EG Group

Annual Report and Financial Statements 2018

EG Group Limited

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EG Group Limited

Strategic report

Principal activities and business objectives

EG Group is a leading global independent fuel station and convenience retail operator with operations at over 5,200 sites across Continental Europe, the United Kingdom, North America and Australia.

We have a diversified offering portfolio, providing three primary categories of products and services, fuel, convenience retail and food-to-go ("FTG"). At the core of our strategy is a focus on providing positive and quality customer experiences and maintaining a varied offering of premium and value-adding products and services, including through partnerships with premium third party brands. We partner with prominent fuel brands such as ExxonMobil, BP, Shell and Texaco, well-known retail and grocery brands such as SPAR, Carrefour and Louis Delhaize and globally recognised FTG brands such as Starbucks, Burger King, Subway and KFC as well as strong local FTG brands such as Greggs and Pomme de Pain. We also offer our own-brand fuel, convenience retail and FTG products and services at a number of our sites.

During recent years, we have achieved strong growth and improved our market share through a series of targeted strategic acquisitions that has significantly strengthened our financial profile and expanded our geographic footprint and diversity. A summary of our operations as at 31 December 2018 is illustrated below which also includes Australia, which was acquired in April 2019:

	UK	Continental Europe(1)	EG USA	Australia Completed 1st April 2019	Group Total
# of Sites	482 (2)	3,208	998	537	5,226
Total Employees	8,436	7,928	12,488	4,164	33,016
Fuel Partners	Esso	bp, Esso (4)	bp, ExxonMobil	CALTEX	Esso, bp
FTG Partners/Sites	SUBWAY, GREGGS	SUBWAY	SUBWAY	Significant Roll-Out Potential	SUBWAY, GREGGS
Convenience Retail Brands	SPAR	Carrefour, SPAR, Cactus	Proprietary Brands	Woolworths	Carrefour, SPAR, Cactus
Operating Model by Site Type(5)	482(2): 0%, 100%	3,208: 1%, 30%, 48%, 21%	998(3): 1%, 92%, 7%	537: 100%	6,226: 1%, 56%, 30%, 13%

COCO CODO DODO Other

1 *Continental Europe includes, Benelux, France, Italy and Germany*
2 *Includes 111 Standalone FTG Sites*
3 *Includes 58 standalone convenience retail sites & 1 standalone FTG site*
4 *The Group is in the process of re-branding its Benelux sites from Texaco to Esso with this expected to finalise during 2019*
5 *COCO ("Company owned, Company operated"), CODO ("Company owned, Dealer operated"), DODO ("Dealer owned, Dealer operated"), COFO ("Company owned, Franchisee Operated". Other refers to sites that are joint venture, run by an authorized dealer or operated by an agency*

With significant and increasing international scale, the sharing of best practice between territories and the continued rollout of strong convenience and FTG offerings, the business is well placed to achieve its core objective of delivering long term profitable growth and enhanced shareholder value.

Strategy

Our core strategy remains the development of a business with an attractive scale and diversification across a range of international markets, which we believe can provide operational synergies across markets and the ability to share best practices across our estate. We distinguish ourselves from our competitors through large, well-invested, non-fuel retail site areas and a differentiated owner-operator model, which drive best-in-class profitability and high last-mile foot traffic which results in higher profitability per site. We look to continue to be a partner of choice for key brands across our offerings, and will continue to evaluate acquisitions of sites that complement and strengthen our portfolio.

STRATEGIC PILLARS	
Pursue growth through selective acquisitions and growth capital spend	We will continue to look for value accretive acquisitions that we believe are a good fit in our portfolio and which will enable the acceleration of our strategy. We continually evaluate opportunities to grow our portfolio and capture market share by developing new sites, upgrading existing sites and acquiring new sites, with acquisitions ranging in size from single sites to larger acquisitions of full businesses. The Group continues to be a consolidator of choice in the sector.
Increasing profit margin contribution from convenience retail and FTG operations	A key strategy in driving our non-fuel operations is increasing customer footfall and sales volumes at our sites to increase profit margin contribution from convenience retail and FTG operations. We are continually reviewing our brand portfolio and evaluating opportunities to partner with other leading convenience retail and FTG brands. We aim to capitalise on EG's convenience retail and FTG know-how and, where believed to be suitable, extend this into our new markets.
Optimisation of fuel strategies	A key strategy in our fuel operations is the continued development of our fuel strategy and capability in order to increase revenue and profit margin, manage product procurement and inventory and control working capital, including as we integrate additional acquired sites and businesses into existing operations.
Continuing the conversion of suitable sites to the directly managed company-owned, company-operated ("COCO") model	The COCO model provides maximum control over quality, pricing policy, cost control and consistency of service offer. Sites operated as COCOs have historically generated higher Gross Margin contribution than sites operated under other models. Our strategic plan includes converting suitable non-COCO sites to manned COCO sites if they are determined to likely profit from an increase in their offering of convenience retail and FTG products and services.

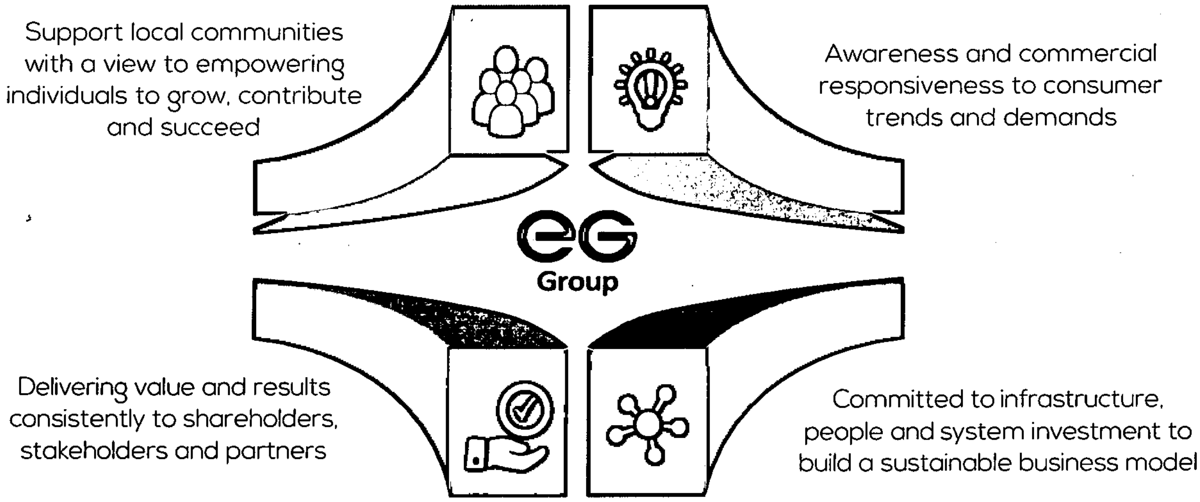
EG Group Limited

Strategic report (continued)

Our vision and core values

The Group's vision is to deliver a best-in-class fuel, convenience retail experience and food and drink offer that always exceeds customer expectations. We are committed to the investing in our infrastructure, people, systems and local communities and delivering value to shareholders and other stakeholders.

Values and Business Ethos



A winning business model

EG Group is a leading global independent fuel station and convenience retail operator with a diversified presence across eight countries in Europe and North America. The Group has evolved from a single site in 2001 to >4,600 high quality sites at 31 December 2018. The Group has operations in six of the ten largest fuel markets in Europe by fuel volume as well as the attractive US markets. The breadth of operations has extended into Asia Pacific with the completion on 1 April 2019 of the acquisition of 537 petrol forecourts and convenience stores in Australia, from Woolworths, a leading national supermarket chain.

Whilst the Group now operates a mix of site operations, our core competency lies in operating sites under the profitable COCO model as well as the roll-out of our best-in-class non-fuel offer, including convenience retail and FTG.

The Group invests significantly in its site portfolio to differentiate its offering with best-in-class facilities and delivering a superior customer experience and amenity compared to competition. This investment reflects EG's long standing philosophy that it should invest in its partner brands to give a consumer experience at least as good as that provided by the brands themselves. The Group's highway estate is amongst the largest in Europe and is expected to grow further on the back of its strong track record of renewal rates and new tender wins, supported by an enhanced non-fuel offer.

The Group's primary fuel partners include ExxonMobil, BP, Texaco, Shell and Caltex. EG Group purchases fuel for each brand directly from the relevant oil major. The Group's long standing relationship with fuel suppliers reduces exposure to re-contracting or termination risks. Through careful balancing of fuel sales price and volume, the Group is able to drive profitable fuel margins across the estate.

Strategic report (continued)

A winning business model (continued)

EG Group also provides a superior modern FTG and convenience retail experience through partnerships with leading and nationally recognised brands. The Group seeks to establish a "halo" impact on its sites whereby consumers are drawn based on a well invested fuel forecourt offering and the breadth and quality of the convenience retail and FTG proposition. The Group generates a significant proportion of its earnings from its non-fuel proposition, which contributed 50% of gross margin in the year ended 31 December 2018 *(2017: 50%)*. The consistent year on year non-fuel contribution percentage is reflective of the growth in the non fuel proposition in the established regions of the Group (UK, France and Benelux), offset by the acquisitions made in 2018, which, generally, did not have a non-fuel offering as developed as the existing EG Group when acquired. The share of gross margin from non-fuel is targeted to be 70% through the continued roll out of leading partner brands in FTG and convenience retailing across the estate, leveraging EG's best-in-class retail execution capabilities. The Group is strategically well placed to benefit from the trends driving convenience and FTG, and the significant market opportunity for these segments. A business model focused on non-fuel has proven to enhance the stability of earnings and resilience to adverse pricing conditions, as well as enhancing consumer footfall via the destination effect provided by recognised non-fuel brands.

The Group continues to be innovative and forward thinking with significant investments made to date in adapting to technological change. This includes investment in electric charging stations and the development of the IT capability to support evolving payment methods such as Apple Pay.

A WINNING BUSINESS MODEL	
Feature	**Description**
Large geographic scope and scale	✓ Extensive geographic footprint in three continents and across nine countries provides the benefits of geographical diversification, with balanced exposure to multiple national economies with different economic cycles and macroeconomic fundamentals
High quality store portfolio	✓ Retail destination driving significant footfall ✓ Best-in-class facilities enables premium pricing ✓ Well positioned against competitors for site profitability and future industry trends
Best-in-class owned and operated model	✓ Control and delivery of a best in class customer experience ✓ Ability to flex and improve the customer offering over time
Complementary fuel, convenience retail and FTG offer creates halo impact	✓ Larger sites with greater amenities drive customer footfall and spend ✓ Targeted balanced offering across regions to further diversify and improve resilience of profitability
Well-invested estate	✓ Delivering a superior customer experience and amenity compared to competition ✓ Capturing the full upside potential of every site ✓ Incremental capex delivers high return
Constantly innovating and adapting	✓ Adapting for the future via partnerships and innovation at sites ✓ Ample space for Electric Vehicles ("EV") charging stations ✓ Well positioned to fulfil retail 'last mile' needs such as "Click and Collect" offering ✓ Advanced discussions with EV producers, energy providers and existing charger networks ✓ IT platform ready for evolving payment methods (e.g. Apple Pay)

Business environment

Main trends and factors

Non-fuel

The convenience retail market as a whole has seen a strong expansion over the last fifteen years in those territories in which we operate and continues to benefit from the ongoing trend of consumers migrating towards convenience shopping missions, with an increasing number of trips with smaller basket sizes. The convenience grocery retail sector penetration in the UK is ahead of other European territories suggesting there is significant headroom for further growth and development in these regions. In the USA no national chain employs EG Group's model of partnering with premier brands. EG works with some of Europe's leading retailers including Spar, Carrefour, Louis Delhaize and Cactus to offer consumers a premium convenience offering. In Australia, our convenience retail partner is Woolworths, Australia's largest supermarket chain.

The FTG market in Western Europe has also grown in recent years, underpinned by long-term trends, such as customers seeking convenience, people having more hectic and 'time poor' lifestyles, urbanisation, and an increase in travellers from tourism in certain countries. Growth is expected to continue over the near term presenting a clear opportunity for EG across the markets it currently operates. Non-fuel markets in the countries in which EG operates are expected to experience growth of approximately 5% p.a. to 2022. Therefore, EG Group, with its offer of strong, recognisable fast food and coffee brands as well as partnerships with leading convenience providers, is optimally positioned to benefit from these trends and has historically seen increased foot traffic due to its strong offer. This aligns with EG's strategy of focusing on increasing its branded offering and making its sites into high-footfall retail hubs. As with convenience retail, EG partners with some of the strongest FTG brands in the world, combined with strong local brands.

Fuel

The fuel retail market has undergone significant change in recent years. The competitive landscape is evolving, with different markets at different stages of evolution. In particular, larger players have optimised their networks and site rationalisation has been taking place in most developed markets which has led to an increase in average throughput per site. In addition, oil majors and convenience chains, which have historically held a significant share of the fuel retail market, have in certain cases started to refocus on their core operations, giving rise to consolidation opportunities for independent operators like EG Group. Recent European fuel retail transactions illustrate the trend that independents are the acquirer of choice for oil major retail site disposals, supporting their brands by investing in the acquired estates. Our acquisitions during the year from Exxon-Mobil in Italy and Germany are good examples of this trend and demonstrate the attractiveness of EG as an acquirer of choice. On acquiring sites, EG is able to leverage its non-fuel capabilities, increasing the overall site profitability and site attractiveness for consumers.

Retail fuel volume has shown a stable development over the last 5 years in most of EG Group's markets, however volumes are expected to decline slightly going forward driven largely by improvements in fuel efficiency and electric vehicles. In spite of this, cash margins on fuel have been rising over recent years and the Group's strategic focus on the development of its non-fuel proposition and well invested estate will be paramount for success in the fuel retail space by reducing exposure to a declining liquid fuel market and improving margin stability.

