and maintained accreditation to ISO 50001, an internationally recognised standard for energy management.
- On 1 January 2019, Aldi UK and Ireland became carbon neutral via our efficiency programmes and purchasing of carbon offsets for the remaining emissions. Aldi are working with ClimatePartner to support a range of green projects to offset carbon emissions, including protecting forests, educating school children about environmental conservation in Peru, providing access to safe drinking water in India, replacing polluting, charcoal cookstoves with efficient alternatives in Ghana, as well as introducing biogas cooking equipment to households in Vietnam.
- The project to replace refrigerant gases in stores across the Aldi estate with the more climate-friendly CO2 gas continued. We also continued to open new stores with heat-recovery systems, utilising waste heat from refrigeration systems and reducing the requirement for gas heating in stores.

Plastics and packaging

In March 2018, Aldi UK and Ireland committed to far reaching Plastic and Packaging Pledges which included:

- By 2025 we aim to achieve 100% recyclable, reusable or compostable packaging across all products (2022 for own label).
- By 2025 we aim to reduce packaging by 50% (relative to 2015 baseline).
- By 2025 we aim for 50% of our packaging to be made from recycled material.
- Discontinuing the sale of the 5p single-use carrier bag by the end of 2018.
- Committing to educating customers on the importance of waste reduction (reduce, reuse, recycle).
- Committing to working in partnership with other retailers to reduce our dependence on plastic.
- In 2018 Aldi UK and Ireland:
 - Replaced 2,508 tonnes of unrecyclable plastic with recyclable material.
 - Replaced 224 tonnes of virgin plastic with recycled content.
 - Removed 243 tonnes of plastic.
 - Changed the packaging of 62 lines to align with our pledges.
 - Stopped purchasing 5p single-use plastic bags for resale.
 - Reported Aldi's core food packaging to be 84% widely recyclable.

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

People

- Our people are our focus. We strive to improve the lives of our colleagues by creating a cooperative atmosphere where colleagues are able to learn together and from each other. We aim to foster teamwork and creativity, and provide all of our colleagues with responsibility, personal development, appreciation and job security.
- As of 31 December 2018, we employed over 36,000 colleagues in the UK and Ireland.
- We are proud to pay our colleagues at least equivalent to, and in the majority of roles, higher than the Real Living Wage rate set by the Living Wage Foundation. All UK colleagues have been paid a highly competitive rate of at least £8.85 an hour, and £10.20 an hour in London, from 1 February 2018. Furthermore, in the Republic of Ireland, Aldi also paid a minimum hourly rate to all colleagues of €11.70 rising to €14.00. These rates exclude our apprenticeship scheme which is one of the most competitively paid retail schemes.
- In 2018 we continued initiatives to encourage the recruitment of individuals from a diverse range of backgrounds and supported 10,102 candidates that listed they had a reasonable adjustment. Such requests are followed up to guide and support those candidates through the recruitment and selection process.
- In 2018 a new Learning Management System was rolled out to Logistics. Throughout 2018 we continued to ensure that Aldi's Store and Logistics colleagues received the highest quality induction and ongoing training possible.
- In 2018 we launched a number of e-Learning modules and our 'CheckPoints' training system for Store Colleagues. We continue to develop further e-Learning modules and will be launching the 'CheckPoints' training system for Logistics Colleagues in 2019.
- In order to modernise our approach further we are rolling out iPads to support the delivery of training across Stores and Logistics.
- Throughout 2018 our colleagues attended over 8,000 training courses offered as part of our 'Training Course Catalogue'. The Catalogue is available to all Leadership roles within Aldi. It offers training courses designed to develop core competencies.
- Our Apprenticeship Programmes in Stores, Logistics and Administration trained 900 young people across the UK. The Apprenticeship programme is ranked 28th on Rate My Apprenticeship. 2018 saw the launch of the Higher Level Corporate Apprenticeships and a Level 3 Team Leader qualification within Logistics.
- We also run an Industrial Placement Programme for university students in their penultimate year; this provides them with the opportunity to experience the retail sector prior to embarking on their final year of study and deciding on their career of choice. We offer a variety of different placements, including opportunities in General Management, Corporate Logistics, Corporate Buying, E-Commerce and IT.
- Career Progression for Store Operations and Logistics continued throughout 2018. For the first time, Aldi offered the opportunity for eligible Deputy Store Managers (DSM) to apply to become an Assistant Store Manager (ASM). In 2018 we ran 28 DSM to ASM assessments in total.
- We continued with the existing Career Progression for Assistant Store Managers to apply to become a Store Manager, and Store Managers to become Area Managers.
- For Logistics, eligible Assistant Store Managers and Logistics Deputies were offered the opportunity to apply to become Section Leaders and existing Section Leaders were offered the opportunity to become Logistics Managers.
- In 2018, the MyALDI App celebrated its first birthday in the UK. MyALDI provides employees access to regular news articles, rotas, payslips, ALDI Benefits and more, all through colleagues' personal devices. By the end of 2018, over 34,000 colleagues were signed up to MyALDI with 70% of those logging in once a week or more.
- We continue to provide our Employee Assistance Programme, Retail Trust, to offer confidential support on stress, anxiety, depression, bereavement, relationships, debt, financial management or caring for a sick or an elderly relative or friend. In 2018 the service provided confidential advice and support to over 1,560 colleagues.
- In 2018 we provided every colleague with a Health and Wellbeing booklet; 'ALDI Wellness' highlights existing and new health and wellbeing benefits, such as access to a discounted Health Cash Plan and gym memberships.

ALDI STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

People (continued)

- During 2018, there have been a number of health and wellbeing initiatives held throughout Logistics and Operations. In Operations there was a MasterChef healthy eating competition and a cycling competition, undertaken in conjunction with some of the Team GB athletes. In Logistics, there were opportunities to take part in free health checks, speak to a mental wellbeing expert and find out more about our Cycle to Work scheme. These events are continuing throughout 2019.
- We engage with Occupational Health service providers to ensure colleagues who are seriously unwell or off work for long periods receive the support they need.
- A payroll giving scheme was launched in 2018 giving colleagues the opportunity to donate the pennies from their payslip to our charity partner, The Teenage Cancer Trust. Since launching in May, over 29% of our colleagues have signed up and donated over £26,000.

