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Costcutter Supermarkets Holdings Limited

**Annual report and consolidated
financial statements**

Registered number 05625016

For the year ended 31 December 2017



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Company information

Directors

D Willson-Rymer
DM Thompson
D Quest (resigned 31 May 2017)
HG Edwards
JA Wilson (resigned 10 May 2018)
MA Seeger
LR Christensen
HD Woodcock (resigned 28 September 2017)
MP Brown (resigned 31 January 2018)
MJ Lyons
M Hollis (appointed 25 May 2018)

Company secretary

Bibby Bros. and Co. (Management) Limited

Registered office

105 Duke Street
Liverpool
L1 5JQ

Auditors

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Bankers

Barclays Bank plc
PO Box 190
2nd Floor
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Leeds
LS1 5WU

Strategic report

The directors present their strategic report for the financial period which consists of the year ended 31st December 2017 (2016: year ended 24th December).

Review of the business

Principal activities

Costcutter Supermarkets Holding Limited ("the group") is the holding company for Costcutter Supermarkets Group ("CSG") which operates as a convenience retail symbol group in the UK. The group supports multiple fascias including Costcutter, Mace, Simply Fresh, Kwiksave and Supershop. CSG also owns and operates several stores directly.

Strategy

Our aspiration is to be the leading symbol operator in the UK. At the core of the strategy is the delivery of market leading solutions to independent convenience retailers, to enable them to service the needs of their consumers, to maximise their sales and to optimise their profitability within a highly competitive, growing segment of the grocery market.

Based on a deep understanding of the retailers' and shoppers' needs, we focus on supplying the right product range at competitive prices with strong promotional offers, whilst providing a frequent and flexible delivery service. We also provide a wide range of value adding services for our retailers including marketing their stores to their shoppers, helping them to maximise the effectiveness of their store space and promotional activity.

Our strategy is built on four key pillars:

- A retailer proposition (range, price, promotions, delivery services and other retailer services) that best meets retailers' and shoppers' needs;
- The best consumer/brand proposition which attracts shoppers and makes it clear what to expect from a store operating under one of our fascia;
- An efficient and effective operating model;
- Driving growth to maximise the value potential for all stakeholders.

Business model

Since it was founded in 1986, CSG has operated several long-term strategic partnerships with third parties to source and distribute goods – first with Nisa, then with Palmer & Harvey, and as of May 2018 with the Co-op. We invest in and support our retailers with innovative programmes and advice. We provide best-in-class marketing support for retailers including digital advertising, social media, promotions, leaflets and point of sale materials to drive footfall and sales. Our competitive product range includes a strong own label range which enables our independent retailers to offer quality products at an affordable price to their shoppers while benefitting from attractive margins.

To succeed we have continuously adapted our business model and its execution, which has enabled us to offer the right products and services to all our retailers. We also continue to focus our support on retailers with strong standards who want to partner with us for the mutual benefit of both businesses.

Business Review 2017

By entering into a five years supply agreement with the Co-op in November 2017, CSG has laid the foundation to successfully implement and execute its market-leading strategies.

Having worked with Palmer & Harvey in a strategic partnership since March 2014, it became increasingly apparent through 2017 that Palmer & Harvey's long-term strategies were not compatible with our own and their offering and service was not at a level that our retailers required to be successful. This led to CSG conducting a comprehensive market review with the aim of entering a new supply partnership.

On 17th November 2017, CSG signed a new long-term supply agreement with the Co-op. We had planned to work on a mutually beneficial transition with Palmer & Harvey and the Co-op during 2018. Sadly, Palmer & Harvey filed for administration on 28th November. The 5-year supply agreement with the Co-op was

announced on 29th November. At the same time, our contingency plans were activated, and we started to rapidly re-establish supply for our retailers. Within a few days, the majority of our retailers had access to an interim supply solution.

In summary, 2017 was characterised by three distinctive periods:

- During the first six months we focused on strengthening our retailer and shopper proposition and on executing our Shopper First Programme even with sub-optimal availability levels. To address the availability issues, we also established several joint taskforces with P&H with the aim of improving service levels.
- Through the second half of the year up to the collapse of P&H, availability levels continued to deteriorate further and managing the impact of the declining availability levels became our main focus.
- December 2017 was all about establishing interim supply solutions and putting a plan in place to accelerate the transition to the Co-op supply agreement.

Our business performance in 2017 was significantly impacted by the continuously declining service levels in the wake of P&H's financial challenges. The group's 2017 turnover of £512m was negatively impacted by the full year impact of exiting the unprofitable trading with MFG in 2016 and by the low availability levels we experienced through the year.

CSG served 1,776 stores at the end of December 2017. The decrease versus 2016 is due to the loss of the final tranche of MFG stores in 2017, reducing the number of retailers with low standards, and due to retailers leaving during the P&H availability crisis and after the P&H collapse. However, we ended 2017 with a strong pipeline of retailers looking to join the group, especially following the Co-op supply deal announcement.

In addition, we continued the journey in 2017 of improving our financial performance despite a lower turnover by eliminating non-value adding costs and stopping business with unprofitable retailers. The group's 2017 Ebitda - i.e. Operating Profit before goodwill amortization and exceptional costs - of £3.9m was a +£3.5m improvement versus 2016 and a +£11m improvement over the past 2 years.

In August 2018, CSG reached a commercial agreement with the Administrators of Palmer & Harvey in which it was agreed that all mutual claims are settled. As part of that agreement, CSG agreed to waive its claim to £6.1m receivable from Palmer & Harvey. The resulting charge to write down the receivables balance has been shown as an exceptional item in the profit and loss account.