The Group is mindful of the changing environment around policy driving CO2 reduction targets which in turn is driving the introduction of alternative fuel vehicles, including electric vehicles. The Group has operated alternative fuel and electric charging points across its forecourt estate for several years.

Business environment (continued)

Fuel (continued)

With regards to Electric Vehicles the Group has established a number of trial sites with a number of leading industry participants, including Tesla, Ionity and E.ON. A significant number of the Group's sites are highly adaptable for the addition of charging points, with ample space for customers to charge their vehicles whilst taking advantage of EG's strong non-fuel offering. In the longer term the Group has the flexibility to evolve and meet the changing market and consumer demands for transport fuels, ensuring that the Groups can introduce new offers that are complementary to the Group's existing forecourt infrastructure. This can be a mix of any alternative fuels from electric charging to hydrogen, as well as sustainable Diesel and liquefied natural gas ("LNG"), all of which could sit alongside the current transport fuels offer.

The Group recognises that whilst electric vehicles in their current form are very much in their infancy and have the potential to be disruptive to the current transport fuels segment, the Group will continue to actively monitor developments and make investments to test and learn from these alternative technologies to ensure we have a relevant and competitive offer for our customers. The strategy of actively engaging industry participants is consistent with its brand partnership model and will enable the Group to leverage the expertise and knowledge of its alternative fuel partners.

Business update

2018 represented another transformational year for the Group with significant growth establishing EG as a leading global player in the sector. Underpinned by the successful completion and integration of significant acquisitions the Group expanded its footprint from 1,448 sites at the start of the year to 4,688 sites at 31 December 2018 employing over 28,000 colleagues across 8 countries.

Three major acquisitions enabled the Group to expand its footprint across Continental Europe:

- In February, the Group acquired 1,158 forecourt retail sites from ExxonMobil in Italy
- In April, the Group completed the acquisition of 97 Esso branded sites in the Netherlands
- In October, the Group acquired 1,019 forecourt retail sites from ExxonMobil in Germany

Long-term branded fuel supply agreements mean the acquired sites will retain the Esso fuel brand allowing consumers to continue to purchase the same high quality fuel products. The Group looks forward to strengthening our relationship with ExxonMobil and cementing our position as their leading Branded Wholesale partner across Europe. These acquisitions strengthened the Group's position as the number one independent forecourt retailer in Europe and provide operations in all of the top four largest European fuel retail markets. They are highly complementary to the Group's existing European operations and provide significant potential to develop the non-fuel proposition. All three acquisitions have been successfully integrated into the Group's existing operations and shared service centre in Blackburn.

2018 also saw the Group establish a strong foothold in the USA, the largest fuel consumption and convenience market in the world (by store count and fuel gallons consumed by country) through two acquisitions. In April 2018, the Group acquired 762 convenience stores in the US from Kroger Co. The acquired business operates in 18 states and includes 66 franchise operations. EG Group has established its North American headquarters in Cincinnati, Ohio and continues to operate stores under their previously established banner names. In December 2018, the Group successfully completed its second acquisition in North America with the acquisition of 233 Minit Mart branded convenience retail stores and gas stations ("Minit Mart") from TravelCenters of America LLC. The Minit Mart acquisition provides an attractive store footprint which is again highly complementary to EG's existing US operations.

Strategic report (continued)

Business update (continued)

During the year, and in addition to the growth in footprint and profitability arising out of large-scale acquisitions, the Group added numerous individual sites to its portfolio, and the management team continues to look at further investment opportunities as they arise. The Group also continues to develop its land bank to further facilitate expansion in its chosen geographies.

In November 2018, the Group announced the acquisition of FuelCo, a portfolio of 537 petrol forecourts and convenience stores in Australia from Woolworths, a leading national supermarket chain. The acquisition completed on 1 April 2019. The acquisition represents a compelling investment proposition, mainly due to its leading position in Australia providing further geographical diversification for the Group, a strong operational fit given the estate comprises preferred company owned-company operated sites ("COCO"), as well as significant upside opportunities from the roll-out of FTG and development of the convenience retail offering.

Separate noteworthy developments during the year included the continuing evolution of the Group's forecourt estate. This involved the conversion of sites to the Group's preferred "company-owned-company-operated" model, the roll out of new retail sites in Benelux, and the introduction of numerous new Food-To-Go concessions across the UK and Continental Europe.

In order to facilitate the above expansion, the Group completed successful debt financings in January, April and November 2018. This further improves the Group's access to funds for these and future acquisitions, and demonstrates the confidence lenders have in the Group's strategy and ability to acquire and successfully integrate new investments.

UK

Against a back drop of challenging retail conditions in the UK, the business made good progress in growing revenues and gross margin from the existing estate. This is a result of the ongoing quality and relevance of the UK forecourt offering, the strength of our brand partnerships and the quality of service consistently delivered by colleagues.

Total UK revenues were €2.4bn in the 12 months to 31 December 2018 (*2017: €2.2bn*) and UK operating profit before group recharges and exceptional items ("Adjusted operating profit"), was €92m (*2017:* €88m) reflecting the impact of underlying cost inflation, cost investment in new-to-industry ("NTI") sites and new FTG concessions together with the expansion of the Blackburn shared service centre to support international expansion.

In the UK, the Group continued to invest in the estate during the year, undertaking €103m of capital expenditure in the 12 months to 31 December 2018. This spend included the completion of 4 knock-down and rebuilds ("KDR") and 8 NTI sites. Successful partnerships have been further developed with our brands including Starbucks, Subway, Greggs, Burger King and Spar, with the number of concessions operated by EG in the UK also increasing in the year. There is also continued development of the pipeline and land bank, with 31 freehold properties in the UK earmarked for potential new-to-industry sites.

Throughout the year there has been continued uncertainty about Brexit and therefore this has remained an area of focus from a risk perspective. The Group has considered the risks associated with the different possible outcomes. The uncertainties identified included the impact on the supply chain, imported food inflation, consumer confidence, potential changes to access to EU labour and changes in legal requirements. These uncertainties impact a number of the Group's principal risks and have therefore been factored into the assessment of the relevant risks throughout the year, and also considered as part of the required mitigation plans.

Business update (continued)

UK (continued)

Continental Europe

Total revenues in Continental Europe were €6.7bn in the 12 months to 31 December 2018 (*2017: €2.9bn*) and Continental Europe adjusted operating profit was €82m (*2017: €69m*) reflecting the impact of the acquisitions in Italy, Germany and the Netherlands during 2018. Despite a challenging fuel market for the majority of 2018, performance of the acquired businesses has been ahead of management expectation, with the Group successfully integrating these acquisitions into existing operations and executing strategic initiatives to drive profitability. Notable initiatives undertaken include the rationalisation of legacy regional office structures, the implementation of new contracts leveraging the Group scale, resulting in overhead savings, and various initiatives to enhance fuel and convenience retail margins. Performance in the core business in France and Benelux has however been more challenging during 2018 with adjusted operating profit falling 9% to €75m (*2017: €82m*). This is largely due to continued cost investment in COCO conversions and FTG rollout and certain isolated events in France which resulted in reduced fuel volumes.

These included the increase in fuel duty implemented in January 2018, the disruption from the "Gilet Jaunes" protests together with the impact of the sale of 17 dealer-owned dealer-operated ("DODO") sites in Corsica in October 2017.

Across Continental Europe, the Group continued to invest in it's estate during the year, undertaking €105m of capital spend in the 12 months to 31 December 2018. During the year the Group completed approximately 100 COCO site conversions in Europe, meaning those sites that were previously operated by third parties changed to become operated by EG, and opened over 72 new FTG concessions. The Group is confident that the benefit of this recent investment will feed through in FY19.

On 22 March 2019, a put option was agreed with WEX inc, pursuant to which the Group may exercise a sale of the proprietary cards business for €235m (see note 8), subject to anti-trust, works councils and related clearances. This business was acquired as part of the EFR acquisition in November 2016 and was regarded by the Board as a non-core part of the Group. The disposal enables EG to simplify Group operations and enable the continued focus on the Group's core competency as a fuel and convenience retailer. The assets and liabilities of the business are shown as a disposal group in note 8.

North America

Following the completion of the Kroger C Store acquisition on 20 April 2018 and the Minit Mart acquisition on 5 December 2018, revenues for North America in the year post acquisition were €2.9bn and adjusted operating profit was €125m. Results are ahead of management expectations which largely reflects the success to date in integrating the acquisition and executing strategy to drive profitability. The Group has undertaken various initiatives including the review and optimisation of in-store labour hours, a rationalisation of the US regional head office structure, driven margin improvements through the use of more sophisticated fuel pricing strategies, the improvement of in-store layouts and the development of the convenience retail offering and pricing strategy.

Across North America, the Group invested in the newly acquired estate during the year, undertaking €20m of capital spend in the year from acquisition to 31 December 2018, primarily relating to store refits to develop the convenience retail proposition. With the Group's US head office and shared service centre now well established in Cincinnati, the Group looks forward to continuing the investment in and development of our North America operations in FY19.

EG Group Limited

Strategic report (continued)

Key financials

Table 1: Summary financial analysis

	Revenue		Gross margin		Adjusted EBITDA*	
	2018	2017	2018	2017	2018	2017
	€m	€m	%	%	€m	€m
By Geography						
UK	**2,375**	2,225	**14.0**	13.8	**133**	123
Continental Europe	**6,720**	2,931	**10.4**	15.1	**258**	180
North America	**2,910**	N/A	**16.0**	N/A	**170**	N/A
GROUP TOTAL	**12,005**	5,156	**12.4**	14.5	**561**	303

Table 2: Adjusted operating profit and adjusted EBITDA*

	2018	2017
	€m	€m
(Loss)/profit after tax ***	(138)	15
Add tax	-	23
Add finance costs	392	135
Deduct finance income	(12)	(13)
Operating profit**	**242**	**160**
Exceptional items****	57	10
Adjusted operating profit	**299**	**170**
Add depreciation	199	119
Add amortisation	63	14
Adjusted EBITDA*	**561**	**303**

*Being earnings before interest, tax, depreciation and amortisation before exceptional items
** Being operating profit excluding exceptional items
***Being (loss)/profit after tax for the year ended 31 December 2018 and for the comparative year ended 31 December 2017, as shown in the Consolidated Income Statement on page 29.
****Being exceptional items included within operating profit as disclosed in Note 5 to the Group financial statements.

Financial position

Table 3: Summary balance sheet

	Assets	Liabilities	Net assets/ (liabilities)
	€m	€m	€m
Property, plant and equipment	2,937	-	2,937
Goodwill and intangible assets	3,101	-	3,101
Other non-current assets and liabilities	70	(330)	(260)
Current assets and liabilities	1,010	(1,156)	(146)
Deferred tax	204	(351)	(147)
Total before net debt	7,322	(1,837)	5,485
Net debt	269	(5,386)	(5,117)
Total as at 31 December 2018	**7,591**	**(7,213)**	**368**
Total as at 31 December 2017	3,181	(2,718)	463

Total assets and liabilities have increased significantly in 2018 reflecting the acquisitions completed in the Netherlands, Germany, Italy and the USA. The Group remains well supported by lenders. The Group successfully completed a refinancing in January 2018 and further financings in April 2018 and November 2018 to support the acquisitions completed during the year. Core facilities at the year end are detailed in note 22.

Key financials (continued)

Key performance indicators (KPIs)

KPI	Importance to the Group's strategy	2018	2017
Financial			
Adjusted EBITDA (see table 2)	A measure of our underlying operating return before depreciation amortisation and exceptional items	€561m	€303m
Gross profit	A measure of the Group's profit on sales after deducting the cost of goods sold from revenues generated	€1,493m	€750m
Net debt	A measure of the Group's borrowings	€(5,117)m	€(1,539)m
Net debt to adjusted EBITDA	A measure of how leveraged the balance sheet is	9.1x*1	5.1x*1
Net debt to pro-forma adjusted EBITDA	A measure of how leveraged the balance sheet is including the full year impact of acquisitions	5.7x*2	5.1x*2
Non-fuel gross margin mix %	A measure of the Group's earnings diversification and resilience	50.0%	50.0%
Non-Financial			
Fuel volumes (m litres)	A measure of our fuel activity	10,705m litres	5,139m litres
Number of sites at year end	A measure of the Group's scale	4,688 sites	1,448 sites

**1 Cautionary Note: Set out above are the key KPIs that are monitored by the Directors. However, for the years above, the Directors do not consider these KPIs representative of the current performance of the business. The ratios above are based on the statutory measures reported in these financial statements and are not prepared on a pro forma, trailing 12 month basis. Net debt to adjusted EBITDA for the prior year are distorted by the fact that only results from the date of acquisition for Italy, Germany, NRG, Kroger C-Store and Minit Mart are included in the ratios yet the full closing net debt is captured in the ratio.*

**2 Net debt to pro-forma adjusted EBITDA includes an estimate to reflect the full year EBITDA of acquisitions which completed mid-year and the full annualised benefit of synergies expected to be realised.*

Non-Financial KPIs

Key non-financial key performance indicators remain fuel volumes sold and number of sites. Other non- financial key performance indicators include staff retention and customer satisfaction. Staff retention is measured by the level of staff churn with the Company seeking to actively manage this, in part through the adoption of the National Living Wage for all UK employees over 18 years old and the Youth Development Rate for those under 18, from January 2017. Customer satisfaction is monitored using direct customer feedback which is shared with the head office and regional, area and site managers.

Principal risks and uncertainties

The Directors of EG Group Limited confirm that they have carried out a robust assessment of the principal risks facing the Group and Company, including those that would threaten its business model, future performance, solvency or liquidity.