Community

- During 2018 we continued with our Teenage Cancer Trust partnership across the UK business. Since the start of our partnership in 2016, we have raised over £2.83 million, with £1.5 million being raised in 2018. Our focus continues to be surpassing our original aim of £5 million over 5 years and we will continue to seek ways to engage both employees and customers.
- Our UK partnership with the RSPB has enabled over 158,000 children to take part in our 'Giving Nature a Home in Schools' programme. Since the start of the partnership in October 2015 over 445,000 children have taken part in the programme.
- During 2018, we continued our partnership with the charity Farm Africa. Aldi have been funding a project which will improve the lives of more than 420 young people and their farming communities in Kitale, Western Kenya. Over 25% of the young people attained certification that allowed them to supply the global supply chain and Aldi were pleased to be able to see produce grown by the young people we sponsor in a small number of UK stores.
- In 2018, Aldi started a new 3 year partnership with the Prince's Countryside Fund. Half of UK farmers are no longer making a living from farming alone so we decided to partner up with The Prince's Countryside Fund and support their Farm Resilience Programme. The programme offers free business support to more than 1,300 small to medium sized family farms. The farmers are provided with expert professional advice on how to improve their farm business and ensure they are resilient for the future.
- Aldi Ireland raised over €186,000 for the Irish Cancer Society, surpassing our fundraising target of €175,000 for 2018.
- During 2018, over 100,000 children and 1,400 schools took part in Aldi Play Rugby programme, which is delivered in partnership with the Irish Rugby Football Union.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 28. The average monthly number of people employed by the group in the year to 31 December 2018 was 35,359 (2017: 33,123).

The group is committed to the development of its team members as it recognises that they are its most valuable asset. This commitment continued to be acknowledged in 2018 by being placed 3rd in the Times Top 100 Graduate Employers.

The group recognises the importance of regular communication and working relationships, and the group's policy is to keep all employees informed upon matters relating to their employment.

The group is an equal opportunities employer and offers equal treatment and equal opportunities to all employees and job applicants.

ALDI STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Compliance Programmes

Aldi Stores Limited remains fully committed to the compliance programmes described below. They are considered entirely consistent with Aldi's core values of consistency, simplicity and responsibility, and supportive of building the long-term relationships valued with suppliers.

Groceries Supply Code of Practice

The Groceries Supply Code of Practice (GSCOP) applies to all retailers with grocery sales over £1 billion and requires them to submit an annual report to the Competition and Markets Authority and the Groceries Code Adjudicator (GCA). The annual reporting covering the period 1st January 2018 to 31st December 2018 will be submitted in April 2019.

The role of GCA was formally established in June 2013 and regular meetings between the GCA and Aldi take place throughout the year. These meetings are part of the collaborative approach adopted by the GCA to highlight and address Code-related issues experienced by suppliers. This effective approach is very much welcomed by Aldi, facilitating continuous improvement in the GSCOP compliance programme.

A supplier survey assessing retailers' compliance with the Code is commissioned on an annual basis by the GCA. In the 2018 survey, Aldi was rated by its suppliers as the most Code-compliant retailer for the fifth year in succession, having achieved this position in each survey since its inception in 2013. Whilst incredibly proud of this achievement, it is recognised that there remains the need to continually evolve and improve, in order to sustain such recognition.

Aldi has provided a summary of its approach to GSCOP on the Aldi website since 2013. This summary is updated annually with the next update to be made during April 2019. The contact details of the Code Compliance Officer (CCO) are made available on the Aldi website, and have also been passed to the GCA for inclusion on their official website. Suppliers also receive a bi-annual newsletter from the Aldi CCO promoting key developments related to the Code, such as the GCA annual survey, the work of the GCA and any current top issues i.e. delay in payments, together with the benefits of suppliers obtaining further training to fully understand their protections under the Code.

All new suppliers are informed of the existence of the GCA, and their rights under GSCOP prior to commencing a supply relationship with Aldi. Annual refresher training is carried out to ensure that Aldi's buying team remain up-to-date on the commitments under the Code, and all new starters with buying responsibilities are trained on GSCOP as part of the induction process. The GSCOP training material was refreshed during 2018 to ensure it remains relevant and up-to-date, and provides a clear explanation of the commitments and rights under the Code. 193 colleagues were trained using these new materials during 2018.

Whilst Aldi is proud to be consistently recognised as the most Code-compliant retailer, and believes that it has complied in full with GSCOP during the reporting period, there have been three instances in which suppliers have either alleged a breach of the Code or raised a Code-related complaint. In all reported cases, Aldi worked with the suppliers concerned to clarify the position and to address the issues.

In two cases a formal dispute was raised, one of which was resolved to a mutually acceptable resolution, the other remains outstanding at the date of signing of this report.

Supply Chain Initiative

Aldi signed up to the Supply Chain Initiative (SCI) in January 2014. The SCI is a joint initiative launched by the European Union with the aim of promoting fair business practices in the food supply chain as a basis for commercial dealings. The SCI also aims to ensure that companies address disputes in a fair and transparent manner.

Initial training on the SCI was provided in 2014 and refresher training is provided to all existing employees on an annual basis. New starters to the business with buying responsibilities are trained on the SCI as part of the induction process.

ALDI STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Grocery Goods Regulations

The Grocery Goods Regulations were enacted in Ireland in October 2014 becoming fully operational with effect from 30 April 2016.

Initial training on the Grocery Goods Regulations was conducted for all relevant employees in accordance with the specified deadlines, and all new starters with buying responsibilities are provided with training as part of the induction process, representing a total of 12 colleagues during 2018.

The training material was fully reviewed and updated during 2018 for use in all future annual refresher training, ensuring knowledge levels are maintained. Whilst this is beyond the mandated requirements, this approach is expected to provide valuable benefits in terms of maintaining compliance with the Regulations.

The annual compliance report for 2018 will be provided to the Competition and Consumer Protection Commission (CCPC) in March 2019, as required under the legislation. No disputes were raised in respect of the Grocery Goods Regulations during 2018.

Directors

The directors who have held office during the year and up to the date of this report are listed on page 1.