In the light of the impact of the collapse of Palmer & Harvey on the size and shape of CSG's trading and to address the uncertainties facing the UK retailer sector, the group impaired intangible goodwill of £39.1m relating to the acquisition of the group by the Bibby Line Group.

In this context, the Bibby Line Group is reviewing options to restructure the group's balance sheet. The intention is to complete the review and implement recommendations before the end of 2018. This is expected to strengthen the balance sheet which is positive for the group's business and also positive for the Bibby Line Group as shareholder.

Outlook 2018

The first three months of 2018 have seen CSG operating through our interim supply arrangements while we worked with the Co-op to accelerate the implementation of our new supply arrangement. Transformation and growth plans have also been put in place to coincide with the activation of the new Co-op supply partnership in May.

Under the five-year supply agreement, the Co-op is the exclusive partner for centralised purchase of products and delivery to stores, with CSG having access to a broad product range including Co-op's own label range which is a major draw for shoppers. In addition, CSG will be able to offer the option for independent retailers to operate as a Co-op franchise under a separate Master Franchise Agreement. The first Co-op franchise stores have been opened and are exceeding the joint expectations of CSG and the Co-op.

The Co-op is the right partner for CSG. By working with the Co-op we are bringing together the wholesale strength and grocery retailing expertise of the Co-op with our in-depth understanding of the independent convenience sector to create the best possible offer for all independent retailers and the expertise of Co-op subsidiary, Nisa, to provide a reliable supply chain. This partnership greatly enhances our ability to evolve as the market changes and ensures we are truly putting the shopper first. As a convenience retailer, the Co-op has

the right range, pricing and promotional offering and a strong own label brand; and, of course, the Co-op will be able to provide a reliable delivery service day in, day out.

Both of our business strategies are highly compatible which enables us to not only recapture lost sales, but also to grow our business based on the right fundamentals and the additional opportunity of being a master franchise for the Co-op.

Our focus now is on growing sales by delivering the best retail offer in the Symbol sector. Everything is now in place to enable us to do this. The benefits of the Co-op supply deal are already being seen with retailers telling us how positive shoppers are about the new range, especially as the Co-op Own Brand products come into store.

Investment in our retail offer remains our number one priority even as we reshape our business to reflect the need to streamline our activities. Our Shopper First Programme is delivering excellent levels of sales growth among participating stores and in 2019 we will be entering the second phase of this programme which will bring a considerable number of new benefits to our retailer's business. We will also continue to invest in both making our retailers lives easier and in providing outstanding retail support which is available for each and every CSG retailer.

Our retailers' loyalty through this last year has been invaluable and has been rewarded with the retail offer, new commercial terms and investment we are delivering. In today's constantly evolving convenience market, the opportunity to help grow our retailers' businesses has never been greater and CSG is committed to working with our retailers to help them to thrive in the years ahead.

During 2018, the focus will be on the areas that will help our retailers to be successful in a competitive, inflationary market:

- Rebuilding service level reliability day-in, day-out through our new partnership with the Co-op/Nisa;
- Ensuring that our retailers choose the most suitable range for their shoppers' needs from a broad range offering and that they have access to the most competitive prices and terms in the symbol sector;
- Expanding the offering of fresh food, food-to-go and Co-op Own Brand products in our stores;
- Strengthening our fascia to drive footfall and spend through both the Costcutter brand proposition and by re-launching a redesigned Mace brand;
- Building on the success of the industry-leading Shopper First Programme through a second phase of investment that will drive additional sales growth among participating stores;
- Focusing on retailer recruitment promoting our unique offering and proven competitive advantage for independent retailers; this will include offering new and existing retailers the option to become a Co-op franchise store.

Principal risks and uncertainties

The group faces strategic, operational and financial risks relating to its chosen activities and markets.

The group operates a best-in-class risk management approach for our in-house systems, processes and controls that support the efficient and effective management of its products, costs and price information and the supply chain (ordering and billing). Business Continuity plans are in place to ensure continuation of operations and disaster recovery of IT Systems in the event of an incident or failure. The group's directors regularly monitor key business risks and review them quarterly with the Board. Appropriate actions are taken to address any immediate risks and to mitigate future risks. The efficiency and effectiveness were validated as part of the emergency response to the P&H collapse.

Economic conditions, competition and consolidation within the convenience segment of the grocery market have led to fluctuations in sales volumes and the number of CSG retailers. The UK has experienced significant changes in consumer shopping habits in recent years with the growth of limited range discounters and an increased propensity to 'shop around' for the best value. We are proactively working with our retailers to create compelling propositions through the Shopper First Programme and the new agreement with the Co-op offers us increased buying scale to compete. There is further uncertainty due to the unknown parameters of Brexit and increasing inflation.

CSG continually reviews its proposition and offer to retailers to ensure that the product price and range is competitive and that service levels are high. As well as employing a responsive, skilled and experienced field force, the Retailer Board improves communication and engagement between the company and its retailers, ensuring that customers' concerns are at the forefront of planning and execution.

CSG entered a strategic partnership with Co-op which has commenced in May 2018. We are monitoring the progress of the full implementation of the new agreement, its impact on retailer loyalty and profitability to manage any risk associated with the transition, sales or margin.

As its major provider of supply and distribution services, the operating performance of Co-op/Nisa is key to ensuring the appropriate level and continuity of services to retailers. We have prioritised the need to regain the loyalty of many of our retailers which had been tested over the past 12 months by ensuring that we meet their requirements day in, day out.

All debt and claims with P&H have been resolved and settled. There are no residual financial or operational risks remaining relating to P&H.

A new main bank facility is in place until September 2021 and is secured against trade debts. In addition, the Bibby Line Group continues to support the group and has committed new additional working capital facilities to the group.

