

**Costcutter Supermarkets Holdings Limited**

**Annual report and consolidated  
financial statements**

**Registered number 05625016**

**For the year ended 30 December 2018**



## **Contents**

<b>Company information</b>	<b>2</b>
<b>Strategic report</b>	<b>3</b>
<b>Directors' report</b>	<b>7</b>
<b>Statement of directors' responsibilities in respect of the annual report and the financial statements</b>	<b>10</b>
<b>Independent auditor's report to the members of Costcutter Supermarkets Holdings Limited</b>	<b>11</b>
<b>Consolidated Income Statement</b>	<b>14</b>
<b>Reconciliation of movement in shareholders' funds</b>	<b>15</b>
<b>Consolidated Statement of Financial Position</b>	<b>16</b>
<b>Company Statement of Financial Position</b>	<b>17</b>
<b>Consolidated Statement of Cashflow</b>	<b>18</b>
<b>Consolidated Other Comprehensive Income</b>	<b>19</b>
<b>Notes</b>	<b>20</b>

## **Company information**

### **Directors**

D Willson-Rymer  
DM Thompson  
HG Edwards  
JA Wilson (resigned 10 May 2018)  
MA Seeger  
LR Christensen  
MP Brown (resigned 31 January 2018)  
MJ Lyons  
M Hollis (appointed 25 May 2018)  
J Cresswell (appointed 01 January 2019)

### **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 (until 24 October 2018)  
PO Box 190  
2nd Floor  
1 Park Row  
Leeds  
LS1 5WU

BNP Paribas Commercial Finance Ltd (as of 25 October 2018)  
Brockbourne House  
77 Mount Ephraim  
Tunbridge Wells  
Kent  
TN4 8BS

## Strategic report

The directors present their strategic report for the financial period which consists of the year ended 30th December 2018 (2017: year ended 31st 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 stores directly.

#### *Strategy*

Our aspiration is to be the leading symbol operator in the UK based on our mission to "help independent retailers thrive". At the core of our strategy is the delivery of market leading solutions to independent convenience retailers so that they can meet the needs of their shoppers and community, grow their sales and optimise their profitability in a highly competitive, growing segment of the grocery market.

Based on a deep understanding of the retailers' and shoppers' needs, we supply the right product range at competitive prices with strong promotional offers, while 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 and 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 fascias;
- An efficient and effective operating model;
- Driving growth to maximise the value potential for all stakeholders.

Historically, CSG has operated several long-term strategic partnerships with third parties to source and distribute goods. Now working with our new strategic supply chain partners Co-op and Nisa, as well as with a variety of additional suppliers and service providers, CSG offers independent retailers a competitive product range and strong service levels.

We invest in and support our retailers with innovative programmes and advice. We provide market leading marketing support for retailers including digital advertising, social media, promotions, leaflets and point of sale materials to drive footfall and sales.

The continued adaptation of our business model and its execution enables us to offer the right products and services to all our retailers and provides a solid platform for business growth. We will increasingly focus on new and existing retailers with strong standards who want to partner with us for the mutual benefit of both businesses.

#### *Business Review 2018*

2018 has been a year of transformation for CSG. We ended the year with a strong commercial offer and supply chain in the symbol sector having spent the first few months operating with an interim supply chain following the collapse of our main supplier, Palmer & Harvey, towards the end of 2017.

We laid the foundation for successfully implementing and executing our strategies by signing a long-term supply agreement with the Co-op in November 2017. Under the five-year supply agreement, we formed a partnership for purchases 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 is able to offer independent retailers the option 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 our joint expectations.

Following the successful launch of the new supply deal in May 2018, it is clear that the Co-op is the right partner for CSG. We are combining the 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. In addition, the expertise of Co-op's subsidiary, Nisa, has ensured a reliable supply chain. This partnership has greatly enhanced 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 and Nisa will be able to provide a reliable delivery service day in, day out.

Furthermore, we have strengthened CSG's ability to provide profitable growth in the future:

- In August 2018, CSG reached a commercial agreement with the administrators of Palmer & Harvey to settle all residual mutual claims.
- In September 2018, CSG agreed a new three years invoice discounting facility with BNP Paribas.
- At the end of 2018, the Bibby Line Group waived debt of £98.5m owed by CSG to BLG by replacing old debt of £138.5m with a new loan of £40m. The majority of this old debt related to a series of loans that had been provided to CSG by BLG when the CSG business was acquired. Going forward, CSG now has a "cleaner" balance sheet P&L that is not encumbered any longer by legacy loans and therefore better reflects the underlying business performance.