J Hutcheson and J Ashfield are alternate directors to the directors.

Disclosure of information to auditor


Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

This report was approved by the board and signed on its behalf by:

G HURLEY
Director

Date:


24/02/19

ALDI STORES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALDI STORES LIMITED

Opinion

We have audited the financial statements of Aldi Stores Limited ("the company") for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and related notes, including the accounting policies in note 2.

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 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom accounting standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of tangible assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how these risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

ALDI STORES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALDI STORES LIMITED (CONTINUED)

Going concern (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A further description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

ALDI STORES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALDI STORES LIMITED (CONTINUED)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Simon Purkess (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
West Midlands
B4 6GH

Date: **27 FEBRUARY 2019**

ALDI STORES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	2	11,334,428	10,181,049
Cost of sales		<u>(10,964,208)</u>	<u>(9,763,746)</u>
Gross profit		370,220	417,303
Administrative expenses		<u>(172,236)</u>	<u>(151,386)</u>
Operating profit		197,984	265,917
(Loss)/profit on disposal of fixed assets		<u>(2,372)</u>	395
Profit before interest and taxation		195,612	266,312
Interest receivable and similar income	5	744	328
Interest payable and similar expenses	6	<u>(14,205)</u>	<u>(45,763)</u>
Profit before taxation	7	182,151	220,877
Taxation on profit	8	<u>(44,390)</u>	<u>(47,682)</u>
Profit for the financial year		<u>137,761</u>	<u>173,195</u>
Other comprehensive income			
Currency translation differences		5,293	20,564
Change in fair value of cash flow hedges		5,366	3,149
Reclassifications to profit and loss of cash flow hedges		4,834	(29)
Remeasurement of employee benefit obligation	16	<u>(2,268)</u>	-
Taxation on other comprehensive income	17	<u>(1,387)</u>	<u>(531)</u>
Other comprehensive income for the financial year		<u>11,838</u>	<u>23,153</u>
Total comprehensive income for the financial year		<u>149,599</u>	<u>196,348</u>

Continuing operations

All amounts relate to continuing operations

The notes on pages 22 to 45 form part of these financial statements.

ALDI STORES LIMITED
REGISTERED NUMBER: 02321869

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Intangible assets	9		8,807		9,231
Tangible assets	10		3,973,674		3,581,979
			<u>3,982,481</u>		<u>3,591,210</u>
Current assets					
Inventories	12	380,569		337,083	
Debtors	13	257,200		271,944	
Cash at bank and in hand		86,753		130,894	
		<u>724,522</u>		<u>739,921</u>	
Creditors: amounts falling due within one year	14	(1,370,855)		(1,339,140)	
Net current liabilities			<u>(646,333)</u>		<u>(599,219)</u>
Total assets less current liabilities			<u>3,336,148</u>		<u>2,991,991</u>
Creditors: amounts falling due after more than one year	15		(584,267)		(415,026)
Provisions for liabilities					
Other provisions	16	(52,203)		(37,323)	
Deferred taxation	17	(24,875)		(14,438)	
			<u>(77,078)</u>		<u>(51,761)</u>
Net assets			<u>2,674,803</u>		<u>2,525,204</u>
Capital and reserves					
Called up share capital	18		1,061,429		1,061,429
Redenomination reserve			428		428
Capital reserve			130,247		130,247
Cash flow hedge reserve			11,028		2,589
Retained earnings			1,471,671		1,330,511
Shareholder's funds			<u>2,674,803</u>		<u>2,525,204</u>

The financial statements were approved and authorised for issue by the board and signed on its behalf by:

G HURLEY
Director

Date:

24/02/19

The notes on pages 22 to 45 form part of these financial statements.

ALDI STORES LIMITED
REGISTERED NUMBER: 02321869

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Intangible assets	9		4,814		5,612
Tangible assets	10		3,331,836		2,979,139
Investments	11		385,784		385,784
			<u>3,722,434</u>		<u>3,370,535</u>
Current assets					
Inventories	12	323,093		284,297	
Debtors	13	182,825		202,045	
Cash at bank and in hand		73,012		111,636	
		<u>578,930</u>		<u>597,978</u>	
Creditors: amounts falling due within one year	14	(1,181,570)		(1,157,272)	
Net current liabilities			<u>(602,640)</u>		<u>(559,294)</u>
Total assets less current liabilities			<u>3,119,794</u>		<u>2,811,241</u>
Creditors: amounts falling due after more than one year	15		(584,267)		(415,026)
Provisions for liabilities					
Other provisions	16	(44,461)		(31,359)	
Deferred tax	17	(20,152)		(10,800)	
			<u>(64,613)</u>		<u>(42,159)</u>
Net assets			<u>2,470,914</u>		<u>2,354,056</u>
Capital and reserves					
Called up share capital	18		1,061,429		1,061,429
Redenomination reserve			428		428
Capital reserve			130,247		130,247
Cash flow hedge reserve			11,455		2,602
Retained earnings			1,267,355		1,159,350
Shareholder's funds			<u>2,470,914</u>		<u>2,354,056</u>

ALDI STORES LIMITED
REGISTERED NUMBER: 02321869


COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account of the parent company has not been presented. The parent company's profit for the financial year is £109.665m (2017: £185.369m).

The financial statements were approved and authorised for issue by the board and signed on its behalf by:

G HURLEY
Director

Date:


24/02/19

The notes on pages 22 to 45 form part of these financial statements.

ALDI STORES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Redenomination reserve £000	Capital reserve £000	Cash flow hedge reserve £000	Retained earnings £000	Total £000
At 1 January 2017	1,061,429	428	130,247	-	1,136,752	2,328,856
Profit for the year	-	-	-	-	173,195	173,195
Other comprehensive income for the year	-	-	-	2,589	20,564	23,153
Total comprehensive income for the year	-	-	-	2,589	193,759	196,348
At 31 December 2017 and 1 January 2018	1,061,429	428	130,247	2,589	1,330,511	2,525,204
Profit for the year	-	-	-	-	137,761	137,761
Other comprehensive income for the year	-	-	-	8,439	3,399	11,838
Total comprehensive income for the year	-	-	-	8,439	141,160	149,599
At 31 December 2018	1,061,429	428	130,247	11,028	1,471,671	2,674,803

The capital reserve represents gifted unconditional funding contributions from the company's equity shareholder, which do not confer the right of repayment. The reserve is distributable.