The company is expected to generate sufficient funds in the coming years to meet its financial commitments and fund its growth plans.

With Co-op as CSG's new supply chain partner, we will help our independent retailers to thrive and we will jointly grow our businesses in the years to come.

By order of the board


D Willson-Rymer
Director

105 Duke Street
Liverpool
L1 5JQ

28 September 2018

Directors' report

The directors present their directors' report and the audited financial statements for the financial period which consists of the year ended 31 December 2017.

Basis of Preparation

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 5.

The adoption of the going concern basis was used to prepare these accounts. For further perspective please refer to Note 1.

Group Results and dividends

The results for the year are set out on page 13. The directors do not recommend the payment of a dividend (2017: *£nil*) and accordingly the loss for the year of £59.1m (2016: *loss of £17.5m*) has been taken to reserves.

Exceptional items

As disclosed in note 4 to the financial statements, exceptional costs of £6m were recognised for the year (2016: *£nil*). 2017's exceptional costs were dominated by provisions against receivables due from P&H following their entering into Administration in November 2017.

Directors' report *(continued)*

Directors

The directors who served during the year and up to the date of signing the financial statements are set out below:

D Willson-Rymer
DM Thompson
D Quest (resigned May 2017)
JA Wilson (resigned 10 May 2018)
HG Edwards
LR Christensen
HD Woodcock (resigned September 2017)
MA Seeger
MJ Lyons
MP Brown (resigned 31 January 2018)
M Hollis (appointed 25 May 2018)

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of a disabled person should, as far as is possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the group as a whole. Communication with all employees continues through newsletters and colleague briefings.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of changes in interest rates, liquidity or credit.

The group operates an overdraft and a confidential invoice discounting facility which attracts interest at a variable rate. As at 31st December 2017, £12.8m of the group's net debt is with the bank (Barclays) and £120.8m is with the parent company. Note 17 of the financial statements provides details of the maturity profile of the debt.

Directors' report *(continued)*

Financial risk management *(continued)*

The group has implemented policies that require appropriate credit checks on potential customers before sales are made with further security taken where appropriate. All outstanding balances are reviewed through credit control policies in place.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



D Willson-Rymer
Director

105 Duke Street
Liverpool
L1 5JQ

28 September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS¹

The directors are responsible for preparing the Annual Report, 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 UK accounting standards and applicable law (UK 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.



KPMG LLP
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSTCUTTER SUPERMARKETS HOLDINGS LIMITED

Opinion

We have audited the financial statements of Costcutter Supermarkets Holdings Ltd ("the company") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows, the Consolidated Statement of Other Comprehensive Income, the Company Statement of Financial Position and related notes, including the accounting policies in note 1.

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 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK 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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the group incurred a net loss of £59.1m for the year (2016: £17.5m), had net current liabilities of £25.0m (2016: £27.7m), that Bibby Line Group continues to provide support to the group and that further support may be required should the forecasted improvement in trading not materialise. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 that report 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 that report 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 10, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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.

Chris Hearld (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

28 September 2018

Consolidated Income Statement
For the year ended 31 December 2017

	<i>Note</i>	Year ended 31 December 2017 £000	Year ended 24 December 2016 £000
Turnover	2	512,196	627,915
Cost of sales		(466,271)	(578,407)
Gross profit		45,925	49,508
Distribution costs		(17,785)	(21,062)
Administrative expenses		(43,420)	(39,985)
Other operating income	7	2,398	1,606
Operating profit before goodwill amortisation and exceptional items		3,854	387
Depreciation	11	(4,167)	(3,819)
Goodwill amortisation	10	(6,477)	(6,501)
Exceptional items	4	(6,092)	-
Group Operating loss	3	(12,882)	(9,933)
(Loss)/Profit on disposal of fixed assets		(738)	58
Impairment of intangible assets	11	(39,200)	(717)
Loss on ordinary activities before interest		(52,820)	(10,592)
Interest payable and similar charges	8	(7,057)	(8,667)
Loss on ordinary activities before taxation		(59,877)	(19,259)
Tax on loss on ordinary activities	9	748	1,756
Loss for the financial period		(59,129)	(17,503)

There is no difference between the loss on ordinary activities before taxation and the loss sustained for the financial year stated above, and their historical cost equivalents.

The notes on pages 19-40 form part of these financial statements.

Reconciliation of movement in shareholders' funds

For the year ended 31 December 2017

	Year ended 31 December 2017			Year ended 24 December 2016
	Revaluation Reserve	Profit and Loss Account	Total	Total
			£000	£000
Loss for the financial period	-	(59,129)	(59,129)	(17,503)
Revaluation of fixed assets	77	-	77	4,348
Disposal of fixed assets	(935)	935	-	-
Amortisation of revaluation reserve	(369)	369	-	-
Movement during the year	(1,227)	(57,825)	(59,052)	(13,155)
Opening position	4,348	(79,151)	(74,803)	(61,648)
Closing position	3,121	(136,976)	(133,855)	74,803

The notes on pages 19-40 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	<i>Note</i>	31 December 2017 £000	24 December 2016 £000
Fixed assets			
Intangible assets	10	229	45,722
Tangible assets	11	13,189	15,590
Investments	12	149	253
		<hr/>	<hr/>
		13,567	61,565
		<hr/>	<hr/>
Current assets			
Stocks	13	1,604	1,481
Debtors	14	32,939	61,384
Cash at bank and in hand	15	-	5,014
		<hr/>	<hr/>
		34,543	67,879
		<hr/>	<hr/>
Creditors: amounts falling due within one year	16	(59,529)	(95,563)
		<hr/>	<hr/>
Net current liabilities		(24,986)	(27,684)
		<hr/>	<hr/>
Total assets less current liabilities		(11,419)	33,881
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	17	(121,242)	(107,822)
		<hr/>	<hr/>
Provisions for liabilities	19	(1,094)	(762)
		<hr/>	<hr/>
Net liabilities		(133,755)	(74,703)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	25	10	10
Share premium account		90	90
Revaluation reserve		3,121	4,348
Profit and loss account		(136,976)	(79,151)
		<hr/>	<hr/>
Shareholders' deficit		(133,755)	(74,703)
		<hr/>	<hr/>

The notes on pages 19-40 form part of these financial statements.