The following table shows the principal risks the businesses are exposed to and the Group and company's approach to mitigating the risk:

RISK	IMPACT ON GROUP	MITIGATION OF RISK
Strategic/Commercial		
Macro economic conditions	The Group's financial performance is dependent on national and regional economic conditions and consumer confidence in the territories in which we operate. The systemic impact of a potential long-term and widespread recession, reduced gross domestic product growth or production, higher energy costs, fluctuation in commodity prices (including recent movements in fuel prices), strong currency fluctuations, inflationary pressures (including those resulting from the recent depreciation of pound sterling), the availability and cost of credit, diminished business and consumer spending and increased or persistent unemployment in its countries of operation could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. With regard to the UK's exit from the EU, a 'no deal' outcome could continue to create uncertainty in the UK Retail market, impacting customer confidence in the Group's UK based operations.	Management continuously monitor the broader macroeconomic environment and trends particularly in those countries and regions in which the Group operates. The Group's offering is constantly reviewed to ensure it continues to meet customer requirements in terms of price, relevance and quality in a changing macroeconomic landscape.
Competition	The industries and locations in which the Group operates are highly competitive. We face significant competition within each of our business segments from other existing forecourt retailers, convenience stores, food retailers, grocery stores, supermarkets and fast food concessions drawn from local and large scale multinational corporations, as well as from new competitors entering the markets that we serve. These competitive pressures could cause us to lose market share and may require us to lower prices, increase capital, marketing and advertising expenditures or increase the use of discounting or promotional campaigns. This may also restrict our ability to increase prices, including in response to commodities or other cost increases. We may face difficulties competing in the highway concession market. These operations, which are among our most profitable operations, depend on authorisations from governmental regulatory agencies in the countries in which we operate, which are subject to bid, expiration, limitation on renewal and various other risks and uncertainties. There can be no guarantee we will obtain or be able to renew highway concessions on favourable terms or at all.	Management continually assess the Group's competitive position in relation to price, customer service, choice and quality of product to ensure the Group continues to meet changing customer demands. We continue to evolve our proposition through investment in our site infrastructure, the roll-out of non-fuel brand partnerships and training of colleagues to deliver the highest possible standard of service.

Principal risks and uncertainties (continued)

RISK	IMPACT ON GROUP	MITIGATION OF RISK
Strategic/Commercial (continued)		
Technological changes	The Group may be unable to adapt to developments regarding climate change and the impact of petroleum-based fuel on the environment, which may alter attitudes towards our existing fuel products, or to new technologies resulting in improved fuel efficiency and the increased use of electric and hybrid vehicles, which could cause significant changes to the forecourt industry driving down the demand for petroleum based fuel reducing footfall and revenues at the Group's forecourts.	The Group remains aware of changing industry and consumer trends and operates an agile business model. Significant investment in our retail and food to go offering is a cornerstone of the Group's long term strategy. A significant proportion of the Group's gross margin is non-fuel and this is expected to increase following the continuing roll-out of the food to go offering. In developing a well invested network of destination site locations, the Group is well placed to maintain market share and adapt and evolve the traditional fuel offering to cater for changing customer demands such as electric vehicle charging. The Group is investing in the provision of facilities for electric vehicles and its chargepoint infrastructure.
Securing value accretive acquisitions	The Group is highly acquisitive and faces competition for new sites. It may not be successful in identifying or acquiring sites that meet its criteria. As the Group expands internationally, including expanding into new countries and regions, we may encounter risks. For example, we may be unable to reach agreements with prospective suppliers or franchise partners to operate in the new market, or the adaptation of our business model to local consumer preferences or a customer base with different expectations for amenities offered by petrol filling stations. We also may experience other risks, including from complying with different national or territorial health and consumer safety standards, laws and regulations, or a lack of local business experience. Expanding operations into additional markets will also result in exposure to economic conditions in such markets. In addition, due diligence undertaken by the Group may not identify all risks and liabilities in respect of an acquisition.	The Group has skilled and experienced colleagues who focus on the acquisition and integration of new sites. All acquisitions are approved by the Board and the Group uses a mix of external experts and internal resource to undertake appropriate and thorough due diligence on all potential acquisitions.

Strategic report (continued)

Principal risks and uncertainties (continued)

RISK	IMPACT ON GROUP	MITIGATION OF RISK
Operational		
Legislative and regulatory requirements	The sector in which we operate is subject to extensive regulation in our countries of operation. Operations relating to the storage, transportation and sale of fuel products, are subject to stringent environmental laws and regulations which vary across the countries in which we operate. Risks include the failure of equipment, accidents, fires and leaks or spills which may cause injury or environmental contamination, disrupt operations and damage the Group's reputation. This could lead to a decline in sales adversely impacting the Group's financial condition and results of operations. The Group's convenience retail and food to go operations are similarly subject to regulations, including regulations relating to food safety and product quality, minimum wage laws, tax laws and health and safety regulations.	The safety of our operations and compliance with all regulatory requirements is given highest priority and is regularly reported and reviewed at Board level. The Group has robust procedures, systems and controls in place to manage and monitor compliance with relevant legislation and ensure operations are conducted safely and to the highest possible standard.
Business systems	Failure to comply with such regulations could result in civil or criminal penalties and/or disruption to operations from the temporary or permanent shut down of operations. Certain of our operations depend on concessions, authorisations, licenses and permits from governmental regulatory agencies in the countries in which we operate, which are subject to expiration, limitation on renewal and various other risks and uncertainties. Our inability to obtain highway concessions or negotiate their renewal on favourable terms, or at all, could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. We are subject to regulation regarding the use of personal data and debit and credit card data. We collect, process and in some cases store personal data of customers and employees (some of which may be sensitive) as part of our business and therefore must comply with strict data protection and privacy laws.	The General Data Protection Regulation (GDPR) entered into force on May 24, 2016 and will apply in all EU member states from May 25 2018. The Group continues to review and develop existing processes to ensure that customer personal data is processed in compliance with the GDPR's requirements.

EG Group Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

RISK	IMPACT ON GROUP	MITIGATION OF RISK
Operational (continued)		
Business systems (continued)	The timely development, implementation, and continuous and uninterrupted performance of our fuelling equipment, payment systems, fuel card processing systems, business intelligence tools, hardware, network, applications, website and other systems, including those which may be provided by third parties, are important factors in our delivery of products and services to customers. Our ability to protect our equipment and systems against unexpected adverse events is a key factor in continuing to offer consumers our full range of products and services in an uninterrupted manner. Interruption to systems could result in delays or disruptions in the supply and delivery of our products, problems maintaining or upgrading our equipment and systems, customer dissatisfaction, harm to our reputation, fines and penalties or unanticipated capital expenditures or trade losses, each of which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. Core business systems must also be kept up to date with the capability to support the Group's growth strategy. If investment in both systems and infrastructure does not keep pace with the growth of the business there may be a limitation to the Group's ability to trade and expand.	The Group continually monitors the effectiveness of business systems and invests as necessary to ensure they are fit for purpose and support the Group's strategy. The Group is currently upgrading the Continental Europe ERP platform to SAP and considering strategies for the full alignment of ERP systems across the Group. Disaster recovery is also a key part of our systems strategy, enabling us to continue to trade in the event of a system outage. The Group maintains a formal IT disaster recovery plan which is reviewed regularly.
Reliance on third party suppliers	The Group's operations depend on our ability to obtain goods and services from third-party suppliers, and we are dependent upon the supply from a relatively limited number of fuel suppliers. For instance, Exxon Mobil, BP, Texaco, Shell and Caltex supply the majority of the fuel we sell. Whilst the Group has agreements in place with suppliers, we do not have direct control over their operations or the products and services they provide, and our supply stream may be interrupted by circumstances outside our control. Any significant disruption or other adverse event affecting our supplies could have a significant impact on our ability to receive fuel supplies or result in significant cost inflation, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. With regard to the UK's exit from the EU, there is an increased risk of supply chain disruption and complexity in the event of a 'no deal' scenario, impacting the Group's UK based operations and suppliers.	The Group procures fuel from a range of third party suppliers minimising, as far as possible, reliance on any single supplier. The Group also operates a number of supply depots in certain European locations where fuel is stored prior to its distribution to European forecourts. These depots have been deemed as non core by the Board and are presented as assets held for sale (see note 8).

Strategic report (continued)

Principal risks and uncertainties (continued)

RISK	IMPACT ON GROUP	MITIGATION OF RISK
Financial		
Interest rates	The Group's credit facilities bear interest at variable rates and therefore Group earnings and cash flow are subject to fluctuation from changes in LIBOR and EURIBOR. Increases in short term interest rates will increase debt service requirements and reduce earnings and net cash flows.	Interest rate exposure is evaluated regularly and risk management strategies reflect interest rate views and a defined risk appetite ensuring the most cost-effective strategies are applied. Where appropriate, the risk is managed by the Group through the use of interest rate hedging instruments.
Foreign exchange	We have operations in the United Kingdom, Continental Europe, the USA and Australia. Whilst the functional currency of the Company is sterling, our financial statements are presented in euro. Exchange rates between the pound sterling and the euro have been volatile, and fluctuations in these currencies may have a substantial effect on our financial statements due to related gains or losses resulting from the translation of foreign currency denominated assets, liabilities and earnings into Euro. Our hedging practices may not completely insulate us from currency exchange risks and may involve costs and risks of their own. As a result, fluctuations in currency exchange rates could adversely our business, financial condition, liquidity, results of operations and prospects.	The Group maintains a mix of sterling, US dollar, Euro [and Australian dollar denominated borrowings to provide an economic hedge against net asset and cash flow fluctuations arising from changing exchange rates. In addition the Group hedges any significant short term transactional exposures via the use of forward currency exchange contracts.
Liquidity	Liquidity risk is the risk of the Group being unable to meet financial obligations as they fall due. This could significantly impact both the reputation and financial position of the Group and potentially its ability to continue as a going concern.	The Group has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. Liquidity risk is mitigated by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. The Group also benefits from a structurally negative working capital cycle which is continually monitored by management.

Strategic report (continued)

Principal risks and uncertainties (continued)

RISK	IMPACT ON GROUP	MITIGATION OF RISK
Financial (continued)		
Insurance	Each of our insurance policies is subject to certain limitations and we may face liabilities or losses that are not adequately covered by our insurance. In particular, our coverage limits may be too low to fully cover all or any losses, and our deductibles (or excess payments) may be significant enough to place strain on our capital. Additionally, if we suffer from one or more events that result in us making a claim under our insurance policies, we could face higher premiums or be unable to renew or purchase new insurance in the future. Any inadequacy in our insurance coverage, including those mentioned here, could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.	The Group continuously monitors its potential risks to ensure that insurance cover is appropriate.

Environmental matters

EG Group is committed to being an environmentally responsible group and aims to manage its impact on the environment. The Group closely monitors the usage of electricity and water and the volume of waste sent to landfill. A 2.5% consumption reduction (on a like for like basis) is targeted for 2019. The number of serious environmental incidents is closely monitored.

Energy conservation	The Group has undertaken a number of environmental initiatives to help promote sustainable business practices. AMR Metering Contracts are in place for the UK estate to monitor live energy consumption. The roll out of LED lighting across the estate is continuing and the Group is also progressing the roll out of solar panel installations across the estate. Additionally, the Group are trialling solar thermal systems to potentially heat our hot water tanks naturally through sunlight. An internal marketing campaign is being organised to educate site managers on conservation and related matters. Sites are continually encouraged to minimise stock loss through optimised stock management and ordering and the Group is working to maximise the proportion of our waste which is appropriately segregated and recycled. Waste summaries are reviewed monthly. We aim to pro-actively monitor sites on a regular basis to ensure all site managers are educated as part of an "Energy Efficiency Campaign". We are considering AMR roll-out for the European site portfolio since there is no current monitoring program in place. We are also trialling the installation of 'Smart Cool' systems which help to increase the efficiency and performance of air conditioning systems, helping to reduce energy consumption through optimal performance of the units. Separately, the Group is evaluating battery storage with the aim of securing self-generated electricity supply for the Estate at all times and generating revenue by supplying national grid infrastructure during peak demand times. Energy Efficiency Directive compliance is to be audited across the Estate. Behavioural changes and Staff awareness is also a key part of our strategy to bring down energy consumption; the Group provide basic training to educate staff on efficiencies.
Alternative fuel	The Group has installed electric vehicle ("EV") charging points at around 85 locations throughout Europe. We are exploring group level joint ventures with automotive manufacturers and leading players in the industry to offer charging solutions to consumers across our portfolio that are future-proofed. The Group sees alternative fuels as an enhancement to the portfolio and an opportunity to drive greater footfall onto the Estate, however it recognises the need to make strategic choices that are supported by robust business cases.
Water conservation	We are exploring options to control water consumption, in addition to meeting with advisers to discuss water usage and consumption savings initiatives. There is a roll out of push button taps alongside a roll out of flush control systems for urinals across the estate. There is rainwater harvesting at larger consuming locations, currently installed at 2 motorway sites in the UK (Rivington and Monmouth) and a broader roll-out is being considered. We are currently also trialling state of the art water saving toilets (Propelair) which uses only 1.5litres of water when flushing as opposed to the current 10 litres for normal cistern toilets We are also promoting water savings at food-to-go outlets. A minimum 5% consumption reduction is targeted for 2019 across the Estate.
Hazardous materials e.g. waste and gas	Segregation of hazardous waste is required by law. Accordingly, hazardous waste is emptied annually from each site as a minimum. Associated documents are stored on site, HQ servers and site register. Transfer notes are obtained from waste management companies upon collection of the waste – this is a yearly cycle. We aim to ensure that all work is done on a continuous basis and regularly maintained, and that all transfer notes are collated, stored and easily auditable.

Social, community and human rights issues

We are committed to maintaining the highest standards of health and safety practices for our colleagues, customers, visitors, contractors and anyone affected by our business activities. We therefore consider good health, environment & safety management as an essential part of the business performance and culture aiming for "ZERO accidents & incidents". Our health and safety policies and procedures include, but are not limited to:

- Managing risk and promoting health and safety culture in the Board's agenda.
- Appropriate training and education of all staff to adhere to legal compliance and best practice.
- Proactively conducting regular risk assessments & root cause analyses to provide and maintain safe and healthy working environments to significantly reduce occupational injuries or illnesses.
- Quarterly audits of Health and Safety performance.