The cash flow hedge reserve represents the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Retained earnings represents accumulated comprehensive income for the year and prior years.

Retained earnings includes £99.169m net gains (2017: £93.876m net gains) of accumulated currency translation differences which are non-distributable.

The notes on pages 22 to 45 form part of these financial statements.

ALDI STORES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £000	Redenomination reserve £000	Capital reserve £000	Cash flow hedge reserve £000	Retained earnings £000	Total £000
At 1 January 2017	1,061,429	428	130,247	-	973,981	2,166,085
Profit for the year	-	-	-	-	185,369	185,369
Other comprehensive income for the year	-	-	-	2,602	-	2,602
Total comprehensive income for the year	-	-	-	2,602	185,369	187,971
At 31 December 2017 and 1 January 2018	1,061,429	428	130,247	2,602	1,159,350	2,354,056
Profit for the year	-	-	-	-	109,665	109,665
Other comprehensive income for the year	-	-	-	8,853	(1,660)	7,193
Total comprehensive income for the year	-	-	-	8,853	108,005	116,858
At 31 December 2018	1,061,429	428	130,247	11,455	1,267,355	2,470,914

The capital reserve represents gifted unconditional funding contributions from the company's equity shareholder, which do not confer the right of repayment. The reserve is distributable.

The cash flow hedge reserve represents the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Retained earnings represents accumulated comprehensive income for the year and prior years.

The notes on pages 22 to 45 form part of the financial statements

ALDI STORES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £000	2017 £000
Cash flows from operating activities		
Profit for the financial year	137,761	173,195
Adjustments for:		
Taxation on profit	44,390	47,682
Interest receivable	(744)	(328)
Interest payable	14,205	45,763
Loss/(profit) on disposal of fixed assets	2,372	(395)
Depreciation expenses	140,647	124,317
Amortisation expenses	5,296	3,068
Increase in inventories	(43,486)	(39,578)
(Increase)/decrease in debtors	(4,971)	867
Increase in creditors	44,284	104,722
Increase in provisions	11,576	36,264
Foreign exchange differences	(145)	(905)
Taxation paid	(46,192)	(45,038)
Net cash generated from operating activities	304,993	449,634
Cash flows from investing activities		
Interest received	721	328
Purchase of intangible fixed assets	(4,841)	(2,917)
Purchase of tangible fixed assets	(531,102)	(447,280)
Proceeds from disposal of tangible fixed assets	10,746	4,925
Net cash used in investing activities	(524,476)	(444,944)

ALDI STORES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	£000	£000
Cash flows from financing activities		
Interest paid	(13,219)	(11,963)
Net receipts from group undertakings	23,672	47,717
Loan advances from group undertakings	165,000	-
Net cash generated from financing activities	175,453	35,754
Net (decrease)/increase in cash and cash equivalents	(44,030)	40,444
Cash and cash equivalents at beginning of year	130,671	89,599
Foreign exchange gains on cash and cash equivalents	112	628
Cash and cash equivalents at the end of year	86,753	130,671
Cash and cash equivalents consist of:		
Cash at bank and in hand	86,753	130,894
Bank overdrafts	-	(223)
Cash and cash equivalents	86,753	130,671

The notes on pages 22 to 45 form part of these financial statements.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Company information

Aldi Stores Limited is a private company limited by shares, incorporated and registered in England, United Kingdom. The address of its registered office is disclosed on page 1.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated and individual financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006. The financial statements have been prepared on the historical cost basis, modified by the recognition of certain financial assets and liabilities measured at fair value.

The financial statements are presented in Sterling (£) and are rounded to the nearest thousand.

2.2 Basis of consolidation

The consolidated financial statements incorporate the company and its subsidiary undertakings at 31 December 2018 using the acquisition method of accounting. The results of the subsidiary undertakings are included from the date at which they became subsidiaries and all intra-group transactions, balances, income, expenses, profits and losses are eliminated on consolidation.

All acquisitions are accounted for using the acquisition method of accounting.

2.3 Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate based on the preparation of cash flow forecasts for a 12 month period from the date of approval of these financial statements, including the possible outcomes resulting from Brexit, which indicate that sufficient funds should be available to enable the group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As a result, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

2.4 Exemptions

The company has taken advantage of the exemption under FRS 102 (paragraph 1.12) from preparing a statement of cash flows on the grounds the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows.

The company is a qualifying entity and has also taken advantage of the financial instrument and key management personnel compensation disclosure exemptions conferred by FRS 102 (paragraph 1.12), as the information is provided in the consolidated financial statement disclosures.

2.5 Turnover

Turnover is wholly attributable to activities undertaken in the United Kingdom and Ireland and represents amounts receivable (excluding value added tax and trade discounts) for goods supplied in the period. Revenue on retail store sales of goods is recognised when goods are sold to the customer and title has passed. An analysis of turnover by geographical and segmental market or class of business has not been disclosed in these financial statements as the directors consider this would be prejudicial to the group's interests.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.6 Intangible fixed assets and amortisation

Intangible fixed assets are stated at cost less amortisation and any recognised impairment in value.

Amortisation is provided at rates calculated to write off the cost of the fixed assets over their expected useful lives using the following rates or bases:

Software	3 years
Other intangibles	20 years

2.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and any recognised impairment in value.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives using the following rates or bases:

Freehold and long leasehold buildings	33 - 50 years
Additions and improvements to buildings	16.5 years
Equipment, fixtures and fittings	3 - 33 years
Motor vehicles	8 - 10 years
– vehicles and trailers	
– cars	4 years

Leasehold buildings are depreciated on a straight line basis over 33 years or, if shorter, the period of the lease. Freehold and long leasehold land are not depreciated.

Expenditure on new buildings is included in capital work in progress until the buildings achieve practical completion at which point they are transferred to the appropriate fixed asset category and depreciated accordingly.

2.8 Impairment of tangible and intangible assets

At each period end date, the group considers whether there is any indication that its tangible and intangible assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of net realisable value and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. Inventories held for the group's own use are valued by reference to their original cost.