These financial statements were approved by the board of directors on 28 September 2018 and were signed on its behalf by:



D Willson-Rymer
Director

Company Statement of Financial Position

As at 31 December 2017

	<i>Note</i>	31 December 2017 £000	24 December 2016 £000
Fixed assets			
Investments	12	1	1
Current assets			
Debtors	14	55,762	76,396
Creditors: amounts falling due within one year	16	-	-
Net current assets		55,762	76,396
Total assets less current liabilities		55,762	76,397
Creditors: amounts falling due after more than one year	17	(120,841)	(107,693)
Net liabilities		(65,079)	(31,296)
Capital and reserves			
Called up share capital	25	10	10
Share premium account		90	90
Profit and loss account		(65,179)	(31,396)
Equity shareholders' deficit		(65,079)	(31,296)

The notes on pages 19-40 form part of these financial statements.

These financial statements were approved by the board of directors on 28 September 2018 and were signed on its behalf by:



D Willson-Rymer
Director

Consolidated Statement of Cashflows
For the year ended 31 December 2017

	<i>Note</i>	31 December 2017 £000	24 December 2016 £000
Cash flows from operating activities			
Loss for the year		(58,762)	(17,503)
Adjustments for:			
Depreciation and impairment of fixed assets		43,368	4,536
Amortisation of goodwill		6,477	6,501
Interest payable and similar charges		7,057	8,667
Loss on sale of tangible fixed assets		737	(58)
Taxation		(748)	(1,756)
		<u>(1,871)</u>	<u>387</u>
Decrease in trade and other debtors		28,921	6,285
(Increase)/Decrease in stocks		(123)	372
(Decrease) in trade and other creditors		(23,443)	(6,469)
(Decrease)/increase in provisions and employee benefits		332	(18)
		<u>-</u>	<u>857</u>
Net cash inflow from operating activities		<u>3,816</u>	<u>1,414</u>
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		1,782	1,234
Purchase of tangible fixed assets		(4,206)	(3,858)
Purchase of intangible assets		(175)	(168)
		<u>(2,599)</u>	<u>(2,792)</u>
Net cash outflow from investing activities		<u>(2,599)</u>	<u>(2,792)</u>
Cash flows from financing activities			
Receipt of loan from parent undertaking		7,175	5,404
Interest and loan repayments		(1,083)	(1,778)
(Repayment) / Receipt of bank loan		(14,542)	(5,470)
Payment of finance lease liabilities		340	(167)
		<u>(8,110)</u>	<u>(2,011)</u>
Net cash from financing activities		<u>(8,110)</u>	<u>(2,011)</u>
Net (decrease) / increase in cash and cash equivalents		(6,893)	(3,389)
Cash and cash equivalents brought forward		5,014	8,403
Cash and cash equivalents at 31 December 2017		<u>(1,879)</u>	<u>5,014</u>

The notes on pages 19-38 form part of these financial statements.

Consolidated Statement Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 £000	2016 £000
Loss for the year		(58,762)	(17,503)
Other comprehensive income			
Revaluation of tangible fixed assets	11	77	4,348
Other comprehensive income for the year, net of income tax		(58,685)	(13,155)
Total comprehensive income for the year			
<i>Total comprehensive income attributable to Shareholders of the parent company</i>		(58,685)	(13,155)
		(58,685)	(13,155)

The notes on pages 19-40 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Costcutter Supermarkets Holdings is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period have not been included twice.
- No separate Company cash flow statement with notes is included.

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

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- financial instruments classified at fair value through the profit or loss
- investments in associates and joint ventures
- tangible fixed assets and intangible assets measured in accordance with the revaluation model

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 5.

The group generated an operating profit before depreciation, amortisation and exceptional costs of £3.8m (2016: £0.3m) but incurred a net loss of £59.1m for the year (2016: £17.5m) and had net current liabilities of £25.0m (2016: £27.7m). The Directors have prepared an assessment of the group's financial position, reflecting that the main bank facility was renewed in September 2018 and is in place until September 2021, secured against trade debts. Furthermore, all debt and claims with Palmer & Harvey have been resolved and settled with no residual financial or operational risk remaining. In the light of uncertainties facing the UK retail sector and the different size and shape of Costcutters' business the Directors have impaired in full the goodwill relating to the acquisition of the group.

The Directors' have prepared detailed 15 months forecasts until December 2019 that reflect an expected improvement in trading and show a positive cash generative position. The Bibby Line Group Limited has recently agreed an additional new revolving working capital facility. Limited use of this committed working capital facility is assumed in the forecasts, which indicate that the group will have sufficient resources to continue to operate for the foreseeable future and meet its liabilities.

The directors acknowledge that there is uncertainty in achieving the forecasts, mainly driven by factors such as a recovery in sales, which may be complicated by as yet unknown impacts of Brexit.

In the event of adverse variations in trading compared to the forecast the group may require support from Bibby Line Group Limited which at the present time is not committed. However, Bibby Line Group Limited has indicated it will consider further requests for support.