Our retailers' loyalty during the difficult months of early 2018 has been rewarded with a reliable supply chain, a strong retail offer, new improved commercial terms and investments in our retail proposition in the second half of 2018. CSG served 1,560 stores at the end of December 2018. The year-on year decrease of 216 stores versus 2017 is due to retailers leaving in the aftermath of P&H's collapse.

Our business performance in 2018 was a tale of two periods, as the first 7 months were negatively impacted by the collapse of Palmer & Harvey in November 2017 resulting in a period of unprofitable trading under interim supply arrangements. This changed in the final 5 months when the new supply agreement with the Co-op was live and all legacy issues had been addressed which allow us to grow profitably. The Group's total 2018 turnover of £387m and Ebitda\* of (£4.1) were significantly impacted by the interim supply arrangements of the first few months. During this interim period, CSG incurred a negative Ebitda of (£7.3m) whereas in the 5 months from August to December, Costcutter returned to a positive Ebitda of £3.2m.:

	Jan-July 2018	Aug- Dec 2018	2018
Ebitda* [£m]	(7.3)	+3.2	(4.1)
Change vs 2017 [£m]	(8.1)	+0.1	(8.0)

Note: \* Ebitda is defined as operating profit before interest, depreciation, amortization and exceptional items

### Outlook 2019

Our focus in 2019 is on growing the businesses of both our existing and future retailers by delivering the best retail offer in the symbol sector. Everything is now in place for us to succeed. The benefits of the new supply deal are being seen with shoppers reacting very positively to the new range, especially the Co-op Brand which is now being sold in our stores.

Investment in our retail offer remains our number one priority even as we reshape our business to be even more efficient. Our Shopper First Programme is delivering excellent levels of sales growth among participating stores and in 2019 we are entering the second phase of this programme, which will bring a considerable number of new benefits to our retailers' businesses. We will also continue to invest in both making our retailers' lives easier and in providing outstanding retail support.

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. We have invested in resources at the end of 2018 to provide far greater business support for our retailers, helping them to make the changes and investments in their stores that will drive growth.

We are now attracting some of the best store owners in the sector to join Costcutter Supermarkets Group. Through the strength of our offer, we expect this to continue through 2019 and beyond.

During 2019, the focus is on the areas that will help our retailers to be successful in a competitive, inflationary market:

- Delivering service level reliability day-in, day-out through our 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 the next phase of investment that will drive additional sales growth among participating stores;
- Focusing on retailer recruitment by 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 uses a thorough 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 and its 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.

Management has assessed the risks and the potential impact of Brexit on the grocery industry, CSG and its retailers. Exiting the EU under a "no deal" scenario could result in short-term challenges with supply of perishable goods and other goods that are managed on low stock levels and are imported from the EU. Further uncertainties relate to terms of import and export of goods which could result in higher costs for imported goods and to short supply of labour in the supplier chain.

Under any Brexit scenario, the impact on CSG and its retailers will be manageable due to its business model, its agile operating model and its low percentage of EU labour force. However, CSG has a focused three-pronged approach addressing and mitigating the impact of Brexit. First, as part of the British Retail Council (BRC), CSG has been working as the voice of the independent retailer with the government and its representatives to raise awareness of potential issues and to facilitate solutions. Second, CSG and its supply partners have been preparing contingency plans to address short supply of critical goods by increasing safety stock levels as well as by increasing stock coverage on long life lines as alternative to fresh produce. Third, CSG is providing its retailers with information and advice so that they are able to take the right actions to protect and grow their business despite possible adversities.

The Group has satisfied itself that appropriate contingency plans have been put in place that ensure continuous competitiveness within the industry and minimize the economic impact on CSG and its retailers addressing potential impacts of Brexit under a variety of scenarios.

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 commenced in May 2018 and has been operating successfully for several months. We continue to monitor the supply chain reliability and service levels to proactively identify and address any issues.

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 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 and with robust plans in place to drive retailer growth, 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

19 March 2019

## **Directors' report**

The directors present their directors' report and the audited financial statements for the financial period which consists of the year ended 30 December 2018.

### **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 details 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 (2018: *£nil*) and accordingly the loss for the year of £18.4m (2017: *loss of £59.1m*) has been taken to reserves.