2.10 Fixed asset investments

Investments are stated at cost less provisions for any diminution in value.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.11 Operating lease expenses

Payments made under operating leases are expensed to the statement of comprehensive income on a straight line basis over the lease term.

2.12 Taxation

The taxation expense is based on the result for the year as adjusted for disallowable items.

Full provision is made for deferred tax arising from all timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing difference is expected to reverse.

Deferred tax assets and liabilities are not discounted.

2.13 Foreign currency

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated into Sterling using the closing rate.

Exchange differences arising from trading are included in arriving at the operating result.

The results of the Irish subsidiary enterprises are translated into Sterling at the average rates of exchange for the year except for material exceptional items which are translated at the rate ruling on the date of transaction. The assets and liabilities of the Irish subsidiary enterprises are translated into Sterling at the closing exchange rate.

The exchange differences arising on the retranslation of the opening net assets of the Irish subsidiary enterprises and from the translation of profits or losses at average rates are recognised in other comprehensive income.

2.14 Financial instruments

The group has adopted sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.14 Financial instruments (continued)

recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

ii) Financial liabilities

Basic financial liabilities, including trade and other payables and bank and other loans are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The fair value of derivatives is calculated by reference to current derivative instrument contracts with similar maturity profiles. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement. Derivatives are carried as an asset when the fair value is positive and as liabilities when the fair value is negative.

iii) Hedging arrangements

The group has applied hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in profit or loss.

The gain or loss recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable or the hedging instrument is terminated.

2.15 Pensions

The group contributed to defined contribution group pension schemes during the year. The assets of the schemes are held separately from those of the group in independently administered funds.

Pension contributions are expensed to the statement of comprehensive income in the period to which they relate.

2.16 Cash

Cash in the statement of financial position consists of cash at bank, in hand and on-demand deposits with banks.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.17 Cash pooling

The group is part of a cash pooling arrangement with treasury companies within the Hofer KG group. Under this arrangement certain of the group's cash balances are pooled to the central treasury companies as part of the group's day-to-day cash management strategy. Cash is deposited in the pool for terms which are variable and depend on the group's expected future working capital requirements. Balances deposited in the cash pool are classified as amounts owed by group undertakings. Balances borrowed from the cash pool are classified as amounts owed to group undertakings. Interest receivable and payable on balances held with the cash pool are recognised in the statement of comprehensive income in the period to which they relate.

2.18 Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions when remeasuring provisions are expensed or credited to other comprehensive income.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. These are continually evaluated and are based on historical experience and reasonable expectations of future events. The items in the financial statements where judgements and estimates have been made include:

Useful economic lives of tangible fixed assets

The useful economic lives and residual values of tangible fixed assets are estimated based on economic utilisation and physical condition of the assets and are amended when necessary resulting in changes to the annual depreciation expense. The directors consider that the useful economic lives and residual values are appropriate.

Impairment of tangible and intangible fixed assets

The group considers whether tangible and intangible fixed assets are impaired. Where an indication of impairment is identified the group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset (or cash-generating unit). The value in use calculation is based on a discounted cash flow model. The amount and timing of the cash flows and the discount rate used in the model require management's judgement.

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits.

Provisions

Provision is made for employee benefit and property cost obligations. These provisions require management's best estimate of the costs that will be incurred based on contractual requirements.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. Employees and directors

Staff costs, including directors' remuneration, were as follows:

	2018 £000	2017 £000
Group		
Wages and salaries	824,517	744,351
Social security costs	72,212	65,908
Pension costs	19,388	36,608
	<u>916,117</u>	<u>846,867</u>

The average monthly number of employees, including part-time staff and directors was 35,359 (2017: 33,123).

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in separately administered funds. Contributions payable by the group to the schemes during the year amounted to £19.169m (2017: £14.863m).

	2018 £000	2017 £000
Company		
Wages and salaries	716,942	642,425
Social security costs	61,275	55,242
Pension costs	17,126	31,217
	<u>795,343</u>	<u>728,884</u>

The average monthly number of employees, including part-time staff and directors was 31,775 (2017: 29,737).

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in a separately administered fund. Contributions payable by the company to the scheme during the year amounted to £17.246m (2017: £13.102m).

Directors' remuneration

	2018 £000	2017 £000
Aggregate emoluments	4,290	4,333
Company contributions to defined contribution pension schemes	191	144
	<u>4,481</u>	<u>4,477</u>

Retirement benefits were accruing to three directors under a defined contribution pension scheme (2017: three) and an early retirement scheme.

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Employees and directors (continued)

	2018 £000	2017 £000
Highest paid director		
Aggregate emoluments	1,668	1,992
	<u>1,668</u>	<u>1,992</u>

Key management personnel

Key management include the directors and members of senior management. Total compensation payable to key management for employee services is £13.671m (2017: £13.896m).

5. Interest receivable and similar income

	2018 £000	2017 £000
Bank interest receivable	18	52
Interest receivable from group undertakings	703	276
Other interest receivable	23	-
Total interest receivable and similar income	<u>744</u>	<u>328</u>

6. Interest payable and similar expenses

	2018 £000	2017 £000
Bank Interest payable	41	6
Interest payable to group undertakings	13,153	11,480
Other interest payable	25	477
Finance expense on provisions	96	-
Total interest expense on financial liabilities not measured at fair value through profit or loss	<u>13,315</u>	<u>11,963</u>
Losses on derivative financial instruments	-	33,040
Net interest payable on employee benefit obligations	890	760
Total interest payable and similar expenses	<u>14,205</u>	<u>45,763</u>

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. Profit before taxation

This is stated after expensing/(crediting):

	2018 £000	2017 £000
Fees payable to the company's auditor for the audit of the parent company and the group's consolidated financial statements	246	226
Fees payable to the company's auditor and its associates for other services:		
Audit of the company's subsidiaries	50	45
Other assurance and advisory fees	969	139
Inventory recognised as an expense	9,236,694	7,839,891
Depreciation	140,647	124,317
Amortisation	5,296	3,068
Impairment of tangible fixed assets (included in 'loss/(profit) on disposal of fixed assets')	2,143	911
Tangible fixed assets impairment reversal (included in 'loss/(profit) on disposal of fixed assets')	(2,294)	(5,010)
Operating lease expenses	84,966	81,266
Foreign exchange loss	10,409	4,138

The tangible fixed asset impairment expense and reversal have been recognised based on changes in the independent external valuation of the group's individual property assets at 31 December 2018 compared to previous valuations. The impairment reversal partially reverses impairment losses previously recognised.