In addition, the Bibby Line Group is reviewing options to restructure the group's balance sheet. The intention is to complete the review and implement recommendations before the end of 2018. This is expected to strengthen the

balance sheet which is positive for the group's business and also positive for the Bibby Line Group as shareholder and as such the directors are not expecting the Bibby Line Group to recall these loans.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue which may cast doubt on the company's ability to continue as a going concern, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on these indicators the directors believe that it is appropriate to prepare the financial statements on a going concern basis. However, this material uncertainty may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company 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 company; 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 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.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

Basic financial instruments

Cash and cash equivalents

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

Tangible Fixed Assets

Tangible fixed assets (excluding freehold and leasehold property) are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Notes

(forming part of the financial statements)

Tangible Fixed Assets (continued)

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition 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, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold property	-	2-5% straight line
Leasehold property	-	Straight line over the life of the lease
Fixtures and fittings	-	10%-15% straight line
Motor vehicles	-	25% reducing balance
Computer equipment	-	20-33% straight line

No depreciation is provided in respect of freehold land.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Revaluation

Company owned stores and the head office building (included within freehold and leasehold properties) are stated at fair value less any subsequent accumulated depreciation and impairment losses. Gains on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose. On transition to FRS 102 the amortisation period for goodwill previously recognised and the factors supporting its estimation were considered. The estimated useful life applied under UK GAAP was considered reliable when made and there have been no subsequent events that would warrant a change in estimate. No revision has been made to the amortisation period occurred on the transition to FRS 102. The goodwill arising from the acquisition of Mace stores is being amortised over 8 years, being the length of the initial contract with P&H. Impairment tests on the carrying value of goodwill are undertaken if events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes

(forming part of the financial statements)

Intangible assets and goodwill (continued)

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. Amortisation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives.

Impairment

The carrying amounts of the entity's non-financial assets, other than, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Stock

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is based on invoiced value on a first in first out basis.

Turnover

Turnover, which is net of value added tax, represents the invoiced value of goods and services supplied. Turnover is recognised on transfer of goods to customers. Turnover excludes intra-group sales.

Cost of sales

Cost of sales consists of all costs to the point of sale including stock purchases and transportation costs. Cost of sales includes supplier income and discounts received in respect of the goods sold.

Other operating income

Other operating income includes income relating to license fees charged to franchisees and commissions earned in relation to services provided to the franchisees. Income is recognised in the period to which the service relates.

Arrangement fees

Arrangement and other fees incurred when issuing bank loans or loan notes are netted off the related bank loans or loan notes in the statement of financial position. They are then amortised to the income statement over the period of the related bank loans or loan notes.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the income statement over the term of the lease as an integral part of the total lease expense. Provision is made for onerous elements of committed leases based on managements' best estimate of the exposure at the statement of financial position date.

Finance lease

Assets acquired under finance leases and hire purchase contracts are capitalised as fixed assets on the statement of financial position and are depreciated over their estimated useful lives. The corresponding lease commitment is disclosed a liability. Interest is charged to the income statement over the period of the lease or contract agreement.

Notes

(forming part of the financial statements)

1 Accounting policies

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Pension costs

The group operates a defined contribution pension scheme. The pension costs charged in the financial statements represent the contributions payable during the period.

Investments

Fixed asset investments are stated at cost less any provision for impairment.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

Notes

(forming part of the financial statements)

2 Turnover

All of the company's turnover and operating profit arose from the company's principal activities and related to one class of business. The group's geographical area of operation is as follows:

	Year ended 31 December 2017			Year ended 24 December 2016		
	UK £000	Europe £000	Total £000	UK £000	Europe £000	Total £000
Turnover	508,749	3,447	512,196	620,988	6,927	627,915
Cost of sales	(463,002)	(3,269)	(466,271)	(571,506)	(6,901)	(578,407)
Gross Profit	45,747	178	45,925	49,482	26	49,508

3 Expenses and auditor's remuneration

	Year ended 31 December 2017 £000	Year ended 24 December 2016 £000
<i>Included in loss on ordinary activities before taxation are the following:</i>		
Amortisation of goodwill (note 10)	6,477	6,501
Depreciation of owned tangible assets (note 11)	3,870	3,737
Depreciation of leased tangible assets (note 11)	297	82
Impairment of tangible assets (note 11)	291	717
Auditor's remuneration		
Audit -related assurance services	69	68
Other tax advisory services	40	48
Operating lease costs:		
Land and buildings	501	459
Other	510	542

Notes (continued)

4. Exceptional items

The 2017 costs / (income) disclosed below have been highlighted on the face of the profit and loss account as exceptional items given that they are considered to be outside of the underlying trade and performance.

	Year ended 31 December 2017 £000	Year ended 24 December 2016 £000
Independent stock write off	1,431	-
Consultancy	415	-
Supply chain project costs	1,132	-
Costs due to the administration of P&H	3,114	-
Total exceptional items	6,092	-

5 Staff numbers and costs

Group

The average number of persons employed by the group (including executive directors) during the period analysed by category, was as follows:

	Number of employees	
	Year ended 31 December 2017	Year ended 24 December 2016
Administrative	311	308
Retail	337	313
	648	621

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2017 £000	Year ended 24 December 2016 £000
Wages and salaries	14,776	15,501
Social security costs	1,459	1,524
Contributions to defined contribution Plans	283	302
	<u>16,518</u>	<u>17,327</u>

Company

The company does not have any employees (24 December 2016: none).

6 Directors' remuneration

The directors' aggregate emoluments in respect of qualifying service were:

	Year ended 31 December 2017 £000	Year ended 24 December 2016 £000
Directors' remuneration	1,807	1,493
Company contributions to money purchase pension plans	69	95
Compensation for loss of office	199	-
	<u>2,075</u>	<u>1,588</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £498,576 (2016: £452,246), and company pension contributions of £nil (2016: £7,613) were made to a money purchase scheme on his behalf.