### **Exceptional items**

As disclosed in note 4 to the financial statements, exceptional costs of £2.2m were recognised for the year (2017: *£6.1m*). 2018's exceptional costs were mainly related to the transition of the supply chain to Nisa and are disclosed in note 4 of the financial statements.



## **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  
HG Edwards  
JA Wilson (resigned 10 May 2018)  
MA Seeger  
LR Christensen  
MP Brown (resigned 31 January 2018)  
MJ Lyons  
M Hollis (appointed 25 May 2018)  
J Cresswell (appointed 01 January 2019)

### **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 a confidential invoice discounting facility which attracts interest at a variable rate. As at 30th December 2018, £16.7m of the group's net debt is with the bank (BNP Paribas) and £40.1m is with the parent company. Note 17 of the financial statements provide 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

19 March 2019

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

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  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSTCUTTER SUPERMARKETS HOLDINGS LIMITED**

### **Opinion**

We have audited the financial statements of Costcutter Supermarkets Group Holdings Limited ("the company") for the year ended 30 December 2018 which comprise the Consolidated Income Statement, the reconciliation of movements in Shareholders funds, 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 30 December 2018 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.

### **The impact of uncertainties due to the UK 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 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 those 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.

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 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](http://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

20 March 2019

## Consolidated Income Statement

For the year ended 30 December 2018

	Note	Year ended 30 December 2018 £000	Year ended 31 December Restated* 2017 £000
Turnover	2	386,963	512,196
Cost of sales		(367,728)	(484,056)
<b>Gross profit</b>		<b>19,235</b>	<b>28,140</b>
Administrative expenses		(29,218)	(43,420)
Other operating income	7	399	2,398
<b>Operating profit / (loss) before goodwill amortisation and exceptional items</b>		<b>(4,140)</b>	<b>3,854</b>
Depreciation	11	(3,271)	(4,167)
Goodwill amortisation	10	-	(6,477)
Exceptional items	4	(2,173)	(6,092)
<b>Group Operating loss</b>	3	<b>(9,584)</b>	<b>(12,882)</b>
(Loss)/Profit on disposal of fixed assets		(290)	(738)
Impairment of intangible assets	11	-	(39,200)
<b>Loss on ordinary activities before interest</b>		<b>(9,874)</b>	<b>(52,820)</b>
Interest payable and similar charges	8	(7,567)	(7,057)
<b>Loss on ordinary activities before taxation</b>		<b>(17,441)</b>	<b>(59,877)</b>
Tax on loss on ordinary activities	9	(915)	748
<b>Loss for the financial period</b>		<b>(18,356)</b>	<b>(59,129)</b>

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.

\*Throughout 2018 cost of sales included distribution costs, this has changed from 2017 when distribution costs were separately charged. For comparability 2017 Cost of Sales has been restated to include £17.8m of distribution costs.

The notes on pages 20-41 form part of these financial statements.

**Reconciliation of movement in shareholders' funds**  
*For the year ended 30 December 2018*

	<b>Year ended 30 December 2018</b>		<b>Year ended 31 December 2017 Total</b>
	<b>Revaluation Reserve</b>	<b>Profit and Loss Account</b>	<b>Total</b>
			<b>£000</b>
Loss for the financial period	-	(18,356)	(18,356)
Revaluation of fixed assets	-	-	-
Waiver of loan due to parent company	-	98,547	98,547
Amortisation of revaluation reserve	(317)	317	-
Movement during the year	(317)	80,508	80,191
Opening position	3,121	(136,976)	(133,855)
<b>Closing position</b>	<b>2,804</b>	<b>(56,468)</b>	<b>(53,664)</b>

The notes on pages 20-41 form part of these financial statements.



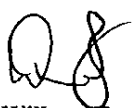
## Consolidated Statement of Financial Position

As at 30 December 2018

	Note	30 December 2018 £000	31 December 2017 £000
<b>Fixed assets</b>			
Intangible assets	10	197	229
Tangible assets	11	12,594	13,189
Investments	12	149	149
		<hr/>	<hr/>
		12,940	13,567
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks	13	1,834	1,604
Debtors	14	35,668	32,939
Cash at bank and in hand	15	2,660	-
		<hr/>	<hr/>
		40,162	34,543
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	16	(64,547)	(59,529)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(24,385)	(24,986)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		(11,445)	(11,419)
		<hr/>	<hr/>
<b>Creditors: amounts falling due after more than one year</b>	17	(40,768)	(121,242)
		<hr/>	<hr/>
<b>Provisions for liabilities</b>	19	(1,351)	(1,094)
		<hr/>	<hr/>
<b>Net liabilities</b>		(53,564)	(133,755)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	24	10	10
Share premium account		90	90
Revaluation reserve		2,804	3,121
Profit and loss account		(56,468)	(136,976)
		<hr/>	<hr/>
<b>Shareholders' deficit</b>		(53,564)	(133,755)
		<hr/>	<hr/>

The notes on pages 20-41 form part of these financial statements.