The Group formally monitors health and safety incident rates.

The Companies Act 2006 requires us, to the extent necessary for an understanding of the development, performance or position of the Company's business, to include information about human rights issues in this report. Given the nature of our business and area of operations, we do not believe it is necessary to include such information. However, the health, safety and well-being of our people is a matter we take very seriously. Our strategy and the expectations of our customers and other key stakeholders are all set in the context of our commitment to operating our business without harm.

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains nor in any part of our business. Our policy in this regard reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Employees

We are fortunate to have a committed workforce whose skills, expertise and passion make a significant contribution to the success of the business. We aim to be the employer of choice and are committed to ensuring colleagues are respected and their views are valued. Appropriate training and colleague communication programmes are maintained. The activities that impact on colleagues are closely monitored to ensure that both strategy and colleague engagement are aligned to keep the Group at the forefront of a competitive marketplace. During the year the Group took steps to add strength and depth to the management team to support the further growth of the business.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant 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 disabled persons should, as far as possible, be identical to that of other employees.

Strategic report (continued)

Employees (continued)

Diversity and inclusion

Diversity and inclusion are key to our business and we treat all our employees fairly. Accordingly, the Group seeks to employ people with different ideas, styles and skill sets, all of whom contribute in unique ways. Our willingness and ability to think differently and work in innovative ways is critical to our success. With a formal Equal Opportunities Policy, we are committed to recruiting, promoting and remunerating our people solely on the basis of their ability to contribute to the Group's objectives.

Gender Pay Statement

We are committed to treating all our staff equally and reward them fairly for the work they carry out. We encourage a culture where people can be themselves at work, regardless of their gender or any other characteristic. We are confident that we have equal pay and a signed Gender Pay Statement is currently live on the EG website.

We monitor the gender impact of our reward processes – a practice that plays a fundamental role in helping us identify and improve our gender pay gap. This includes conducting a review throughout the organisation to ensure that decisions about pay are made fairly and in keeping with our commitment to diversity.

As part of our ongoing work to foster gender balance, we will continue to ensure we attract a diverse pool of candidates to all job roles.

As we develop our practices, policies and procedures, we will implement all considerations from our current gender pay gap and incorporate these in the relevant policies including recruitment, retention, employee relations and career progression.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 36 to the financial statements.

Approval

This report was approved by the Board of Directors and signed on its behalf by:

Mohsin Issa

Co-Chief Executive Officer

9 April 2019

EG Group Limited

Directors' report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2018.

Details of significant events since the balance sheet date are contained in note 36 to the financial statements. An indication of likely future developments in the business of the Company is included in the Strategic Report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 34 to the financial statements.

Ownership

The ultimate parent Company of EG Group Limited is Optima Bidco (Jersey) Limited, a Company incorporated in Jersey, that is 50% owned by Mohsin Issa and Zuber Issa and 50% owned by funds managed by TDR Capital LLP.

Directors

The Directors, who served throughout the year and thereafter were as follows:

Zuber Vali Issa and Mohsin Issa have been active in the forecourt sector since the acquisition of a single petrol station in Bury, UK in 2001. They have built the business to be the largest owner-managed forecourt operator in the UK. Zuber and Mohsin both hold the position of Group Co-CEO.

TDR Capital ("TDR")

TDR is a leading international private equity firm, managing capital on behalf of institutional, governmental and private investors worldwide. TDR was founded in 2002 by Manjit Dale and Stephen Robertson and invests in medium to large sized businesses and partners with them to develop and grow their operations.

TDR Capital has an experienced team of investment professionals and operating partners and has a low volume investment strategy based on principles developed by the investment team over the past decade. TDR Capital seeks to spend significant resources on each investment and to focus on operational excellence through a tested and integrated operating partner model, working in partnership with management through board representation and professional support.

Manjit Dale and Gary Lindsay are Managing Directors of TDR Capital and both represent TDR, alongside Mohsin Issa and Zuber Issa, as Directors of Optima Bidco (Jersey) Limited.

Dividends

The Directors are not proposing to recommend a dividend in respect of the financial year ended 31 December 2018. No dividends were paid to shareholders during the year ended 31 December 2018 (2017: same).

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 27. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The percentage of the issued nominal value of the ordinary shares is 100% of the total issued nominal value of all share capital.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In their consideration of going concern, the Directors have reviewed the Group's future cash flow forecasts and profit projections, on both a base case and sensitised basis, considering the principal risks and uncertainties of the Group.

These forecasts have been prepared based on market data, past experience and expected trading on newly acquired businesses. Furthermore, this review considered the implications of the changes to the Group's financing facilities as detailed in note 22 of the financial statements and the impact of the integration of the Groups acquisition activity. Under all scenarios there was sufficient headroom on covenants and cash headroom. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 3 in the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk:

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

Credit risk

The Company's principal financial assets are cash balances and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an expected credit loss which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

Further details regarding these risks and their management is contained within note 34 to the financial statements.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Employees

The Company's policy with respect to disabled employees and employee consultation is outlined in the strategic report.

Guidelines for Disclosure and Transparency in Private Equity

The Directors consider that the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to s487 of the Companies Act 2006, the Group's auditor, Deloitte LLP will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approval

This report was approved by the Board of Directors and signed on its behalf by:

Mohsin Issa
Co-Chief Executive Officer
9 April 2019

Euro House
The Beehive Trading Park,
Haslingden Road,
Blackburn,
Lancashire
BB1 2EE

EG Group Limited

Directors' responsibilities statement

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. 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 Company and of the profit or loss of the Company for that year.

In preparing the parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy

EG Group Limited

Directors' responsibilities statement (continued)

This responsibility statement was approved by the board of Directors and is signed on its behalf by.

By order of the Board

Mohsin Issa

Co-Chief Executive Officer

9 April 2019

EG Group Limited

Independent auditor's report to the members of EG Group Limited

Report on the audit of the financial statements

Opinion
In our opinion:

- the financial statements of EG Group Limited (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 37 to the consolidated financial statements and notes 1 to 8 to the Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union and IFRS as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of EG Group Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors 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 for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of EG Group Limited (continued)

In the light of the knowledge and understanding of the Group and of the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of our report

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.

Damian Sanders BA FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
9 April 2019

EG Group Limited
Consolidated income statement
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 Before exceptional items €m	Exceptional items (note 5) €m	After exceptional items €m	Year ended 31 December 2017 Before exceptional items €m	Exceptional items (note 5) €m	After exceptional items €m
Continuing operations							
Revenue	6	12,005	-	12,005	5,156	-	5,156
Cost of sales		(10,512)	-	(10,512)	(4,406)	-	(4,406)
Gross profit		1,493	-	1,493	750	-	750
Distribution costs		(1,051)	-	(1,051)	(537)	-	(537)
Administrative expenses		(154)	(92)	(246)	(44)	(10)	(54)
Other operating income		10	35	45	-	-	-
Share of profit of equity accounted investments	19	1	-	1	1	-	1
Operating profit/(loss)		299	(57)	242	170	(10)	160
Finance income	12	12	-	12	13	-	13
Finance costs	13	(280)	(112)	(392)	(132)	(3)	(135)
Profit/(loss) before tax		31	(169)	(138)	51	(13)	38
Tax	14	(15)	15	-	(25)	2	(23)
Profit/(loss) for the year		16	(154)	(138)	26	(11)	15

EG Group Limited
Consolidated statement of comprehensive income
For the year ended 31 December 2018

	Year ended 31 December 2018 €m	Year ended 31 December 2017 €m
(Loss)/profit for the year	(138)	15
Other comprehensive expense		
Items that may be reclassified subsequently to income statement		
Exchange differences on translation of foreign operations	(2)	(15)
Tax on items that may be reclassified	-	-
Items that will not be reclassified subsequently to income statement		
Re-measurements on defined benefit pension plan	-	1
Tax on items that will not be reclassified	-	-
Other comprehensive expense for the year	(2)	(14)
Total comprehensive (loss)/income for the year	(140)	1

EG Group Limited
Consolidated balance sheet
As at 31 December 2018

	Note	31 December 2018 €m	31 December 2017 €m
Non-current assets			
Goodwill	15	2,557	947
Other intangible assets	16	544	85
Property, plant and equipment	17	2,937	1,514
Interests in joint ventures	19	-	5
Deferred tax asset	23	204	44
Financial assets	34	1	1
Trade and other receivables	21	69	12
		6,312	2,608
Current assets			
Inventories	20	293	145
Trade and other receivables	21	336	256
Current income tax assets		16	-
Assets classified as held for sale	8	365	-
Cash and cash equivalents	30	269	172
		1,279	573
Total assets		**7,591**	**3,181**
Current liabilities			
Trade and other payables	25	(795)	(625)
Current income tax liabilities		(21)	(23)
Borrowings	22	(355)	(103)
Provisions for other liabilities and charges	26	(26)	(7)
Liabilities classified as held for sale	8	(310)	-
Derivative financial instruments	34	(4)	(5)
Employee benefit obligations	33	-	-
		(1,511)	(763)
Net current liabilities		(232)	(190)
Non-current liabilities			
Trade and other payables	25	(45)	(12)
Borrowings	22	(5,030)	(1,608)
Derivative financial instruments	34	-	(7)
Provisions for other liabilities and charges	26	(260)	(112)
Deferred tax liabilities	23	(351)	(209)
Employee benefit obligations	33	(26)	(7)
		(5,712)	(1,955)
Total liabilities		**(7,223)**	**(2,718)**
Net assets		**368**	**463**
Equity			
Share capital	27	-	-
Share premium account	28	1,587	1,587
Merger reserve	29	(1,188)	(1,188)
Currency translation reserve	29	(63)	(61)
Retained earnings		32	125
Total equity		**368**	**463**

The financial statements of EG Group Limited, registered number 09826582 were approved by the board of Directors and authorised for issue on 9 April 2019. They were signed on its behalf by:

Mohsin Issa
Co-Chief Executive Officer

EG Group Limited
Consolidated statement of changes in equity
As at 31 December 2018

Equity attributable to equity holders of the Company

	Share capital €m	Share premium account €m	Merger reserve €m	Currency translation reserve €m	Retained earnings €m	Total equity €m
Balance at 1 January 2017	-	1,587	(1,188)	(46)	109	462
Profit for the year	-	-	-	-	15	15
Other comprehensive (loss)/income for the year	-	-	-	(15)	1	(14)
Total comprehensive (loss)/income	-	-	-	(15)	16	1
Balance at 31 December 2017	-	1,587	(1,188)	(61)	125	463
Adjustment on initial application of IFRS 9, net of tax (see note 2)	-	-	-	-	44	44
Balance at 1 January 2018	-	1,587	(1,188)	(61)	169	507
Loss for the year	-	-	-	-	(138)	(138)
Other comprehensive loss for the year	-	-	-	(2)	-	(2)
Total comprehensive loss	-	-	-	(2)	(138)	(140)
Other reserve movements	-	-	-	-	1	1
Balance at 31 December 2018	-	1,587	(1,188)	(63)	32	368

EG Group Limited
Consolidated cash flow statement
For the year ended 31 December 2018

	Note	2018 €m	2017 €m
Net cash from operating activities	30	**380**	**263**
Investing activities			
Interest received		5	-
Proceeds on disposal of property, plant and equipment		5	8
Purchases of property, plant and equipment		(195)	(122)
Purchases of intangibles		(19)	(12)
Proceeds from disposal of investments in joint ventures		-	22
Acquisition of subsidiary, net of cash acquired	35	(2,798)	(27)
Acquisition of trade and assets, net of cash acquired	35	(538)	(4)
Deposits paid for acquisitions		-	(33)
Net cash used in investing activities		**(3,540)**	**(168)**
Financing activities			
Interest paid		(233)	(81)
Loan issuance costs paid		(157)	(2)
Repayments of borrowings		(1,661)	(223)
Proceeds from new borrowings		5,307	299
Net cash (used in)/from financing activities		**3,256**	**(7)**
Net increase in cash and cash equivalents		**96**	**88**
Cash and cash equivalents at beginning of the year	30	**172**	**89**
Effect of foreign exchange rate changes		1	(5)
Cash and cash equivalents at end of the year	30	**269**	**172**

1. General information and basis of preparation

EG Group Limited is a Company incorporated and domiciled in the United Kingdom under the Companies Act. The Company is a private Company limited by shares and is registered in England and Wales (Registration number 09826582), and the address of the registered office is Euro House, The Beehive Trading Park, Haslingden Road, Blackburn, Lancashire, BB1 2EE.

The principal activities of the Company and its subsidiaries ("the Group") are to operate as a forecourt retailer providing three primary categories of products: retailing of fuel, convenience retail and food-to-go ("FTG") and an additional category of other services.

Basis of preparation

The financial statements have been prepared for the year ended 31 December 2018 (2017: year ended 31 December 2017) in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The consolidated Group financial statements are presented in Euro, generally rounded to the nearest million.

They are prepared on the historical cost basis, except for financial amounts that are measured at fair values at the end of each reporting period, as explained in the accounting policies in note 3.

The financial statements have been prepared on a going concern basis.

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

2. Adoption of new and revised standards, amendments and interpretations

The following new standards, interpretations and amendments to standards are mandatory for the Group for the first time for the year ended 31 December 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- Amendments to the following standards:
  - IAS 40 'Transfers of Investment Property'
  - IFRS 2 'Classification and Measurement of Share-based Payment Transactions'
  - IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'
  - Clarifications to IFRS 15 'Revenue from Contracts with Customers'

The Group has considered the above new standards, and amendments to published standards, and has concluded that, except for IFRS 9 and IFRS 15, they are either not relevant to the Group or they do not have a significant impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' replaces IAS 39 'Recognition and Measurement' and is applicable to financial assets and financial liabilities. Transition to IFRS 9 for the Group took place on 1 January 2018 and the Group has adopted the standard using the modified retrospective transition approach, which does not require restatement of prior year comparatives.