	Number of directors 2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>5</u>	<u>5</u>

Notes (continued)

7 Other operating income

	Year ended 31 December 2017 £000	Year ended 24 December 2016 £000
Licence fee income	-	117
Commission receivable	676	650
Post office income	40	66
Southern Ireland fees	162	103
Mace membership fees	-	78
Sundry income from members	103	341
Post office compensation	-	116
Other	(173)	135
Availability penalties	1,590	-
	<hr/>	<hr/>
	2,398	1,606
	<hr/>	<hr/>

8 Interest payable and similar charges

	Year ended 31 December 2017 £000	Year ended 24 December 2016 £000
Amortisation of arrangement fees	175	276
Interest payable on:		
- loans from parent undertaking	5,973	7,231
- bank loans and overdrafts	725	883
- other	184	182
- fair value movement on interest rate swap	-	95
	<hr/>	<hr/>
	7,057	8,667
	<hr/>	<hr/>

Notes (continued)

9 Taxation on loss on ordinary activities

	Year ended 31 December 2017 £000	Year ended 24 December 2016 £000
<i>UK corporation tax</i>		
Group relief in the period	-	(1,704)
Adjustments in respect of prior periods	(477)	(74)
	<hr/>	<hr/>
Total current tax credit	(477)	(1,778)
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing difference	(73)	(252)
Adjustments in respect of prior periods	(200)	274
Effect of changing corporation tax rate	2	
	<hr/>	<hr/>
Total deferred tax (note 19)	(271)	22
	<hr/>	<hr/>
Tax credit on loss on ordinary activities	(748)	(1,756)
	<hr/>	<hr/>

Factors affecting the tax credit for the current period

The tax credit for the period is higher (24 December 2016: lower) than the standard rate of corporation tax in the UK 19.25% (24 December 2016: 20.0%). The differences are explained below:

	Year ended 31 December 2017 £000	Year ended 24 December 2016 £000
<i>Total tax reconciliation</i>		
Loss on ordinary activities before tax	(59,877)	(19,259)
	<hr/>	<hr/>
Tax at 19.25% (24 December 2016: 20.0%)	(11,524)	(3,852)
Effects of:		
Other expenses not deductible for tax purposes	6,789	1,882
Fixed asset timing differences	254	(46)
Other permanent differences	-	(1)
Deferred tax average rate	(200)	61
Adjustment in respect of prior periods	(467)	200
Group relief surrendered	4,402	-
Land remediation	(2)	-
	<hr/>	<hr/>
Total tax credit	(748)	(1,756)
	<hr/>	<hr/>

Notes (continued)

10 Intangible fixed assets

	Goodwill on acquired stores £000	Goodwill £000	Brands and trademarks £000	Total £000
<i>Cost</i>				
At beginning of period	639	93,966	321	94,926
Additions	175	-	55	230
Disposals	(84)	(751)	(63)	(898)
At end of period	730	93,215	313	94,258
<i>Amortisation</i>				
At beginning of period	441	48,651	112	49,204
Charged in period	39	6,404	34	6,477
Impairment	300	38,900	-	39,200
On disposals	(50)	(740)	(62)	(852)
At end of period	730	93,215	84	94,029
<i>Net book value</i>				
At end of period	-	-	229	229
At beginning of period	198	45,315	209	45,722

Goodwill on acquired stores relates to the premium paid above the value of net assets on new stores acquired. The other goodwill balance relates to the acquisition of the group and the excess of amounts paid at the time over the net assets acquired.

The carrying value of goodwill has been fully impaired in 2017.

Notes (continued)

11 Tangible fixed assets

Group	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures, fittings, equipment and motor vehicles £000	Total £000
Cost				
At beginning of period	4,051	7,229	18,377	29,657
Additions	-	556	3,987	4,543
Disposals	(1,813)	(235)	(6,956)	(9,004)
Revaluation	-	77	-	77
At end of period	2,238	7,627	15,408	25,273
Depreciation				
At beginning of period	1,091	3,434	9,542	14,067
Charge for period	76	401	3,690	4,167
On disposals	(348)	(429)	(5,664)	(6,441)
Impairment	-	19	272	291
At end of period	819	3,425	7,840	12,084
Net book value				
At end of period	1,419	4,202	7,568	13,189
At beginning of period	2,960	3,795	8,835	15,590

Leasehold includes both long and short leasehold assets. The net book value of long leasehold assets held was £3,716 (24 December 2016: £11,460).

Included in the total net book value for plant and machinery is £555,833 (24 December 2016: £108,704) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £101,737 (24 December 2016: £82,254).

The Company has no tangible fixed assets.

Revaluation

Assets values are reviewed by the Directors each year, and valued by independent valuers at least every three years. The last independent valuation was carried out in December 2017.

The fair value was determined by appraisal undertaken by professionally qualified valuers. The following information relates to tangible fixed assets carried on the basis of revaluation.

	2017 £000	2016 £000
At fair value December 2017	5,957	7,895
Historical cost net book value	2,836	4,083

Notes (continued)

12 Fixed asset investments

	Shares in Associate Undertakings
	31 December 2017 £000
<i>Cost</i>	
At beginning of period	253
Disposals	(104)
At end of period	149
<i>Provision</i>	
At beginning and end of period	-
<i>Net book value</i>	
At end of period	149

The directors believe that the book value of investments is supported by their underlying net assets.

	31 December 2017 £000
<i>Company</i>	
Cost and net book value as at beginning and end of the period	1

The investment in The BuyCo Limited has been disposed of due to closure during 2017.