These financial statements were approved by the board of directors on 19 March 2019 and were signed on its behalf by:



**D Willson-Rymer**  
Director

**Company Statement of Financial Position**  
*As at 30 December 2018*

	<i>Note</i>	<b>30 December 2018 £000</b>	<b>31 December 2017 £000</b>
<b>Fixed assets</b>			
Investments	12	-	1
<b>Current assets</b>			
Debtors	14	597	55,762
<b>Creditors: amounts falling due within one year</b>	16	-	-
<b>Net current assets</b>		597	55,762
<b>Total assets less current liabilities</b>		597	55,762
<b>Creditors: amounts falling due after more than one year</b>	17	-	(120,841)
<b>Net assets (liabilities)</b>		597	(65,079)
<b>Capital and reserves</b>			
Called up share capital	24	10	10
Share premium account		90	90
Profit and loss account		497	(65,179)
<b>Equity shareholders' deficit</b>		597	(65,079)

The notes on pages 20-41 form part of these financial statements.

These financial statements were approved by the board of directors on 19 March 2019 and were signed on its behalf by:



**D Willson-Rymer**  
Director

## Consolidated Statement of Cashflows

For the year ended 30 December 2018

	Note	30 December 2018 £000	31 December 2017 £000
<b>Cash flows from operating activities</b>			
Loss for the year		(18,356)	(58,762)
Adjustments for:			
Depreciation and impairment of fixed assets		3,240	43,368
Amortisation of goodwill		-	6,443
Amortisation of intangible assets		31	34
Interest payable and similar charges		7,567	7,057
Loss on sale of tangible fixed assets		290	737
Taxation		915	(748)
		<u>(6,313)</u>	<u>(1,871)</u>
Decrease in trade and other debtors		(4,694)	28,921
(Increase)/Decrease in stocks		(230)	(123)
(Decrease) in trade and other creditors		2,734	(23,443)
(Decrease)/increase in provisions and employee benefits		257	332
		<u>-</u>	<u>-</u>
Tax received		-	-
		<u>-</u>	<u>-</u>
<b>Net cash inflow from operating activities</b>		<u>(8,246)</u>	<u>3,816</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible fixed assets		478	1,782
Purchase of tangible fixed assets		(3,276)	(4,206)
Purchase of intangible assets		-	(157)
Expenditure on work in progress		(136)	-
		<u>-</u>	<u>-</u>
<b>Net cash outflow from investing activities</b>		<u>(2,934)</u>	<u>(2,581)</u>
<b>Cash flows from financing activities</b>			
Receipt of loan from parent undertaking		12,175	7,175
Interest and loan repayments		(894)	(1,083)
Receipt / (Repayment) of bank loan		4,172	(14,542)
Payment of finance lease liabilities		266	340
		<u>-</u>	<u>-</u>
<b>Net cash from financing activities</b>		<u>15,719</u>	<u>(8,110)</u>
Net increase / (decrease) in cash and cash equivalents		4,539	(6,893)
Cash and cash equivalents brought forward		(1,879)	5,014
		<u>-</u>	<u>-</u>
<b>Cash and cash equivalents at 30 December 2018</b>		<u>2,660</u>	<u>(1,879)</u>

The notes on pages 20-41 form part of these financial statements.

**Consolidated Statement Other Comprehensive Income**  
*For the year ended 30 December 2018*

	Note	2018 £000	2017 £000
<b>Loss for the year</b>		<b>(18,356)</b>	<b>(58,762)</b>
<b>Other comprehensive income</b>			
Revaluation of tangible fixed assets	11	-	77
<b>Other comprehensive income for the year, net of income tax</b>		<b>(18,356)</b>	<b>(58,685)</b>
<b>Total comprehensive income for the year</b>			
<i>Total comprehensive income attributable to Shareholders of the parent company</i>		<b>(18,356)</b>	<b>(58,685)</b>
		<b>(18,356)</b>	<b>(58,685)</b>

The notes on pages 20-41 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 loss before depreciation, amortisation and exceptional costs of £4.1m (2017: profit of £3.9m), incurred a net loss of £18.3m for the year (2017: £59.1m) and had net current liabilities of £24.4m (2017: £25.0m).