2. Adoption of new and revised standards, amendments and interpretations (continued)

IFRS 9 Financial Instruments (continued)

IFRS 9 introduced three key changes when compared to IAS 39 relating to:

- a new model for recognising provisions for impairment of financial assets based on expected credit losses;
- revised hedge accounting treatment by aligning hedge accounting more closely to risk management objectives; and
- new requirements for the classification and measurement of financial assets and financial liabilities;

IFRS 9 introduced a forward-looking expected credit loss model for recognising provisions in respect of financial assets and receivables. This, in theory, could result in earlier recognition of credit losses, than the incurred loss model of IAS 39. The Group has updated its accounting policy for the establishment of provisions against trade receivables to reflect the lifetime expected credit loss, consistent with the simplified approach under IFRS 9 (see note 3). However, the impact of using the expected credit loss model on the consolidated financial statements of the Group is immaterial.

Upon adoption of IFRS 9, there has been no change in the basis of measurement of financial assets. All trade receivables of the Group continue to be held at amortised cost under IFRS 9, and all other financial assets are held at fair value through other comprehensive income. For financial liabilities, the classification and measurement requirements under IFRS 9 are similar to those under IAS 39, except for the measurement of debt modifications as detailed below.

Upon adoption of IFRS 9, the Group reviewed its borrowing arrangements to identify any historic debt modifications impacted by the requirements of this new standard.

In May 2017 the Group refinanced its term loans, resulting in a reduction in the interest rate, representing a non-substantial modification. At the time of the non-substantial modification, the Group had an accounting policy under IAS 39 to not recognise any gain or loss at the time of a non-substantial modification but rather to adjust the effective interest rate to amortise the difference between the revised carrying amount and the expected cash flows over the expected term of the refinanced term loans.

Under IFRS 9 the Group is required to recognise a gain or loss immediately in the income statement to reflect the difference in the present value of cash flows between the original and modified terms of the loans, discounted at the original interest rate with a corresponding adjustment to the carrying value of the loan.

Consequently, a transitional adjustment to opening reserves of €53m is recognised, to reflect the opening position as if the May 2017 debt modification had been accounted for under IFRS 9 as the Group elected not to restate prior periods and adopted the standard using the modified retrospective transition approach. In accordance with the requirements of IFRS 9, effective interest rate was revised to amortise the difference between the revised loan carrying value and the expected cash flows over the life of the refinanced loan.

A deferred tax liability of €9m was recognised, to reflect the temporary tax difference on the transition adjustment.

2. Adoption of new and revised standards, amendments and interpretations (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' was published in May 2014 and has become effective for the Group from the year beginning 1 January 2018. The standard replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and related interpretations. Transition to IFRS 15 for the Group took place on 1 January 2018 and the Group has adopted the modified retrospective transition approach which does not require restatement of prior year comparatives.

The standard introduces a five-step approach to the timing and recognition of revenue, based on performance obligations in customer contracts. Under IFRS 15, revenue should only be recognised when a customer obtains control of goods or services and has the ability to direct the use and obtain the benefits from the goods or services. It applies to all contracts with customers, except those in the scope of other standards.

The Group assessed in detail the impact of IFRS 15 on the consolidated financial statements. The impact assessment covered all of the Group's revenue and income streams, including those areas which require special consideration such as customer loyalty programmes and wholesale arrangements. The Group concluded that IFRS 15 had an immaterial impact on the existing accounting policies for revenue recognition on the basis that the majority of the Group's transactions (volume and value) are for sale of goods in stores or to wholesale customers where the transfer of control is clear (either at the till or on delivery of the goods).

Accordingly, no adjustment to the opening balance sheet at 1 January 2018 has been recognised. As part of the exercise of assessing the impact of IFRS 15, the Group reviewed and updated its accounting policies and disclosures around each of its income streams.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 16	*Leases*
IFRS 17	*Insurance Contracts*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRS Standards 2015-2017 Cycle	*Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowings Costs*
Amendments to IAS 19 Employee Benefits	*Plan Amendment, Curtailment or Settlement*
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

2. Adoption of new and revised standards, amendments and interpretations (continued)

IFRS 16, Leases

IFRS 16 'Leases' was published in January 2016 and will be effective for the Group for the year ending December 2019 replacing IAS 17 'Leases'.

The cumulative catch-up ("modified retrospective") transition method will be applied which allows for certain practical expedients on transition. Under the modified retrospective approach, the lease liability and asset will be recognised as at 1 January 2019 (the implementation date) with no restatement of prior year financial statements.

The majority of the EG Group lease portfolio relates to property leases; the minimum lease commitments of the Group at the 31 December 2018 are €557m, as disclosed in note 32 of these financial statements. A proportion of these commitments relate to short-term leases and leases of low value which, as a result of the practical expedients adopted, will continue to be recognised on a straight-line basis in the consolidated income statement.

The standard represents a significant change in the accounting and reporting of leases and it will impact the income statement and balance sheet as well as statutory and Alternative Performance Measures used by the Group.

On the adoption of IFRS 16, lease agreements will give rise to both a right-of-use asset and a lease liability for future lease payables, measured at the present value of future lease payments. The right-of-use asset will be depreciated on a straight-line basis over the life of the lease. Interest will be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard.

However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases. There will be no impact on cash flows, although the presentation of the Cash Flow Statement will change, with an increase in cash inflows from operating activities being offset by an increase in cash outflows from financing activities. The Group's cash flows from financing activities will reflect both the interest and principal repayments on the lease liability.

The Group has a project team which has reviewed all of the Group's leasing arrangements in light of the new lease accounting rules. This project includes the implementation of new internal systems and processes to manage and maintain the ongoing accounting requirements.

On adoption of IFRS 16 on 1 January 2019 the Group recognised approximately €0.6 billion of lease liabilities and approximately €0.7 billion of right of use assets using the modified retrospective approach. The right of use asset includes €0.1 billion of estimated costs relating to the obligation to dismantle the asset, and other lease related adjustments which are recognised in the consolidated financial statements and will be reclassified and presented as part of the right of use asset on adoption of IFRS 16.

On the basis of the portfolio of leases as at 31 December 2018, annual operating lease expenses of €0.1 billion, which would have been recognised under the existing leases standard as a reduction in EBITDA, will be replaced by similar levels of depreciation and interest expense. Therefore for the year ended 31 December 2019, on an unchanged portfolio basis, EBITDA will increase by approximately €0.1billion, but with no material impact on profit before tax.

The Group accounting policies for lessees will be updated to reflect the impact of IFRS 16 in the consolidated financial statements for the year ending 31 December 2019.

3. Significant accounting policies

Presentational currency

The presentational currency for the Group is Euro.

Exchange rate differences arising on translation to Euro are recognised in the foreign currency translation reserve in shareholders' equity.

The exchange rates prevailing were as follows:

£/€ exchange	*Year ended 31 December 2018*	*Year ended 31 December 2017*
Opening rate	1.12710	1.16798
Closing rate	1.11791	1.12710
Average rate	1.13036	1.14184

$/€ exchange	*Year ended 31 December 2018*	*Year ended 31 December 2017*
Opening rate	0.82788	Not applicable
Closing rate	0.87336	Not applicable
Average rate	0.86375	Not applicable

The principal accounting policies adopted are set out below.

Foreign currencies and functional currency

The individual financial statements of each Group Subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Euro, the presentational currency for the Group and its consolidated financial statements.

The assets and liabilities of the Group's foreign operations are translated into the Group's presentational currency at exchange rates prevailing at the balance sheet date. Profits and losses are translated at average exchange rates for the relevant accounting periods. Exchange differences arising are recognised in the Group statement of comprehensive income/(loss) and are included in the Group's translation reserve.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the rates of exchange at the reporting date. Exchange differences on monetary items are recognised in the income statement.

Intra-Group loans are translated at the year-end exchange rate with the resulting exchange differences recognised within finance costs.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent Company, EG Group Limited, all entities controlled by the Company (its subsidiaries) and the Group's share of its interests in joint ventures made up to 31 December each year. Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affects its returns.

Subsidiaries

Subsidiaries are consolidated in the Group's financial statements from the date that control commences until the date that control ceases. Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. A list of all the subsidiaries of the Group is included in note 18 of the Group financial statements. All apply accounting policies which are consistent with those of the rest of the Group.

Joint ventures

The Group's share of the results of joint ventures are included in the Group income statement and Group statement of other comprehensive income/(loss) using the equity method of accounting.

Investments in joint ventures are carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures include acquired goodwill. If the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture. Dividends received from joint ventures with nil carrying value are recognised in the income statement as part of the Group's share of post-tax profits/(losses) of joint ventures. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the entity. The Group's interests in joint ventures are detailed in note 19.

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In their consideration of going concern, the Directors have reviewed the Group's future cash flow forecasts and profit projections, on both a base case and sensitised basis, considering the principal risks and uncertainties of the Group. These forecasts have been prepared based on market data, past experience and expected trading on newly acquired businesses. Furthermore, this review considered the implications of the changes to the Group's financing facilities as detailed in note 22 of the financial statements and the impact of the integration of the Groups acquisition activity. Under all scenarios there was sufficient headroom on covenants and cash headroom.

In arriving at their conclusion that the Group has adequate financial resources, the Directors were mindful of the level of borrowings and facilities as set out in note 22 to the Group financial statements and that the Group has a robust policy towards liquidity and cash flow management. The Directors are of the opinion that the Group's forecasts and projections, which take into account reasonably possible changes in trading performance, show that the Group is able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

Accordingly, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

3. Significant accounting policies (continued)

Exceptional items

In addition to presenting information on an IFRS basis, the Group also presents an income statement that separately identifies exceptional items, including the impact of related tax, as shown in a separate column. This adjusted information is disclosed to allow a better understanding of the underlying trading performance of the Group and is consistent with the Group's internal management reporting. These measures are used for performance analysis. The non-IFRS measures are not defined by IFRS and therefore may not be directly comparable with other companies' non-IFRS measures.

Exceptional items are those which are separately identified by virtue of their size or incidence and include, but are not limited to, acquisition costs, impairment charges, significant onerous contract charges, reorganisation costs, profits and losses on disposal of subsidiaries and other one off items which meet this definition. The Group exercises judgement in assessing whether items should be classified as exceptional. This assessment covers both the nature of the item, cause of occurrence and the scale of impact of that item on reported performance. Reversals of previous exceptional items are assessed based on the same criteria.

Revenue recognition

The Group provides three primary categories of products and services to its customer's; fuel, convenience retail and food to go ("FTG"). The Group also provides ancillary services such as car washes, lotteries and payzones, ATMs etc. through its forecourt operations. The Group also earns revenue from franchise fees

Revenue is recognised when the Group has a contract with a customer and a performance obligation has been satisfied, at the transaction price allocated to that performance obligation. The Group does not adjust any of the transaction prices for the time value of money due to the nature of the Group's transactions being completed shortly after the transaction is entered into with the customer.

Sale of goods

Revenue from the sale of fuel and goods in-store, is recognised when the transaction is completed in-store or at the filling station. Revenue from fuel sales to authorised dealers is recognised when the goods are delivered to the specific site location.

The transaction price is the value of the goods net of VAT. Fuel and each good sold in-store is considered distinct as it is sold to customers on a stand-alone basis. The stand-alone selling price of fuel and goods is estimated on the basis of the retail price except for sales to authorised dealers which is determined on the basis of the wholesale price. Discounts are not considered as they are only given in rare circumstances and are not material.

Payment of the transaction price is due immediately when the customer purchases the fuel at the filling station or takes delivery of the goods in-store. A receivable is recognised by the Group when the goods are delivered to the authorised dealers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Gross versus net presentation – fuel duty

The treatment of fuel duty in the UK and Europe is determined by local laws and regulations as to when the duty becomes legally payable and who carries the risks and obligations to the tax authorities.

Revenue is recognised gross of fuel duty where the obligation to pay the duty is at the point of purchase from the fuel supplier, therefore the Group's role in the transaction is that of principal.

3. Significant accounting policies (continued)

Gross versus net presentation – fuel duty (continued)

The fuel duty is set and payable at this point and the risk of recovering this element of the cost through the sale of fuel to the end customer lies with the Group.

In some regions, the Group acts as an agent to collect the duty on behalf of the tax authority, and revenue is recognised net of fuel duty.

Loyalty programmes

The Group operates a customer loyalty programme in the Netherlands and France where customers accumulate points for all purchases made, which entitles them to discounts on future purchases. The customer loyalty programme of the Group is accounted for in accordance with IFRS 15.

The redemption of points is treated as a separate performance obligation under IFRS 15, with the transaction price allocated to issued points with reference to the likelihood of redemption and the discounts to be given to the customer on redemption of the points. Revenue from loyalty points is recognised when the customer redeems the points. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers. A contract liability is recognised in respect of the price allocated to points, which remain unredeemed and are expected to be exercised by the customer at year-end.

Provision of services

Revenue from the provision of services is recognised when the service is provided as that is the point in time at which the customer benefits from the service. Where the Group acts as an agent selling goods or services, only the commission income is included within revenue.

Commercial income

Supplier incentives, rebates and discounts are collectively referred to as commercial income. Commercial income is recognised as a deduction from cost of sales on an accruals basis based on the expected entitlement which has been earned up to the balance sheet date for each relevant supplier contract.

Amounts due relating to commercial income are recognised within trade and other receivables, except in cases where the Group currently has a legally enforceable right of set-off and intends to offset amounts due from suppliers against amounts owed to those suppliers, in which case only the net amount receivable or payable is recognised. Accrued commercial income is recognised within accrued income when commercial income earned has not been invoiced at the balance sheet date.

Finance income and costs

Finance income is recognised in the consolidated income statement in the year to which it relates using the effective interest rate method.