The amount of foreign exchange differences arising during the year and classified in equity at 31 December 2018 is a loss of £5.116m (2017: £16.426m gain).

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Taxation on profit

Analysis of expense for the year

	2018 £000	2017 £000
Corporation tax		
UK Corporation tax at 19.00% (2017: 19.25%)	33,175	46,500
UK Corporation tax adjustments in respect of previous periods	(2,800)	(2,797)
Overseas tax	5,037	8,204
Overseas tax adjustments in respect of previous periods	(42)	(38)
Total current tax	35,370	51,869
Deferred tax		
Origination and reversal of timing differences	6,492	(4,291)
Adjustments in respect of previous periods	2,528	104
Total deferred tax	9,020	(4,187)
Taxation on profit	44,390	47,682

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

8. Taxation on profit (continued)

Factors affecting tax expense for the year

The tax assessed differs from that arrived at by applying the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit before taxation	182,151	220,877
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	34,609	42,519
Effects of:		
Ineligible depreciation	11,867	10,896
Expenses not deductible for tax purposes	1,068	1,190
Income not taxable	-	(79)
Adjustments to tax expense in respect of previous periods	(314)	(2,731)
Difference in tax rates	(636)	615
Loss/(profit) on disposal of fixed assets	734	(17)
Income taxed at higher rates	317	-
Effects of overseas tax rates	(3,255)	(4,711)
Total tax expense for the year	44,390	47,682

The loss/(profit) on the disposal of fixed assets is separately disclosed on the face of the statement of comprehensive income and its effect on the tax expense is shown in the reconciliation above, within loss/(profit) on disposal of fixed assets.

Factors that may affect future tax expenses

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's and group's future current tax expense accordingly.

The group has capital losses of £180.608m (2017: £179.135m) available indefinitely for carry forward against future capital profits. A deferred tax asset of £30.270m (2017: £30.134m) relating to the capital losses has not been recognised due to uncertainty over whether sufficient profits against which these losses could be offset will be generated in the foreseeable future.

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Intangible fixed assets

Group

	Software £000	Other Intangibles £000	Total £000
Cost			
At 1 January 2018	14,912	13,702	28,614
Additions	4,399	442	4,841
Disposals	(37)	-	(37)
Exchange differences	16	113	129
At 31 December 2018	19,290	14,257	33,547
Amortisation			
At 1 January 2018	8,413	10,970	19,383
Expense for the year	5,102	194	5,296
Disposals	(37)	-	(37)
Exchange differences	8	90	98
At 31 December 2018	13,486	11,254	24,740
Net book value			
At 31 December 2018	5,804	3,003	8,807
At 31 December 2017	6,499	2,732	9,231

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9. Intangible fixed assets (continued)

Company

	Software £000
Cost	
At 1 January 2018	13,024
Additions	3,694
Disposals	(37)
At 31 December 2018	16,681
Amortisation	
At 1 January 2018	7,412
Expense for the year	4,492
Disposals	(37)
At 31 December 2018	11,867
Net book value	
At 31 December 2018	4,814
At 31 December 2017	5,612

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Tangible fixed assets

Group

	Land and buildings £000	Capital work in progress £000	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2018	3,909,357	144,884	486,019	59,860	4,600,120
Additions	111,934	285,574	130,442	12,136	540,086
Disposals	(33,060)	(497)	(28,081)	(864)	(62,502)
Reclassifications	303,266	(303,502)	(6,530)	6,766	-
Exchange differences	6,274	69	687	2	7,032
At 31 December 2018	4,297,771	126,528	582,537	77,900	5,084,736
Depreciation					
At 1 January 2018	726,723	-	270,153	21,265	1,018,141
Expense for the year	92,010	-	42,493	6,144	140,647
Disposals	(23,024)	-	(25,450)	(759)	(49,233)
Reclassifications	(6)	-	(5,596)	5,602	-
Provision for impairments	(151)	-	-	-	(151)
Exchange differences	1,187	-	469	2	1,658
At 31 December 2018	796,739	-	282,069	32,254	1,111,062
Net book value					
At 31 December 2018	3,501,032	126,528	300,468	45,646	3,973,674
At 31 December 2017	3,182,634	144,884	215,866	38,595	3,581,979

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. Tangible fixed assets (continued)

During the year the directors have re-assessed the classification of certain fixed assets and made the appropriate reclassifications. No depreciation terms have changed as a result.

Included within the cost of land and buildings are amounts relating to freehold land and long leasehold land of £1,542.624m and £99.476m (31 December 2017: £1,462.944m and £105.081m) respectively. Freehold and long leasehold land are not depreciated.

The net book value of land and buildings consists of freehold property, long leasehold property and short leasehold property of £3,262.059m, £166.785m and £72.188m (31 December 2017: £2,945.409m, £172.696m and £64.529m) respectively.

The net book value at 31 December 2017 included impairment provisions against land and buildings of £38.605m. During the year £12.588m of this provision was released, due to the properties against which the provisions were made having been sold or which would have been adjusted for in an earlier period if more accurate information had been available. The provisions have also been subject to exchange rate movements of £0.267m. Further impairment provisions of £2.143m have been made and the cumulative amount of the provision at December 2018 is £28.427m (31 December 2017: £38.605m) based on independent external valuations.