The group has the following investments in subsidiaries and jointly controlled entities:

	Country of incorporation	Registered number	Principal activity	Class and percentage of shares held
CSMF Limited**	England and Wales	05623733	Holding company	100% ordinary
CSMB Limited* **	England and Wales	05623739	Holding company	100% ordinary
Costcutter Holdings Limited* **	England and Wales	05122658	Holding company	100% ordinary
Costcutter Supermarkets Group Limited*	England and Wales	02059678	Retail	100% ordinary
Ebor Foodmarkets Limited*	England and Wales	1698597	Retail	100% ordinary
PDQ Limited* **	England and Wales	3655986	Printing	100% ordinary
Costcutter International Limited* **	England and Wales	03200469	Retail	100% ordinary
The Local Independent Trading Company Limited* **	England and Wales	8590846	Brand management	100% ordinary
Primex UK Limited* **	England and Wales	02283172	Dormant	100% ordinary
Simply Fresh Limited*	England and Wales	09151083	Retail	20% ordinary

* Shareholding held by a subsidiary undertaking

** Denotes subsidiary has taken the exemption in section 479A of the Companies Act 2006 (the Act) from the requirements in the Act for their individual accounts to be audited. The company has guaranteed all outstanding liabilities of those subsidiary companies at 31 December 2017 until those liabilities are satisfied in full.

Notes (continued)

13 Stocks and Work in Progress

	31 December 2017 £000	24 December 2016 £000
Goods for resale	1,604	1,481

Included in goods for resale is £1,512,000 (24 December 2016: £1,405,000) in respect of stock held at group owned stores.

14 Debtors

	Group 31 December 2017 £000	Group 24 December 2016 £000	Company 31 December 2017 £000	Company 24 December 2016 £000
Trade debtors	20,594	35,021	-	-
Amounts owed by group undertakings	2,549	2,072	55,762	76,396
Other debtors	5,913	13,012	-	-
Prepayments and accrued income	3,129	10,795	-	-
Deferred tax (note 18)	755	484	-	-
	<u>32,940</u>	<u>61,384</u>	<u>55,762</u>	<u>76,396</u>

£2,072,000 is owed by group undertakings in respect of group tax relief for 2017. A payment of £630,000 has been received in 2017, in respect of the current year.

Notes (continued)

15 Cash and cash equivalents

	31 December 2017 £000	24 December 2016 £000
Cash at bank and in hand	-	5,014

The group had a £5.0m overdraft facility in place with the bank (Barclays). At year end the utilisation of the overdraft is £1,879k (2016: £nil).

16 Creditors: amounts falling due within one year

	Group 31 December 2017 £000	Group 24 December 2016 £000	Company 31 December 2017 £000	Company 24 December 2016 £000
Bank loans (note 18)	12,508	27,050	-	-
Trade creditors	8,994	53,479	-	-
Amounts owed to group undertakings	-	493	-	-
Other taxation and social security costs	2,595	250	-	-
Other creditors	27,873	4,088	-	-
Accruals and deferred income	5,450	10,042	-	-
Finance leases	230	161	-	-
Bank overdraft	1,879	-	-	-
	<u>59,529</u>	<u>95,563</u>	<u>-</u>	<u>-</u>

Amounts owed to group undertakings and amounts owed to wholly owned subsidiaries of the parent group are unsecured, interest free and repayable on demand.

The loan notes and loans due to parent undertaking all fall due after more than one year.

Notes (continued)

17 Creditors: amounts falling due after more than one year

	Group 31 December 2017 £000	Group 24 December 2016 £000	Company 31 December 2017 £000	Company 24 December 2016 £000
Loans due to parent undertaking	10,477	10,181	-	-
Loan notes due to parent undertaking	110,364	97,512	120,841	107,693
Finance leases	401	129	-	-
	<u>121,242</u>	<u>107,822</u>	<u>120,841</u>	<u>107,693</u>

The group and company have the following loans and loan notes (all falling due after more than one year).

- £20,000,000 (24 December 2016: £20,000,000) of loan notes held by Bibby Line Group Limited which bear interest at 5% (24 December 2016: 4.5%) and are not redeemable until after 1 January 2019. Interest is payable on redemption and therefore the carrying value includes accrued interest of £7,328,836 (24 December 2016: £5,210,753).
- £5,800,000 (24 December 2016: £5,800,000) of loan notes issued to Bibby Line Group Limited which bear interest at 5% (24 December 2016: 7%) and are not redeemable until after 1 January 2019. The loan notes are secured on the assets of the group. Interest is payable on redemption and therefore the carrying value includes accrued interest of £4,677,025 (24 December 2016: £4,381,463).
- £64,893,973 (24 December 2016: £57,718,973) unsecured loan from Bibby Line Group Limited which bears interest at 5% (24 December 2016: 7%). The carrying value includes accrued interest of £7,166,149 (24 December 2016: £4,068,497). The loan has no fixed repayment date and may be recalled by the lender. However, Bibby Line Group Limited have provided assurances to the directors that this loan will not be recalled in the next 12 months from the date of approval of the accounts. The repayment of the loan is subject to the required agreement being provided by the bank loan providers in accordance with the subordination agreement.
- On 2nd April 2016 Bibby Line Group provided a loan of £10,968,000 to allow early settlement of the MACE deferred consideration. As at 31st December 2017 the unsecured loan value was £9,238,183 (24 December 2016: £9,238,183). The loan bears interest at 5% per quarter (24 December 2016: 3.45%). The carrying value includes accrued interest of £1,736,571 (24 December 2016: £1,274,662). Bibby Line Group Limited have provided assurances to the directors that this loan will not be recalled in the next 12 months from the date of approval of the accounts.
- In March 2018, the company entered into an extension of the existing borrowing facility with Barclays Bank plc which expires on 30th September 2018. At the year end the total facility amount was £22.5m (24 December 2016: £37.5m) and £13.9m (24 December 2016: £27.0m) was drawn on this facility.