Finance income comprises of:

- Interest receivable which is recognised in the consolidated income statement as it accrues using the effective interest method.
- Foreign exchange gains arising on financing.
- Finance income is recognised in the consolidated income statement in the year in which they occur.

3. Significant accounting policies (continued)

Finance income and costs (continued)

Finance costs comprise of:

- Foreign exchange losses arising on financing.
- Finance costs incurred on finance leases are recognised in profit or loss using the effective interest method.
- Financing costs of raising debt.

Business combinations and goodwill

The Group accounts for all business combinations by applying the acquisition method. All acquisition-related costs are expensed as incurred. On acquisition, the assets (including intangible assets), liabilities and contingent liabilities of an acquired entity are measured at their fair value. Non-controlling interest is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised.

Goodwill arising on consolidation represents the excess of the consideration transferred over the net fair value of the Group's share of the net assets, liabilities and contingent liabilities of the acquired subsidiary, joint venture and the fair value of the non-controlling interest in the acquiree.

If the consideration is less than the fair value of the Group's share of the net assets, liabilities and contingent liabilities of the acquired entity (i.e. a discount on acquisition), the difference is credited to the Group income statement in the period of acquisition.

At the acquisition date of a subsidiary, goodwill acquired is recognised as an asset and is allocated to each of the cash generating units expected to benefit from the business combination's synergies and to the lowest level at which management monitors the goodwill. Goodwill arising on the acquisition of joint ventures is included within the carrying value of the investment.

On disposal of a subsidiary or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Where the Group obtains control of a joint venture, the Group's previously held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in the Group income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the net results of discontinued operations are presented separately in the consolidated income statement (and the comparatives restated) and the assets and liabilities of these operations are presented separately in the consolidated balance sheet. Refer to note 8 for further details.

3. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at historical cost less subsequent depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Properties in the course of construction are carried at cost, less any recognised impairment loss.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation of these assets commences when the assets are ready for their intended use. Freehold land is not depreciated.

Assets under construction are not depreciated until they are brought into use and transferred to the appropriate group of assets.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold land	*not depreciated*
Buildings	*20 to 30 years*
Fixtures and fittings	*3 to 30 years according to the estimated economic life of the asset*

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When a decision has been made to dispose of an asset in the future, the remaining useful life is re-evaluated to reflect the period over which the Group will derive economic benefits from its use. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Intangible assets

Intangible assets, such as concession rights, customer relationships and software are measured initially at acquisition cost or costs incurred to develop the asset. Development expenditure incurred on an individual project is capitalised only if specific criteria are met including that the asset created will generate future economic benefits. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the consolidated income statement in administrative expenses on a straight line basis over the estimated useful lives of each asset as show below.

3. Significant accounting policies (continued)

Intangible assets (continued)

Concession rights	*15 to 20 years*
Trade names	*20 years*
Customer/dealer relationships	*10 to 15 years*
Other intangible assets	*3 to 16 years according to the estimated life of the asset*

In accordance with IAS 38, amortisation methods, useful lives and residual values are reviewed at each balance sheet date with the effect of any changes in estimate accounted for on a prospective basis.

Impairment of non-financial assets

Goodwill is not amortised but is reviewed for impairment at least annually by assessing the recoverable amount of each cash generating unit to which the Goodwill relates.

The recoverable amount is the higher of fair value less costs of disposal and value in use. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised, and is not subsequently reversed.

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 for which the estimates of future cash flows have not been adjusted.

For all other non-financial assets (including intangible assets and property, plant and equipment) the Group performs impairment testing where there are indicators of impairment. If such an indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of the asset (or cash-generating unit) is less than its carrying amount of the unit the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Any impairment is recognised immediately in the consolidated income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately as a credit to the consolidated income statement.

Inventories

Inventories comprise goods held for resale and are valued at the lower of cost or net realisable value. The Group applies the weighted average cost method to value inventories. The cost of fuel and oil purchased for resale includes all costs incurred in transporting the goods to their present location. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses.

3. Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are charged to the consolidated income statement. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Taxation

The tax expense for the year represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax

Current tax is the expected tax payable or receivable on taxable profit or loss for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods or items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Group will be required to settle that tax. Measurement is based on the best estimate of the amount expected to be payable and dependent on management's expectation of the outcome of decisions by tax authorities in the various tax jurisdictions in which the Group operates. This is assessed on a case by case basis using in-house tax experts, professional firms and previous experience. See note 23.

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

3. Significant accounting policies (continued)

Deferred tax (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

No deferred tax liabilities are recognised for temporary differences that arise on the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, that affects neither the taxable profit nor the accounting profit.

Employee benefits

i) Post-employment schemes

The Group operates various post-employment schemes, including both defined benefit and defined contribution plans. For defined benefit plans, obligations are measured at discounted present value (using the projected unit credit method) whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the Group income statement; service costs are spread systematically over the expected service lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the Group consolidated statement of comprehensive income. Payments to defined contribution schemes are recognised as an expense as they fall due.

ii) Other employee benefits

Some Group companies provide jubilee benefits, rewarding employees for long years of service. The liability recognised in the balance sheet is the present value of the obligation at the reporting date. The jubilee benefits are calculated annually by independent actuaries.

iii) Termination benefits / restructuring provision

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Benefits falling due more than 12 months after the reporting date are discounted to present value. The Group recognises termination benefits at the earlier of the following dates:

- When the Group can no longer withdraw the offer of those benefits; and
- When the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

3. Significant accounting policies (continued)

Employee benefits (continued)

iii) Termination benefits / restructuring provision (continued)

Long-term employee benefits are accounted for in the same way as defined benefit pension benefits with the exception that re-measurements are recognised immediately through profit or loss.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly before the reporting date. Future operating costs are not provided for.

iv) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities

Financial assets and liabilities principally consist of trade and other receivables, accrued income, cash and cash equivalents, trade and other payables, borrowings and derivative financial assets/liabilities held at fair value through profit and loss.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, in hand, short-term deposits with banks and other financial institutions with an initial maturity of three months or less, and credit/debit card receivables.

Bank overdrafts are presented as a financing activity in the statement of cash flows.

Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditionally due from customers for goods sold or services performed in the ordinary course of business. Further information is included within the revenue recognition policy and note 4, critical accounting judgements and key sources of estimation uncertainty.

The Group holds trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Loss allowances are recognised based on expected irrecoverable amounts determined by reference to past default experience and are adjusted to reflect current and forward-looking information based on macroeconomic factors and other factors which affect the ability of the customers to settle the receivables.

Trade and other payables

Trade and other payables (excluding derivative financial liabilities) are recorded at cost.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity components

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Subsequently, financial assets will be measured at amortised cost, fair value through Other Comprehensive Income ("FVTOCI"), or fair value through Profit and Loss ("FVTPL"), on the basis of both the Company's model for managing the assets and the contractual cash flows associated with them. Where a trade receivable does not contain a significant financing component under IFRS 15, it will be measured at its transaction price.

Amortised cost

Financial assets are measured at amortised cost where the asset is held for the objective of collecting contractual cash flows and the terms of the asset give rises to cash flows on specific dates that are solely payments of principal and interest on the amount outstanding.

The effective interest method is utilised in the calculation of amortised cost of a debt instrument and for allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss ("FVTPL").

Financial assets at FVTOCI

Financial assets are measured at FVTOCI if the asset is held within a business model for the dual objectives of collecting contractual cash flows and selling financial assets, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets at FVTPL

All financial assets which do not meet the criteria for measurement at amortised cost or FVTOCI are measured at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 34.

Equity instruments

The Group holds investments in unlisted shares that are not traded in an active market but that are stated at fair value. Fair value is determined in the manner described in note 34. Where an equity instrument is not held for trading and does not involve contingent consideration to which IFRS 3 applies, a determination may be made on an asset by asset basis to recognise gains and losses arising from changes in fair value in other comprehensive income and accumulated in the investments revaluation.

Where this election is made, the cumulative gain or loss previously recognised in the investments revaluation reserve will remain in this reserve on disposal. Where this election is not made for an equity instrument, all gains and losses arising from changes in fair value will be recognised in the income statement as they arise. Dividends on all equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

- At each balance sheet date, financial assets are assessed for indicators of impairment, considering all reasonable and supportable information available, including that which is forward looking where this is available without undue cost and effort. If the credit risk on a financial asset has increased significantly since initial recognition, an impairment equivalent to the lifetime expected credit losses on the instrument will be recognised immediately. If the credit risk has not significantly increased since initial recognition, a loss allowance shall be measured equivalent to 12 month expected credit losses.
- Loss allowances for trade receivables resulting from transactions under IFRS 15 will always be measured at an amount equal to the lifetime expected credit loss.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, or when there is no reasonable expectation of recovering the asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss ("FVTPL")' or 'other financial liabilities' carried at amortised cost. Financial liabilities are initially measured at fair value less directly attributable transaction costs (except those measured at FVTPL which are initially measured at fair value).

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, or it is designated as at FVTPL. A financial liability will be designated as FVTPL where this significantly reduces a measurement inconsistency which would otherwise arise, or where the group of liabilities (or assets and liabilities as a combined group is managed and evaluated on a fair value basis, and information about the group is provided on that basis too key management personnel.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 34.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument for another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Where the change in terms reflects only a non-substantial modification, a gain or loss equal to the difference between the present value of cash flows under the new and the old terms will be immediately recognised in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 34.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material) using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Significant accounting policies (continued)

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date, and recognised as a provision in accordance with IFRS 3 Business Combinations.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described above, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below) and have been identified as being particularly complex or involve subjective assessments.

Alternative performance measures - Exceptional items

The Directors consider that an adjusted profit measure provides useful information for the underlying trends, performance and position of the Group. These measures are consistent with how business performance is measured internally by the Board. Profit before exceptionals is not a recognised measure under IFRS and may not be directly comparable with adjusted measures used by other companies.

Management exercises judgement in determining the items to classify as exceptional items. This assessment considers the nature of the item, cause of occurrence and the scale of impact of that item on reported performance. Reversals of previous exceptional items are assessed based on the same criteria.

The Group's definition of exceptional items, together with further details of adjustments made during the period, is provided in note 3 and note 5.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair values in business combinations

Significant judgement and estimation is required in assessing the fair value of assets and liabilities acquired in business combinations. To do this, the Group engage external valuation experts to assess the fair value. Management then review the work and assess the results.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Fair values in business combinations (continued)

Fair value adjustments may result in the recognition of intangible assets. These are valued using the excess earnings method taking into account a number of key assumptions such as retention and net income. In applying this methodology, certain key judgements and estimates are required to be made in respect of future cash flows attributable to the assets acquired, which are inherently uncertain. Details of fair value adjustments made to acquired assets and liabilities detailed in note 35.

Measurement of provisions

Significant judgement is required in the estimation of present obligations that arise from past events.

Estimates of provisions for future decommissioning and restoration costs are recognised on the basis of current legal and constructive requirements and expected costs of settling the obligation.

Because actual outflows can differ from estimates due to changes in laws, regulations, prices and conditions, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

Where available, management use external experts in determining expected outflows. Details on the assumptions applied are in note 26.

Income taxes

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the global provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of such transactions and calculations is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

Measurement of deferred tax assets and related tax loss carry-forwards involves significant judgement, notably related to the probable future taxable profits and as such not all potential tax losses are recognised for accounting purposes. Where the actual future profits are different from the amounts that were initially estimated by management, such differences will impact the income tax and deferred tax asset in the year in which such determination is made.

Impairment of assets

The carrying amounts of the Group's Goodwill, intangible assets and property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment in accordance with the accounting policy set out in note 3 of these financial statements. The recoverable amounts of cash-generating units have been determined based on value in-use calculations which require the use of estimates. Note 15 details the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

5. Exceptional items

In order to allow a better understanding of the underlying trading performance of the Group, items recognised in reported profit or loss before tax which, by virtue of their size and or nature, do not reflect the Group's underlying performance are shown as exceptional items (in accordance with the Group's accounting policies in note 3). These items are as follows;

	2018 €m	2017 €m
Included within operating profit:		
Acquisition and transaction related costs	(74)	(4)
Impairment and provision for onerous contracts	-	(17)
Profit arising on disposal of property plant and equipment/investments	4	17
Restructuring costs	(18)	(5)
Negative goodwill arising on acquisition	31	-
Other exceptional costs	-	(1)
	(57)	(10)
Included within finance costs:		
Transaction related finance costs	-	(3)
Loss on extinguishment of debt on refinancing	(112)	-
Tax on exceptional items	15	2
Total exceptional items	**(154)**	**(11)**

All items are shown gross, unless IFRS permits netting of such expenditure.

Tax on exceptional items has been calculated using the applicable statutory tax rate for taxable items.

For the year ended 31 December 2018

Exceptional items in the year ended 31 December 2018 primarily relate to acquisition and transaction related costs, incurred as a result of the acquisitions that completed in the year in Italy, the Netherlands ("NRG"), the USA (Kroger convenience stores and Minit Mart) and Germany. The costs recognised within operating income of €74m relate to the legal and professional fees included within administrative expenses, associated with the completion of the acquisitions.

Profits arising on disposal and exit of properties, net of fees incurred, amounted to £3.7m.

Restructuring costs of €18.3m relate to the restructuring of management and support teams across the Group including associated legal costs.

A €31m gain from the negative Goodwill arising on the acquisition of Minit Mart in the US. As required under IFRS 3, this gain has been recognised immediately in the income statement. As described in note 35, the valuation and the negative goodwill recognised remains provisional, and it is possible that the negative goodwill will change on completion of the fair value exercise.

Following the Group's refinancing in February 2018, for the purpose of funding the acquisitions, which have been accounted for as an extinguishment of the pre-existing debt, gave rise to an extinguishment loss of €112m.

5. Exceptional items (continued)

For the year ended 31 December 2017

Exceptional items in the year ended 31 December 2017 were as follows:

Acquisition and transaction related costs include legal, professional and other advisory fees arising on transactional and acquisition activities of the Group.