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Tangible fixed assets (continued)

Company

	Land and buildings £000	Capital work in progress £000	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2018	3,152,460	136,551	402,526	59,670	3,751,207
Additions	96,553	260,361	114,139	12,055	483,108
Disposals	(24,522)	-	(21,453)	(864)	(46,839)
Reclassifications	276,159	(276,394)	(4,739)	4,974	-
At 31 December 2018	3,500,650	120,518	490,473	75,835	4,187,476
Depreciation					
At 1 January 2018	537,827	-	213,166	21,075	772,068
Expense for the year	77,752	-	36,406	6,046	120,204
Disposals	(16,361)	-	(19,534)	(759)	(36,654)
Reclassifications	(6)	-	(4,145)	4,151	-
Provision for impairments	22	-	-	-	22
At 31 December 2018	599,234	-	225,893	30,513	855,640
Net book value					
At 31 December 2018	2,901,416	120,518	264,580	45,322	3,331,836
At 31 December 2017	2,614,633	136,551	189,360	38,595	2,979,139

During the year the directors have re-assessed the classification of certain fixed assets and made the appropriate reclassifications. No depreciation terms have changed as a result.

Included within the cost of land and buildings are amounts relating to freehold land and long leasehold land of £1,249.145m and £83.790m (31 December 2017: £1,182.192m and £83.572m) respectively. Freehold and long leasehold land are not depreciated.

The net book value of land and buildings consists of freehold property, long leasehold property and short leasehold property of £2,698.004m, £140.908m and £62.504m (31 December 2017: £2,419.528m, £138.595m and £56.510m) respectively.

The net book value at 31 December 2017 included impairment provisions against land and buildings of £13.306m. During the year £5.595m of this provision was released, due to the properties against which the provisions were made having been sold or which would have been adjusted for in an earlier period if more accurate information had been available. Further impairment provisions of £1.987m were made and the cumulative amount of the provision at 31 December 2018 is £9.698m (31 December 2017: £13.306m) based on independent external valuations.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

11. Fixed asset investments

Company

	Investment in capital in subsidiary undertakings £000
Cost or valuation	
At 1 January 2018	385,784
At 31 December 2018	385,784
Net book value	
At 31 December 2017 and 31 December 2018	385,784

The principal subsidiaries of the company are as follows:

	Principal activity	Class of shares	% holding	Country of registration
Aldi Stores (Ireland) Limited	Grocery retail	Ordinary	100%	Ireland ⁴
Aldi Stores (Ireland) Developments Limited	Property development	Ordinary	100% ¹	Ireland ⁴
Aldi Stores (Ireland) Retirement Benefits Trustee Company Limited	Dormant	Ordinary	100% ^{1,2}	Ireland ⁴
Aldi Limited	Dormant	Ordinary	100% ³	England and Wales ⁵

1 Investment is held through a subsidiary company

2 Subsidiary has claimed exemption from audit under section 365 of Irish Companies Act 2014

3 Subsidiary has claimed exemption from audit under section 480 of Companies Act 2006

4 Registered office: 67-68 Fitzwilliam Square, Dublin 2, Ireland

5 Registered office: Holly Lane, Atherstone, Warwickshire CV9 2SQ

All of the above subsidiaries are included in the consolidation.

12. Inventories

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Goods for resale	379,335	335,093	321,894	282,754
Goods for own use	1,234	1,990	1,199	1,543
	380,569	337,083	323,093	284,297

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Debtors

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Other receivables	25,293	25,973	23,384	24,052
Amounts owed by group undertakings	188,118	207,358	118,543	141,163
Derivative financial instruments	17,898	18,373	17,505	18,372
Prepayments and accrued income	25,891	20,240	23,393	18,458
	257,200	271,944	182,825	202,045

Amounts owed by group undertakings are unsecured, have no fixed repayment date and are repayable on demand.

Further details regarding derivative financial instruments are given in note 19.

14. Creditors: Amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank overdrafts	-	223	-	223
Trade payables	1,141,827	1,115,640	993,857	969,950
Corporation tax	9,048	19,893	9,484	19,822
Other taxes and social security	19,680	25,700	16,882	15,202
Other payables	83,949	73,767	65,670	62,446
Derivative financial instruments	3,959	15,224	3,066	15,206
Accruals and deferred income	106,487	87,220	87,616	73,129
Amounts owed to group undertakings	5,905	1,473	4,995	1,294
	1,370,855	1,339,140	1,181,570	1,157,272

Amounts owed to group undertakings are unsecured, have no fixed repayment date and are repayable on demand.

Further details regarding derivative financial instruments are given in note 19.

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Creditors: Amounts falling due after more than one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Other payables	4,267	26	4,267	26
Loans from group undertakings	580,000	415,000	580,000	415,000
	584,267	415,026	584,267	415,026

Loans from group undertakings are unsecured, attract an internally agreed market rate of interest and are repayable in 2021.

16. Provisions for liabilities

Group

	Employee benefits £000	Other provisions £000	Total £000
At 1 January 2018	37,323	-	37,323
Additions dealt with in profit or loss	5,095	-	5,095
Amounts dealt with in other comprehensive income	2,268	-	2,268
Amounts dealt with in fixed assets	-	7,488	7,488
Unwind of discount	890	96	986
Exchange differences	49	-	49
Amounts utilised	(1,006)	-	(1,006)
At 31 December 2018	44,619	7,584	52,203

Company

	Employee benefits £000	Other provisions £000	Total £000
At 1 January 2018	31,359	-	31,359
Amounts dealt with in profit or loss	4,469	-	4,469
Amounts dealt with in other comprehensive income	2,000	-	2,000
Amounts dealt with in fixed assets	-	6,726	6,726
Unwind of discount	800	94	894
Amounts utilised	(987)	-	(987)
At 31 December 2018	37,641	6,820	44,461

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. Provision for liabilities (continued)

Employee benefit obligations existing at the period end date are recognised in accordance with the accounting policy stated in note 2. In assessing the obligation the following assumptions have been used: discount rate of 2.6% and price inflation of 2.4% per annum. The directors have also utilised a staff turnover and salary increase percentage based on historic information in determining the year end employee benefit provision.

It is expected that payments of £1.002m will be made in the year ended 31 December 2019 in respect of the employee benefit obligation. The timing of the remaining payments to fully settle the obligation are uncertain.

Other provisions relate to property cost obligations existing at the prior period end date are recognised in accordance with the accounting policy stated in note 2. It is expected that payments of £0.210m will be made in the year ended 31 December 2019 in respect of the obligation.