The Directors have prepared an assessment of the group's ability to continue as a going concern, reflecting that a new main bank facility was signed 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.

Bibby Line Group ("BLG"), as ultimate parent company, waived debt of £98.5m owed by the group at the end of 2018 by replacing old debt of £138.5m with a new loan of £40m. The majority of this old debt relates to a series of loans provided by BLG to the group, when BLG acquired the group. The restructuring of the debt strengthens the balance sheet and lowers the interest expenses.

The Directors have prepared detailed multi-year forecasts that reflect a continued improvement in trading and show a positive cash position. The forecasts indicate that the group will have sufficient resources to continue to operate for the foreseeable future and meet its liabilities. Furthermore, to provide the group with additional flexibility, the Bibby Line Group has provided a revolving working capital facility in the short-term and assurances to the directors that the BLG loan will not be recalled, and interest payments are not due within the next 12 months.

The directors acknowledge that there is uncertainty in any forecast, and in particular related to the improvement in trading and as yet unknown impacts of Brexit. The directors have satisfied themselves that appropriate contingency plans are available to manage working capital under various downside scenarios, including a potential "hard Brexit". The contingency plans include a range of mitigating actions that could be enacted to ensure that the

group can meet its financial obligations. Based on these indicators the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

#### ***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.

## 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 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 30 December 2018			Year ended 31 December 2017		
	UK £000	Europe £000	Total £000	UK £000	Europe £000	Total £000
Turnover	386,895	68	386,963	508,749	3,447	512,196
Cost of sales	(367,651)	(77)	(367,728)	(480,787)	(3,269)	(484,056)
<b>Gross Profit</b>	<b>19,244</b>	<b>(9)</b>	<b>19,235</b>	<b>27,962</b>	<b>178</b>	<b>28,140</b>

### 3 Expenses and auditor's remuneration

	Year ended 30 December 2018 £000	Year ended 31 December 2017 £000
<i>Included in loss on ordinary activities before taxation are the following:</i>		
Amortisation of goodwill and intangible assets (note 10)	31	6,477
Depreciation of owned tangible assets (note 11)	2,890	3,870
Leasehold property depreciation (note 11)	350	297
Impairment of tangible assets (note 11)	-	291
Auditor's remuneration		
Audit	159	69
Other tax advisory services	20	40
Operating lease costs:		
Land and buildings	555	501
Other	389	510

## Notes (continued)

### 4. Exceptional items

The 2018 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 30 December 2018 £000	Year ended 31 December 2017 £000
Independent stock write off	-	1,431
Consultancy and legal costs	581	415
Supply chain project costs	-	1,132
Costs due to the administration of P&H	-	3,114
Restructuring and other staff costs	792	-
Costs associated with supply chain transition	800	-
<b>Total exceptional items</b>	<b>2,173</b>	<b>6,092</b>

### 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 30 December 2018	Year ended 31 December 2017
Administrative	283	311
Retail	338	337
	<b>621</b>	<b>648</b>

## Notes (continued)

### 5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 30 December 2018 £000	Year ended 31 December 2017 £000
Wages and salaries	13,846	14,776
Social security costs	1,384	1,459
Contributions to defined contribution Plans	321	283
	<u>15,551</u>	<u>16,518</u>

### Company

The company does not have any employees (31 December 2017: none).

### 6 Directors' remuneration

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

	Year ended 30 December 2018 £000	Year ended 31 December 2017 £000
Directors' remuneration	2,022	1,807
Company contributions to money purchase pension plans	49	69
Compensation for loss of office	-	199
	<u>2,071</u>	<u>2,075</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £612,137 (2017: £498,576), and company pension contributions of £nil (2017: £nil) were made to a money purchase scheme on his behalf.