Notes *(continued)*

17 Creditors: amounts falling due after more than one year *(continued)*

Maturity profile of loan notes, bank loans and overdrafts:

	Group 31 December 2017 £000	Group 24 December 2016 £000	Company 31 December 2017 £000	Company 24 December 2016 £000
Repayable within one year	14,387	27,050		-
Repayable between one and five years	121,242	107,822	120,841	107,693
	<u>135,629</u>	<u>134,872</u>	<u>120,693</u>	<u>107,693</u>

Maturity profile of finance lease obligations:

	Group 31 December 2017 £000	Group 24 December 2016 £000	Company 31 December 2017 £000	Company 24 December 2016 £000
Repayable within one year	230	161	-	-
Repayable between one and two years	108	127	-	-
Repayable between two and five years	293	3	-	-
	<u>631</u>	<u>291</u>	<u>-</u>	<u>-</u>

Notes (continued)

18 Deferred taxation

The movement in the deferred taxation asset during the period was:

	31 December 2017 £'000
Asset at beginning of period (note 14)	484
Total income statement movement arising during the period	271
	<hr/>
Asset at end of period (note 14)	755
	<hr/>

Deferred tax asset is analysed as follows:

	31 December 2017 £000	24 December 2016 £000
Accelerated capital allowances	755	484
	<hr/>	<hr/>
	755	484
	<hr/>	<hr/>

19 Provisions for liabilities

	Onerous lease provision £000
At the beginning of the period	762
Income statement charge	332
	<hr/>
At the end of the period	1,094
	<hr/>

20 Employee Benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered fund.

The pension cost charge represents contributions payable by the group to the fund and amounted to £283,167 (24 December 2016: £302,209). The contributions outstanding at the period end were £53,051 (24 December 2016: £nil).

Notes (continued)

21 Operating leases

At 31 December 2017 the company had total commitments under non-cancellable operating leases as set out below:

Lessee

	31 December 2017		24 December 2016	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Within one year	3,119	358	3,216	572
Between two and five years	10,857	276	11,333	435
In more than five years	15,859	-	17,285	-
	<u>29,835</u>	<u>634</u>	<u>31,834</u>	<u>1,007</u>

Lessor

	31 December 2017 Property £000	24 December 2016 Property £000
Operating leases which expire:		
Within one year	2,435	2,658
Between two and five years	8,308	9,201
In more than five years	12,034	14,255
	<u>22,777</u>	<u>26,114</u>

Notes (continued)

22 Related parties

The company has taken advantage of the exemption under FRS102 from disclosing transactions with related parties that are part of the Costcutter Supermarkets Holdings Group. In addition there are loan notes in place with related parties which are disclosed in note 20 above.

K & N Retail Limited was a related party in 2016 by virtue of common director, K Widdrington. K Widdrington did not serve as a director of Costcutter Supermarkets Group Limited in 2017 and hence no related party disclosure is made.

A group company sold goods amounting to £3,233,803 (year ended 24 December 2016: £2,802,475) to DNS Retail Limited. D M Thompson, a director of the company, is also a director of DNS Retail Limited. The goods were sold under normal trading terms and conditions. The amounts outstanding at the year end were £88,691 (24 December 2016: £139,185).

During the period, a group company paid rent of £nil (24 December 2016: £27,600) to Willow Properties. At the period end no amounts were outstanding (24 December 2016: £nil). DM Thompson is a director of the company and is the sole proprietor of Willow Properties.

23 Analysis of net debt

Group	24 December 2016 £000	Cash movements £000	Non-cash movements £000	31 December 2017 £000
Cash in hand, at bank	5,014	(6,893)	-	(1,879)
<i>Debt</i>				
Debt due within one year	(27,050)	14,542	-	(12,508)
Loan notes due within one year	-	-	-	-
Debt due after one year	-	-	-	-
Loan notes due after one year	(107,693)	(7,175)	(5,973)	(120,841)
Finance leases	(291)	(340)	-	(631)
	(135,034)	7,027	(5,973)	(133,980)
Total	(130,020)	134	(5,973)	(135,859)

Notes (continued)

24 Share Capital and Reserves

	31 December 2017 £000	24 December 2016 £000
<i>Allotted, called up and fully paid</i>		
100,000 Ordinary shares of £0.10 each	10	10

25 Reconciliation of net cash flow to movement in net debt

	31 December 2017 £000	24 December 2016 £000
(Decrease) / Increase in cash in the period	(6,893)	(3,389)
Net decrease / (increase) in bank and other loans	7,027	231
	<hr/>	<hr/>
	134	(3,158)
Non-cash movements	(5,973)	(6,892)
	<hr/>	<hr/>
Increase in net debt in year	(5,839)	(10,050)
Net debt at beginning of period	(130,020)	(119,970)
	<hr/>	<hr/>
Net debt at end of period	(135,859)	(130,020)

26 Ultimate parent undertaking

The ultimate parent company and controlling party is Bibby Line Group Limited, which is the parent of the largest group to prepare consolidated financial statements, and copies of their financial statements are available from the company's registered office at 105 Duke Street, Liverpool L1 5JQ.

27 Holding company income statement

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 and consequently an income statement for Costcutter Supermarkets Holdings Limited is not presented. The loss for the financial period dealt with in the financial statements of the company is £5,911k (24 December 2016: £7,093k).