17. Deferred taxation

Group

	2018 £000	2017 £000
At 1 January	14,438	17,990
Additions dealt with in profit or loss	9,020	(4,187)
Additions dealt with in other comprehensive income	1,387	531
Foreign translation adjustment	30	104
At 31 December	24,875	14,438

Company

	2018 £000	2017 £000
At 1 January	10,800	14,900
Additions dealt with in profit or loss	7,872	(4,633)
Additions dealt with in other comprehensive income	1,480	533
At 31 December	20,152	10,800

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17. Deferred taxation (continued)

Deferred taxation

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Accelerated capital allowances	29,644	20,298	23,963	15,866
Other timing differences	(4,769)	(5,860)	(3,811)	(5,066)
	<u>24,875</u>	<u>14,438</u>	<u>20,152</u>	<u>10,800</u>

The deferred tax liability is not expected to materially change in 2019.

18. Called up share capital

	2018 £000	2017 £000
Allotted, issued and fully paid:		
1,061,429,168 ordinary shares of £1 each (2017: 1,061,429,168 ordinary shares of £1 each)	<u>1,061,429</u>	<u>1,061,429</u>

Called up share capital represents the nominal value of the shares that have been issued. There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

19. Financial instruments

Group

	2018 £000	2017 £000
Financial assets measured at fair value through profit or loss:		
Derivative financial instruments	17,898	18,373
Financial assets measured at amortised cost:		
Other receivables	25,293	25,973
Amounts owed by group undertakings	188,118	207,358
	213,411	233,331
Financial liabilities measured at fair value through profit or loss:		
Derivative financial instruments	3,959	15,224
Financial liabilities measured at amortised cost:		
Trade payables	1,141,827	1,115,640
Other payables	3,263	3,257
Amounts owed to group undertakings	5,905	1,473
Loans from group undertakings	580,000	415,000
	1,730,995	1,535,370

Derivative financial instruments - forward contracts

The group enters into forward foreign currency contracts to mitigate the exchange rate risk for foreign currency payables. This hedging arrangement fixes the exchange rate of forecast transactions denominated in foreign currencies.

The forward exchange contracts are designated as hedging instruments and their fair value is based on their listed market price, if available, otherwise fair value is determined by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. The net fair value of the forward foreign currency contracts at 31 December 2018 is an asset of £13.939m (2017: £3.149m)

At 31 December 2018 the outstanding forward exchange contracts all mature within 12 months (2017: 12 months). The cash flows associated with the contracts are expected to affect profit or loss and are expected to occur within 12 months (2017: 12 months).

A hedging gain of £10.790m (2017: £3.149m), representing the change in fair value of the forward exchange contracts, was recognised in other comprehensive income in the year.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

20. Financial commitments

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Capital commitments	172,402	129,128	145,461	115,593

Capital commitments represent property, plant and equipment capital expenditure contracted for but not provided in the financial statements. The commitments will be funded from operating cash flow. Group commitments of £150.433m (2017: £115.913m) are due within one year and £21.969m (2017: £13.215m) due over one year. Company commitments of £134.583m (2017: £107.951m) are due within one year and £10.878m (2017: £7.642m) due over one year.

Lease commitments

The group's future minimum operating lease payments are as follows:

	2018 £000	2017 £000
Payment due:		
Within 1 year	78,562	70,893
Between 1 and 5 years	283,508	262,500
Over 5 years	789,225	718,722
	1,151,295	1,052,115

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

21. Company control and transactions with directors and related parties

The immediate parent company of Aldi Stores Limited is Hofer KG, an Austrian partnership. The ultimate controlling party is Hofer KG during the current and prior year. In the opinion of the directors, Hofer KG is not controlled by any party. The company is exempt from disclosing related party transactions with its wholly owned group subsidiaries.

G Hurley, director of the company, has a loan of £0.144m (2017: £0.172m) outstanding at 31 December 2018. The loan attracts interest at 1.25% per annum (2017: 1.25% per annum) which has been paid in the year. Repayments have been made during the year of £0.030m (2017: £0.025m) on the loan with the remaining balance being repayable in full by February 2032.

During the year the group and company made total loans of £nil (2017: £0.235m) to key management personnel including directors, total repayments of £0.163m (2017: £0.063m) were received and the total amount outstanding at 31 December 2018 is £0.384m (2017: £0.541m). The loan attracts interest at 1.25% per annum (2017: 1.25% per annum) which has been paid in the year.

During the year the group received services amounting to £45.206m (2017: £nil) from Aldi IIT Administration Services GmbH and services amounting to £7.248m (2017: £40.585m) from Aldi International Services GmbH. At 31 December 2018 £nil (2017: £nil) remains outstanding to Aldi IIT Administration Services GmbH and £0.744m (2017: £0.335m debtor) remains outstanding to Aldi International Services GmbH and is included within creditors falling due within one year (2017: debtors due within one year). The Siepmann Stiftung and Carolus Stiftung have significant influence over Aldi IIT Administration Services GmbH, Aldi International Services GmbH and Aldi Stores Limited.

During the year the group received services of £6.608m (2017: £5.121m) from Hofer KG. At 31 December 2018 £0.761m (2017: £0.431m debtor) remains outstanding to Hofer KG and is included within creditors falling due within one year (2017: debtors due within one year).

During the year the group made purchases of £32.239m (2017: £23.249m) from EIE Import GmbH. At 31 December 2018 £4.347m (2017: £1.315m) remains outstanding to EIE Import GmbH and is included within creditors falling due within one year. EIE Import GmbH is a member of the Hofer KG group.

During the year the group received services amounting to £6.523m (2017: £5.742m) from Aldi Ahead GmbH. At 31 December 2018 £nil (2017: £nil) remains outstanding to Aldi Ahead GmbH. Aldi Ahead GmbH is a member of the Hofer KG group.

At 31 December 2018 £72.121m (2017: £32.392m) and £115.579m (2017: £173.950m) is owed to the group by Hofer Cash Management GmbH and Hofer Financial Services GmbH respectively and is included within debtors due within one year. At 31 December 2018 loans of £580.000m (2017: £415.000m) are owed to Hofer Financial Services GmbH and are included in creditors falling due after more than one year. Hofer Cash Management GmbH and Hofer Financial Services GmbH are members of the Hofer KG group.