	Number of directors 2018	2017
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 30 December 2018 £000	Year ended 31 December 2017 £000
Commission receivable	610	676
Post office income	27	40
Southern Ireland fees	109	162
Sundry income from members	19	103
Other	(366)	(173)
Availability penalties	-	1,590
	<u>399</u>	<u>2,398</u>

**8 Interest payable and similar charges**

	Year ended 3 December 2018 £000	Year ended 31 December 2017 £000
Amortisation of arrangement fees	118	175
Interest payable on:		
- loans from parent undertaking	6,673	5,973
- bank loans and overdrafts	573	725
- other	203	184
	<u>7,567</u>	<u>7,057</u>

## Notes (continued)

### 9 Taxation on loss on ordinary activities

	Year ended 30 December 2018 £000	Year ended 31 December 2017 £000
<i>UK corporation tax</i>		
Group relief in the period	-	-
Adjustments in respect of prior periods	1,965	(477)
Total current tax credit	1,965	(477)
<i>Deferred tax</i>		
Origination and reversal of timing difference	3,029	(73)
Adjustments in respect of prior periods	(4,079)	(200)
Effect of changing corporation tax rate	-	2
Total deferred tax (note 18)	(1,051)	(271)
Tax credit on loss on ordinary activities	915	(748)

#### Factors affecting the tax credit for the current period

The tax charge for the period is higher (31 December 2017: lower) than the standard rate of corporation tax in the UK 19.00% (31 December 2017: 19.25%). The differences are explained below:

	Year ended 30 December 2018 £000	Year ended 30 December 2017 £000
<i>Total tax reconciliation</i>		
Loss on ordinary activities before tax	(17,441)	(59,877)
Tax at 19.00% (31 December 2017: 19.25%)	(3,314)	(11,524)
Effects of:		
Other expenses not deductible for tax purposes	744	6,789
Fixed asset timing differences	-	254
Deferred tax average rate	34	(200)
Adjustment in respect of prior periods	(2,114)	(467)
Group relief surrendered	2,263	4,402
Land remediation	-	(2)
Deferred tax not recognised	3,302	-
Total tax charge / (credit)	915	(748)

## Notes (continued)

### 10 Intangible fixed assets

	Goodwill on acquired stores £000	Goodwill £000	Brands and trademarks £000	Total £000
<b>Cost</b>				
At beginning of period	730	93,215	313	94,258
Additions	-	-	-	-
Disposals	-	-	-	-
<b>At end of period</b>	<b>730</b>	<b>93,215</b>	<b>313</b>	<b>94,258</b>
<b>Amortisation</b>				
At beginning of period	730	93,215	84	94,029
Charged in period	-	-	32	32
Impairment	-	-	-	-
On disposals	-	-	-	-
<b>At end of period</b>	<b>730</b>	<b>93,215</b>	<b>116</b>	<b>94,061</b>
<b>Net book value</b>				
At end of period	-	-	197	197
At beginning of period	-	-	229	229

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.



**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
<b>Cost</b>				
At beginning of period	2,238	7,627	15,408	25,273
Additions	-	-	3,276	3,276
Disposals	-	-	(1,793)	(1,793)
Revaluation	-	-	-	-
At end of period	2,238	7,627	16,891	26,756
<b>Depreciation</b>				
At beginning of period	819	3,425	7,840	12,084
Charge for period	39	350	2,851	3,240
On disposals	-	-	(1,162)	(1,162)
Impairment	-	-	-	-
At end of period	858	3,775	9,529	14,162
<b>Net book value</b>				
At end of period	1,380	3,852	7,362	12,594
At beginning of period	1,419	4,202	7,568	13,189

Included in the total net book value for plant and machinery is £754,039 (31 December 2017: £555,833) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £116,408 (31 December 2017: £101,737).

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.

	2018 £000	2017 £000
At fair value December 2018	5,417	5,957
Historical cost net book value	1,987	2,836

## Notes (continued)

### 12 Fixed asset investments

	Shares in Associate Undertakings
	30 December 2018 £000
<b>Cost</b>	
At beginning of period	149
Disposals	
	<hr/>
At end of period	149
	<hr/>
<b>Provision</b>	
At beginning and end of period	-
	<hr/>
<b>Net book value</b>	
At end of period	149
	<hr/>

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

	30 December 2018 £000
<b>Company</b>	
Cost and net book value as at beginning and end of the period	1
	<hr/>

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 <sup>2</sup>	England and Wales	05623733	Holding company	100% ordinary
CSMB Limited <sup>1 2</sup>	England and Wales	05623739	Holding company	100% ordinary
Costcutter Holdings Limited <sup>1 2</sup>	England and Wales	05122658	Holding company	100% ordinary
Costcutter Supermarkets Group Limited <sup>1</sup>	England and Wales	02059678	Retail	100% ordinary
Ebor Foodmarkets Limited <sup>1</sup>	England and Wales	1698597	Retail	100% ordinary
PDQ Limited <sup>1 2</sup>	England and Wales	3655986	Printing	100% ordinary
Costcutter International Limited <sup>1 2</sup>	England and Wales	03200469	Retail	100% ordinary
The Local Independent Trading Company Limited <sup>1 2</sup>	England and Wales	8590846	Brand management	100% ordinary
Primex UK Limited <sup>1 2</sup>	England and Wales	02283172	Dormant	100% ordinary
Simply Fresh and Simply Local Limited <sup>1</sup>	England and Wales	09151083	Retail	20% ordinary

<sup>1</sup> Shareholding held by a subsidiary undertaking

<sup>2</sup> 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 30 December 2018 until those liabilities are satisfied in full.

## Notes (continued)

### 13 Stocks and Work in Progress

	30 December 2018 £000	31 December 2017 £000
Goods for resale	1,834	1,604

Included in goods for resale is £1,802,000 (30 December 2017: £1,512,000) in respect of stock held at group owned stores.

### 14 Debtors

	Group 30 December 2018 £000	Group 31 December 2017 £000	Company 30 December 2018 £000	Company 31 December 2017 £000
Trade debtors	25,220	20,594	-	-
Amounts owed by group undertakings	584	2,549	443	55,762
Other debtors	3,128	5,913	-	-
Prepayments and accrued income	4,930	3,129	-	-
Deferred tax (note 18)	1,806	755	-	-
	<u>35,668</u>	<u>32,940</u>	<u>443</u>	<u>55,762</u>

£584,000 is owed by group undertakings in respect of group tax relief for 2018. No payment has been received in respect of the current year.

**Notes (continued)**

**15 Cash and cash equivalents**

	<b>30 December 2018 £000</b>	<b>31 December 2017 £000</b>
Cash at bank and in hand	<b>2,660</b>	-

**16 Creditors: amounts falling due within one year**

	<b>Group 30 December 2018 £000</b>	<b>Group 31 December 2017 £000</b>	<b>Company 30 December 2018 £000</b>	<b>Company 31 December 2017 £000</b>
Bank loans (note 18)	<b>16,680</b>	12,508	-	-
Trade creditors	<b>37,447</b>	8,994	-	-
Amounts owed to group undertakings	<b>1,000</b>	-	-	-
Other taxation and social security costs	<b>2,915</b>	2,595	-	-
Other creditors	<b>1,540</b>	27,873	-	-
Accruals and deferred income	<b>4,740</b>	5,450	-	-
Finance leases	<b>225</b>	230	-	-
Bank overdraft	-	1,879	-	-
	<b>64,547</b>	59,529	-	-

Amounts owed to group undertakings and amounts owed to wholly owned subsidiaries of the parent group are secured and attract interest at a rate of 8% and repayable on demand.

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

In September 2018, the group signed a three year agreement with BNP Paribas for a new borrowing facility. At the year end the total facility amount was £25.0m (31 December 2017: £22.5m) and £24.6m (31 December 2017: £13.9m) was drawn on this facility.

## Notes (continued)

### 17 Creditors: amounts falling due after more than one year

	Group 30 December 2018 £000	Group 31 December 2017 £000	Company 30 December 2018 £000	Company 31 December 2017 £000
Loans due to parent undertaking	-	10,477	-	-
Loan notes due to parent undertaking	40,096	110,364	-	120,841
Finance leases	672	401	-	-
	<u>40,768</u>	<u>121,242</u>	<u>-</u>	<u>120,841</u>

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

- £40,000,000 (31 December 2017: £nil) secured loan from Bibby Line Group Limited which bears interest at 8% (31 December 2017: nil). The carrying value includes accrued interest of £96,438 (31 December 2017: £nil). The loan has no fixed repayment date and may be recalled by the lender, subject to consent by BNP Paribas in accordance with the subordination agreement. Bibby Line Group Limited has provided assurances to the Directors that no attempt to recall the loan will be made in the 12 month period following approval of these financial statements.

**Notes** (continued)

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

Maturity profile of loan notes and bank loans:

	<b>Group</b> <b>30 December</b> <b>2018</b> <b>£000</b>	<b>Group</b> <b>31 December</b> <b>2017</b> <b>£000</b>	<b>Company</b> <b>30 December</b> <b>2018</b> <b>£000</b>	<b>Company</b> <b>31 December</b> <b>2017</b> <b>£000</b>
Repayable within one year	16,680	14,387		-
Repayable between one and five years	40,768	121,242	-	120,841
	<u>57,448</u>	<u>135,629</u>	<u>-</u>	<u>120,841</u>

Maturity profile of finance lease obligations:

	<b>Group</b> <b>30 December</b> <b>2018</b> <b>£000</b>	<b>Group</b> <b>31 December</b> <b>2017</b> <b>£000</b>	<b>Company</b> <b>30 December</b> <b>2018</b> <b>£000</b>	<b>Company</b> <b>31 December</b> <b>2017</b> <b>£000</b>
Repayable within one year	225	230	-	-
Repayable between one and two years	221	108	-	-
Repayable between two and five years	451	293	-	-
	<u>897</u>	<u>631</u>	<u>-</u>	<u>-</u>

## Notes (continued)

### 18 Deferred taxation

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

	<b>30 December 2018 £'000</b>
Asset at beginning of period (note 14)	755
Total income statement movement arising during the period	1051
	<hr/>
Asset at end of period (note 14)	<b>1,806</b>
	<hr/>

Deferred tax asset is analysed as follows:

	<b>30 December 2018 £000</b>	<b>31 December 2017 £000</b>
Accelerated capital allowances	1,705	755
Short term timing differences	101	-
	<hr/>	<hr/>
	<b>1,806</b>	<b>755</b>
	<hr/>	<hr/>

A deferred tax asset of £4,618k has not been recognised. This relates to losses carried forward of £4,597k and capital losses of £21k.

### 19 Provisions for liabilities

	<b>Onerous lease provision £000</b>
At the beginning of the period	1,094
Income statement charge	257
	<hr/>
At the end of the period	<b>1,351</b>
	<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 £289,391 (31 December 2017: £283,167). The contributions outstanding at the period end were £62,437 (31 December 2017: £53,051).

**Notes** *(continued)*

**21 Operating leases**

At 30 December 2018 the company had total commitments under non-cancellable operating leases as set out below:

**Lessee**

	30 December 2018		31 December 2017	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Within one year	2,813	205	3,119	358
Between two and five years	9,730	155	10,857	276
In more than five years	13,518	-	15,859	-
	<u>26,061</u>	<u>360</u>	<u>29,835</u>	<u>634</u>

**Lessor**

	30 December 2018 Property £000	31 December 2017 Property £000
Operating leases which expire:		
Within one year	2,029	2,435
Between two and five years	6,893	8,308
In more than five years	9,403	12,034
	<u>18,325</u>	<u>22,777</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.

A group company sold goods amounting to £2,627,307 (year ended 31 December 2017: £3,233,803) 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 £80,162 (31 December 2017: £88,691).

### 23 Analysis of net debt

Group	31 December 2017 £000	Cash movements £000	Non-cash movements £000	30 December 2018 £000
Cash in hand, at bank	(1,879)	4,539	-	2,660
<i>Debt</i>				
Debt due within one year	(12,508)	(4,172)	-	(16,680)
Loan notes due within one year	-	(1,000)	-	(1,000)
Debt due after one year	-	-	-	-
Loan notes due after one year	(120,841)	(11,175)	91,920	(40,096)
Finance leases	(631)	(266)	-	(897)
	(133,980)	(16,613)	91,920	(58,673)
<b>Total</b>	<b>(135,859)</b>	<b>(12,074)</b>	<b>91,920</b>	<b>(56,013)</b>

## Notes (continued)

### 24 Share Capital and Reserves

	30 December 2018 £000	31 December 2017 £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

	30 December 2018 £000	31 December 2017 £000
Increase / (decrease) in cash in the period	4,539	(6,893)
Net increase / (decrease) in bank and other loans	(16,613)	7,027
	(12,074)	134
Non-cash movements	91,920	(5,973)
	79,846	(5,839)
Increase in net debt in year	(135,859)	(130,020)
Net debt at beginning of period		
Net debt at end of period	(56,013)	(135,859)

### 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 profit for the financial period dealt with in the financial statements of the company is £18,743k (31 December 2017: Loss £31,279k).