Impairments and provisions for onerous contracts largely reflect an impairment in the intangible asset relating to the Group's right to use the Texaco brand name in Benelux under a contract with Chevron. The decision of the Group to re-brand this region as Esso, which was committed to in 2017, necessitates the impairment.

An exceptional gain of €17m relating to the sale of assets in Corsica during October 2017.

Restructuring costs of €5m relate to severance costs connected to the restructuring of the Group, a result of which saw the rationalisation of the Continental Europe management infrastructure as the Group moved to a country based management methodology, coupled with the establishment of a shared service centre at the Group's head office in Blackburn, and the transfer of roles to this centre.

6. Revenue

An analysis of the Group's revenue is as follows:

	2018 €m	2017 €m
Continuing operations		
Sale of goods		
Fuel sales	9,936	4,325
Convenience retail sales	1,640	627
Food to go sales	282	204
Revenue from the provision of services	147	-
Revenue per income statement	**12,005**	**5,156**

Details on the accounting treatment of fuel duty, within fuel sales, is disclosed in note 3 to the financial statements.

Revenue from the provision of services includes dealer and franchise revenues, commissions received for ancillary services and car wash revenues.

7. Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reporting on components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance.

The chief operating decision maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources across each operating segment.

The reportable segments identified are the UK, Continental Europe and North America, which reflect the way internal reporting is used by the Executive Directors to allocate resources. Benelux, France, Italy, Netherlands and Germany are combined into a single reporting segment because they show similar long-term economic performance, have comparable products, customers and distribution channels.

EG Group Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

7. Operating segments (continued)

Segment profit represents the adjusted EBITDA earned by each segment. This is the measure reported to the Group's Co-Chief Executives for the purpose of resource allocation and assessment of segment performance.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3 and transactions between segments are on an arm's length basis using appropriate transfer pricing policies. There are no intersegmental transactions classified as revenue.

The segment results and the reconciliation of the segment measures to the respective statutory items included in the Group Income Statement are as follows:

€m	2018				2017			
	UK	Continental Europe	North America[1]	Group Total	UK	Continental Europe	North America[1]	Group Total
Revenue								
Fuel	1,927	6,034	1,975	9,936	1,814	2,511	-	4,325
Convenience retail	252	514	874	1,640	246	381	-	627
Food to go	188	68	26	282	165	39	-	204
Other	8	104	35	147	-	-	-	-
Total revenue	**2,375**	**6,720**	**2,910**	**12,005**	**2,225**	**2,931**	**-**	**5,156**
Adjusted EBITDA	**133**	**258**	**170**	**561**	**123**	**180**	**-**	**303**
Depreciation				(199)				(119)
Amortisation				(63)				(14)
Operating Exceptional costs				(57)				(10)
Finance income				12				13
Finance costs				(392)				(135)
(Loss)/profit before tax				**(138)**				**38**
Tax charge				-				(23)
(Loss)/profit after tax				**(138)**				**15**

[1] The first operations in North America (Kroger C-Stores) were acquired in April 2018. The above table reflects the results Kroger for the period from acquisition, and include the results of Minit Mart for the three weeks from its acquisition date to 31 December 2018. The Continental Europe comparatives incorporate the results of acquisitions in Italy, Germany and the Netherlands ("NRG"), from their respective acquisition dates (as set out in note 35) to 31 December 2018

Other segment information

	2018				
	UK	Continental Europe	North America[1]	Intra-group transactions	Group Total
Depreciation	(41)	(126)	(32)	-	**(199)**
Amortisation	-	(48)	(15)	-	**(63)**
Finance income	90	45	1	(124)	**12**
Finance costs	(314)	(102)	(100)	124	**(392)**
Additions to property, plant and equipment	100	90	29	-	**209**
Additions to intangibles	3	15	1	-	**19**
Additions to goodwill	-	481	1,209	-	**1,690**

7. Operating segments (continued)

Other segment information (continued)

	2017				
	UK	Continental Europe	North America[1]	Intra-group transactions	Group Total
Depreciation	(36)	(83)	-	-	**(119)**
Amortisation	(1)	(13)	-	-	**(14)**
Finance income	50	11	-	(48)	**13**
Finance costs	(142)	(41)	-	48	**(135)**
Additions to property, plant and equipment	76	46	-	-	**122**
Additions to intangibles	1	11	-	-	**12**
Additions to goodwill	31	2	-	-	**33**

Revenues - Geographical reporting

Revenues from external customers are allocated to foreign territories based on the location of the forecourt earning the revenues.

	2018 €m	**2017 €m**
UK	2,375	2,225
Netherlands	1,930	1,427
Germany	1,207	-
Italy	2,069	-
Rest of Continental Europe	1,514	1,504
North America	2,910	-
Total revenues	**12,005**	**5,156**

Information about major customers

Due to the nature of its activities, the Group is not reliant on any individual major customer or group of customers.

8. Disposal groups and non-current assets classified as held for sale

European proprietary cards business

In October 2018, the Group committed to a plan to sell its European proprietary cards business. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the assets and liabilities of the proprietary cards business have been classified as a disposal group held for sale on the Group balance sheet. The disposal group does not meet the definition of a discontinued operation. No impairment loss has been recognised, as at the year end it was expected the fair value less costs to sell is in excess of the carrying value of the assets and liabilities.

On 22 March 2019, a put option was agreed with WEX inc, pursuant to which the Group may exercise a sale of the proprietary cards business for €235m (see note 8), subject to anti-trust, works councils and related clearances. If exercised by the Group, the sale is expected to complete in the second quarter of 2019. The tables below show the assets and liabilities of the disposal group.

	2018 €m
Assets classified as held for sale	
Goodwill	59
Other intangible assets	22
Trade and other receivables	32
	113
Liabilities classified as held for sale	
Trade and other payables	(5)

European fuel supply business

In December 2018, the Group committed to a plan to sell its European fuel supply business (referred to as EG Fuel). The sale is expected to complete in 2019, and an active programme to locate a buyer has been initiated. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the assets and liabilities of the proprietary cards business have been classified as a disposal group held for sale on the Group balance sheet. The disposal group does not meet the definition of a discontinued operation. No impairment loss has been recognised, as at the year end it was expected the fair value less costs to sell is in excess of the carrying value of the assets and liabilities. The tables below show the assets and liabilities of the disposal group.

	2018 €m
Assets classified as held for sale	
Goodwill	80
Other intangible assets	2
Property plant and equipment	23
Investments in joint ventures	6
Deferred tax assets	2
Inventories	52
Trade and other receivables	87
	252
Liabilities classified as held for sale	
Trade and other payables	(293)
Borrowings	(1)
Provisions for other liabilities and charges	(9)
Deferred tax liabilities	(1)
Employee benefit obligations	(1)
	(305)

9. Profit/loss for the year

Profit/loss for the year has been arrived at after charging/(crediting):

	2018 €m	2017 €m
Net foreign exchange losses	34	9
Acquisition related transaction costs	74	7
Depreciation of property, plant and equipment	199	119
Loss/(profit) on disposal of property, plant and equipment	4	(1)
Impairment of property, plant and equipment	-	14
Amortisation of intangible assets	63	14
Impairment of intangible assets	-	7
Cost of inventories recognised as an expense	10,355	4,381
Release of negative goodwill	(31)	-
Operating lease expenses	131	71
Staff costs (see note 11)	482	237

10. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2018 €m	2017 €m
Fees payable to the Company's auditor and their associates for the audit of the Company financial statements	0.1	0.1
Fees payable to the Company's auditor and their associates for other services to the Group *- The audit of the financial statements of the Company's subsidiaries*	1.7	0.4
Fees payable to other auditors for other services to the Group *- The audit of the financial statements of the Company's subsidiaries*	0.1	0.1
Total audit fees	**1.9**	**0.6**

There were non-audit fees totalling €0.5m paid to the Group's auditor during the year in respect of advisory work (2017: €0.2m).

11. Staff costs

The average number of employees (including Executive Directors) was:

	2018 Number	2017 Number
Sales	19,391	10,305
Administration	884	447
	20,275	**10,752**

Their aggregate remuneration comprised:

	2018 €m	2017 €m
Wages and salaries	407	204
Social security costs	68	30
Other pension costs (see note 33)	7	3
	482	**237**

The highest paid Director information is included within note 37.

12. Finance income

	2018 €m	2017 €m
Fair value gains on derivatives not designated in a fair hedge accounting relationship	7	7
Other foreign exchange gains	4	6
Interest receivable	1	-
	12	**13**

13. Finance costs

	2018 €m	2017 €m
Interest on bank overdrafts and loans	(216)	(94)
Total interest expense	**(216)**	**(94)**
Amortisation of debt issue costs	(19)	(13)
Debt extinguishment loss (see note 5)	(112)	-
Other finance charges	(9)	(3)
Fair value losses on derivatives not designated in a hedge accounting relationship	-	(5)
Unwinding of discount on provisions	(1)	(5)
Foreign exchange losses on financing activities	(35)	(15)
	(392)	**(135)**

13. Finance costs (continued)

Debt extinguishment losses for 2018 of €112m have been recognised in the income statement on completion of the refinancing in 2018. This item has been presented as exceptional costs (see note 5).

14. Tax

	2018 €m	2017 €m
Corporation tax:		
Current year	(30)	(33)
Adjustments in respect of prior period	4	-
	(26)	**(33)**
Deferred tax:		
Origination and reversal of temporary differences	14	6
Adjustments in respect of prior period	1	3
Effect of changes in tax rates	11	1
Total tax charge	**-**	**(23)**

The charge for the year can be reconciled to the (loss)/profit in the income statement as follows:

	2018 €m	2017 €m
(Loss)/profit before tax	***(138)***	***38***
Tax (charge)/credit at the UK corporation tax rate of 19% (2017: 19.25%)	26	(8)
Tax effect of non-deductible expenses	(2)	(4)
Tax effect of non-deductible expenses on exceptional items	(7)	(2)
Effect of interest restriction	(28)	(6)
Effect of differences in overseas tax rates	(5)	(6)
Effect of changes in tax rates	11	1
Tax effect of non-taxable negative goodwill	-	1
Adjustments in respect of prior years	5	3
Deferred tax not recognised – tax losses	(3)	-
Other	3	(2)
Tax charge for the year	**-**	**(23)**

The current tax rate used for the year is 19% based on rates already enacted in previous periods.

14. Tax (continued)

For the United Kingdom operations, Finance Act 2016 which was substantively enacted in September 2016 included provisions to reduce the rate of corporation tax from 19% to 17% with effect from 1 April 2020. This rate reduction was substantively enacted by the balance sheet date and therefore included in these consolidated financial statements.

For the Netherlands on 18 December 2018 the Dutch Senate has accepted the Dutch Tax Plan 2019. This means that the measures as included in the Dutch Tax Plan 2019 are considered to be substantively enacted under IFRS. Included in the Dutch Tax Plan were provisions to gradually reduce Corporate Income Tax rate. The standard rate will be reduced in steps from 25% to 22.55% in 2020 and to 20.5% in 2021. These rate reductions were substantively enacted by the balance sheet date and therefore included in these consolidated financial statements.

Deferred tax has been calculated using these rates based on the timing of when each individual deferred tax balance is expected to reverse in the future.

The effect of interest restriction represents the impact of the UK Corporate Interest Restriction rules (effective from 1 April 2017), which restrict the amount of interest that can be deducted for tax purposes by UK companies with reference to the Group's global interest expense.

No material amounts relating to tax have been recognised in other comprehensive income during the year (2017: €nil).

15. Goodwill

	€m
Cost	
At 1 January 2017	**947**
Recognised on acquisition of subsidiaries	33
Exchange differences	(33)
At 31 December 2017	**947**
Recognised on acquisition of subsidiaries	1,690
Exchange differences	59
Transfer to disposal group classified as held for sale	(139)
At 31 December 2018	**2,557**
Carrying amount	
At 31 December 2018	**2,557**
At 31 December 2017	**947**

Goodwill acquired in a business combination is allocated, at acquisition, to the groups of cash generating units (CGUs) that are expected to benefit from that business combination according to the level at which management monitor that goodwill.

The Group has determined that for the purposes of impairment testing, each country is a cash-generating unit and represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. With the exception of Benelux, where changes to the operational and reporting structure in 2018 have made this the lowest level at which results and forecasts are prepared for the combined Belgium, Netherlands and Luxembourg operations. Cash-generating units are tested for impairment annually at the balance sheet date.

15. Goodwill (continued)

The Group's CGUs for goodwill impairment testing purposes have been allocated to the individual countries. The carrying amount of goodwill had been allocated as follows:

	2018 €m	2017 €m
UK	42	44
France	398	401
Italy	35	-
Germany	381	-
NRG	65	-
USA	1,275	-
Benelux	499	502
Transfer to disposal group classified as held for sale	(139)	-
	2,557	947

The goodwill presented in the 2017 principally arose from the acquisition of EFR on 17 November 2016, with operations in Belgium, Luxembourg and the Netherlands (together "Benelux") and France.

€1,690m arose on acquisitions that completed in 2018, comprising additions in Italy of €35m, the USA (for the Kroger convenience stores) of €1,209m, the Netherlands (for the NRG business) of €65m, and Germany of €381m.

Included in the carrying amounts presented above are a foreign exchange gain of €66m on the USA goodwill, and a foreign exchange loss of €7m on the GBP denominated Goodwill, which have been recognised on translation to Euro at the year end closing rate.

For the year ended 31 December 2018 impairment reviews were performed by comparing the carrying value of goodwill with the recoverable amount of the cash-generating units to which goodwill has been allocated. Recoverable amounts for cash-generating units are the higher of fair value less costs of disposal, and value in use. The key estimates for the value in use for each territory regarding discount rates, growth rates and expected changes in margins.

Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash-generating units. The pre-tax discount rates used to calculate value in use are derived from a post-tax weighted average cost of capital for each of the Group's CGUs, and range from 7.3% to 10.4%.

Cash flow projections for each territory have been generated based on the Group's 12 month internal forecasts, the results of which are reviewed by the Board. Estimates of selling prices and direct costs are based on past experience and expectations of future changes in the market. The forecasts incorporate annualised growth from recent site investments, along with forecast capital outflows. For newly acquired territories, short to medium term changes in margins and revenue have been forecast based on the group's experience of implementing its business model in existing territories. The forecasts are extrapolated to five years based on management's expectations, and beyond five years based on an anticipated annual inflationary growth rate of 1%.

The Group has carried out a sensitivity analysis on the impairment tests of each group of cash-generating units to which goodwill has been allocated. A reasonably possible increase in the discount rate or reduction in the long-term growth rate or margins by one percentage point, would not indicate impairment in any group of cash-generating units.

EG Group Limited
Notes to the consolidated financial statements (continued)
For the year ended 31 December 2018

16. Other intangible assets

	Concession rights €m	Customer/ Dealer relationships €m	Trade names €m	Other intangible assets €m	Total €m
Cost					
At 31 December 2017	**50**	**41**	**-**	**17**	**108**
Additions from separate acquisitions	14	-	-	5	19
Additions from acquisition of subsidiaries	37	221	201	55	514
Disposals	-	-	-	(2)	(2)
Exchange differences	-	-	13	1	14
Transfer to disposal group classified as held for sale	-	(30)	-	-	(30)
At 31 December 2018	**101**	**232**	**214**	**76**	**623**
Accumulated amortisation and impairment					
At 31 December 2017	**(4)**	**(8)**	**-**	**(11)**	**(23)**
Charge for the year	(8)	(36)	(8)	(11)	(63)
Impairment	-	-	-	-	-
Eliminated on disposals	-	-	-	1	1
Transfer to disposal group classified as held for sale	-	6	-	-	6
At 31 December 2018	**(12)**	**(38)**	**(8)**	**(21)**	**(79)**
Carrying amount					
At 31 December 2018	**89**	**194**	**206**	**55**	**544**
At 31 December 2017	**46**	**33**	**-**	**6**	**85**

	Concession rights €m	Customer/ dealer relationships €m	Trade names €m	Other intangible assets €m	Total €m
Cost					
At 31 December 2016	**40**	**41**	**-**	**15**	**96**
Additions from separate acquisitions	10	-	-	2	12
At 31 December 2017	**50**	**41**	**-**	**17**	**108**
Accumulated amortisation and impairment					
At 31 December 2016	**-**	**(1)**	**-**	**(1)**	**(2)**
Charge for the year	(4)	(7)	-	(3)	(14)
Impairment	-	-	-	(7)	(7)
At 31 December 2017	**(4)**	**(8)**	**-**	**(11)**	**(23)**
Carrying amount					
At 31 December 2017	**46**	**33**	**-**	**6**	**85**
At 31 December 2016	**40**	**40**	**-**	**14**	**94**

16. Other intangible assets (continued)

Of the total amortisation expense for the year ended 31 December 2018 of €63m (2017: €14m), €49m (2017: €6m) has been charged to administrative expenses and €13m (2017: €8m) to distribution costs.

The trade name additions of €201m in 2018 reflect the fair value attributed to the US trade names which were acquired as part of the Kroger convenience stores business combination (see note 35).

The remaining useful life of the following trade names at 31 December 2018 is 19.3 years and the carrying amounts are as follows; "Kwik Shop" €25m, "Tom Thumb" €26m, "Loaf 'n' Jug" €45m, and "Quik Stop" €24m. The "Turkey Hill" trade name has a carrying value of €85m and a remaining useful life of 9.3 years.

The impairment for the year ended 31 December 2017 of €7m is in relation to the Group's rebranding of forecourts in Benelux.

17. Property, plant and equipment

	Land and buildings €m	Fixtures and fittings €m	Assets under construction €m	Total €m
Cost				
At 31 December 2017	**1,313**	**392**	**12**	**1,717**
Additions	97	67	45	209
Additions from acquisition of subsidiaries	950	480	-	1,430
Disposals	(28)	(13)	(1)	(42)
Transfers	4	5	(9)	-
Exchange differences	12	3	-	15
Transfer to disposal group classified as held for sale	(9)	(29)	(1)	(39)
At 31 December 2018	**2,339**	**905**	**46**	**3,290**
Accumulated depreciation and impairment				
At 31 December 2017	**(111)**	**(92)**	**-**	**(203)**
Charge for the year	(108)	(91)	-	(199)
Eliminated on disposals	19	13	-	32
Exchange differences	-	1	-	1
Transfer to disposal group classified as held for sale	1	15	-	16
At 31 December 2018	**(199)**	**(154)**	**-**	**(353)**
Carrying amount				
At 31 December 2018	**2,140**	**751**	**46**	**2,937**
At 31 December 2017	**1,202**	**300**	**12**	**1,514**

17. Property, plant and equipment (continued)

	Land and buildings €m	Fixtures and fittings €m	Assets under construction €m	Total €m
Cost				
At 31 December 2016	**1,247**	**354**	**30**	**1,631**
Additions	79	35	8	122
Additions from acquisition of subsidiaries	3	1	-	4
Disposals	(6)	(4)	(1)	(11)
Transfers	12	13	(25)	-
Exchange differences	(22)	(7)	-	(29)
At 31 December 2017	**1,313**	**392**	**12**	**1,717**
Accumulated depreciation and impairment				
At 31 December 2016	**(33)**	**(44)**	**-**	**(77)**
Charge for the year	(71)	(48)	-	(119)
Impairment	(9)	(5)	-	(14)
Eliminated on disposals	1	3	-	4
Exchange differences	1	2	-	3
At 31 December 2017	**(111)**	**(92)**	**-**	**(203)**
Carrying amount				
At 31 December 2017	**1,202**	**300**	**12**	**1,514**
At 31 December 2016	**1,214**	**310**	**30**	**1,554**

The carrying amount of land and buildings shown above includes €733m (2017: €300m) in relation to land that is not depreciated.

Of the total depreciation expense for the year ended 31 December 2018 of €199 (2017: €119m), €7m (2017: €1m), has been charged to administrative expenses and €192m (2017: €118m) to distribution costs.

The impairment for the year ended 31 December 2017 of €14m is in relation to the Group's rebranding of forecourts in Benelux.

Assets pledged as security

Freehold land and buildings with a carrying amount of €2,148m (2017: €1,202m) have been pledged to secure borrowings of the Group (see note 22).

In addition, the Group's obligations under finance leases for fixtures and fittings (see note 24) are secured by the lessors' title to the leased assets, which have a carrying amount of €1m (2017: €2m).

18. Subsidiaries

The Group consists of a parent Company, EG Group Limited, incorporated in the UK and a number of subsidiaries held directly and indirectly by EG Group Limited, which operate and are registered in either the UK, Jersey or Continental Europe. A full list of Group's related undertakings, registered office addresses and the percentage of share class owned as at 31 December 2018 are disclosed below:

Subsidiary undertakings incorporated and operating in the United Kingdom

Name of undertaking	*Principal activity*	*Principal place of business*	*Proportion of ordinary shares and voting power held %*
EG Finco Limited	Holding company	UK	100
Euro Garages Limited	Trading of fuel/other products	UK	100
EG (Shared Services) Limited	Dormant	UK	100
The Orchard Group Limited	Trading of fuel/other products	UK	100
Three Oaks Investments Limited	Holding company	UK	100
Three Elms Investments Limited	Holding company	UK	100
Wolfson Trago Limited	Restaurant operator	UK	100
Wycliffe Moore Limited	Restaurant operator	UK	100
EG AsiaPac Ltd	Holding company	UK	100

All companies incorporated in the United Kingdom are registered at Euro House, The Beehive Trading Park, Haslingden Road, Blackburn, Lancashire, BB1 2EE.

18. Subsidiaries (continued)

International subsidiary undertakings

Subsidiaries	*Principal activity*	*Place of Incorporation/ registration and operation*	*Proportion of ordinary shares and voting power held (%)*
Euro Garages Jersey Limited[1]	Holding company	Jersey	100
EG Dutch Finco B.V. [2]	Holding company	Netherlands	100
EG Holdings B.V.[2]	Holding company	Netherlands	100
EG Europe B.V.[2]	Holding company	Netherlands	100
EG Retail B.V.[2]	Holding company	Netherlands	100
EG Benelux B.V.[2]	Holding company	Netherlands	100
EG Retail (Netherlands) B.V. [2]	Trading of fuel/other products	Netherlands	100
EG Services (Netherlands) B.V. [2]	Operator of service stations	Netherlands	100
NRGValue Branding Nederlands B.V. [2]	Trading of fuel/other products	Netherlands	100
NRGValue Retail Nederland B.V. [2]	Trading of fuel/other products	Netherlands	100
NRGValue Tankstations Nederland B.V.[2]	Trading of fuel/other products	Netherlands	100
EG Fuels (Kampen Terminal) [3]	Fuels depot operations	Netherlands	100
EG Fuels (Logistics) B.V. [3]	Fuels transportation	Netherlands	100
Stichting Rocks Loyalty Nederland B.V. [2]	Loyalty card business	Netherlands	100
EG (France) B.V. [2]	Holding company	Netherlands	100
AJJ Hermes B.V. [2]	Real estate development	Netherlands	100
EG (Germany) B.V. [2]	Holding company	Netherlands	100
EG Retail (Belgium) B.V.B.A.[4]	Trading of fuel/other products	Belgium	100
Station Services B.V.B.A. [4]	Dormant	Belgium	100
EG Retail (Station Support) B.V.B.A. [4]	Employer of service station colleagues	Belgium	100
Stars Loyalty Belgium C.V.B.A. [4]	Loyalty card business	Belgium	100
EG Services (Belgium) B.V.B.A.[4]	Employer of service station colleagues	Belgium	100
EG Services (Belgium Property) B.V.B.A.[4]	Real estate development	Belgium	100
Raga NV[4]	Real estate development	Belgium	100
EG Retail (Luxembourg) S.à.r.l. [5]	Trading of fuel/other products	Luxembourg	100
EG Services (Luxembourg) S.à.r.l. [5]	Trading of fuel/other products	Luxembourg	100
EG (Luxembourg) Holdings S.à.r.l. [5]	Holding company	Luxembourg	100
EG Business GmbH[6]	Trading of fuel/other products	Germany	100
EG Deutschland GmbH[8]	Holding company	Germany	100
Echo Tankstellen GmbH[8]	Trading of fuel/other products	Germany	100
Retail Operating Company GmbH[8]	Trading of fuel/other products	Germany	100
EG Retail (Food Services France) SAS[7]	Trading of fuel/other products	France	100
EG Holdings (France) SAS[7]	Holding company	France	100
EG Retail (France) SAS[7]	Trading of fuel/other products	France	100
EG Services (France) SNC[7]	Operator of service stations	France	100
EG Italia S.p.A[10]	Trading of fuel/other products	Italy	100
EG (Italy) B.V. [2]	Holding company	Netherlands	100
EG America, LLC [9]	Holding company	U.S.A.	100
EG Retail (America), LLC[9]	Holding company	U.S.A.	100
EG Shared Services (America), LLC[9]	Holding company	U.S.A.	100
TH Midwest, Inc[9]	Trading of fuel/other products	U.S.A.	100
Junior Food Stores of West Florida Inc. [9]	Trading of fuel/other products	U.S.A.	100
Kwik Shop, Inc. [9]	Trading of fuel/other products	U.S.A.	100
Mini Mart, Inc. [9]	Trading of fuel/other products	U.S.A.	100
Quik Stop Markets, Inc [9]	Trading of fuel/other products	U.S.A.	100
TH Minit Markets LLC[9]	Trading of fuel/other products	U.S.A.	100
EG Group Australia Pty Ltd [11]	Holding company	Australia	100
EG (Retail) Australia Pty Ltd [11]	Trading of fuel/other products	Australia	100

18. Subsidiaries (continued)

1 Registered address No 2 The Forum Grenville Street St Helier, Jersey
2 Registered address Princenhagelaan 9, 4813 DA, BREDA, The Netherlands
3 Registered address Genuakade 4, 8263 CG, Kampen, The Netherlands
4 Registered address Kapelsesteenweg 71, 2180 Ekeren, Belgium
5 Registered address Bei der Hörewiss 103, 1141 Luxembourg
6 Registered address Bentheimer Strasse 120, 48529, Nordhorn, Germany
7 Registered address Immeuble Le Cervier B, 12, avenue des Béguines, Cergy Saint Christophe, 95800 Cergy Pontoise, France
8 Registered address Ludwig-Erhard-Straße 22, Germany
9 Registered address 302 W. 3rd Street Floor 3, Cincinnati, OH, 45202 USA
10 Registered address Via Giovanni Marradi 4, Livorno, Livorno, 57126 Italy
11 Registered address Unit 3, Ivory, 25-31, Darley Street East, Mona Vale, NSW, 2103, Australia

19. Joint ventures

Details of joint ventures

Details of each of the Group's joint ventures at the end of the reporting year are as follows:

Name	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest / voting rights held by the Group	
Joint ventures:			*31/12/18*	*31/12/17*
Petroleum Products Storage & Transport Company S.A./N.V.[1]	Owns & manages fuel depots.	Belgium	50%	50%
De Pooter Olie B.V.[2]	Owns & operates fuel forecourts.	Netherlands	50%	50%
De Pooter Olie B.V.B.A [3]	Owns & operates fuel forecourts.	Belgium	50%	50%
Dépôt Pétrolier de Lyon S.A.S.[4]	Owns & manages fuel depots.	France	50%	50%

1 Registered address Avenue de l'Independence 93, 4020 Luik (Wandre), Belgium
2 Registered address Polenweg 16, 4538AP Terneuzen, The Netherlands
3 Registered address Gebroeders Naudstlaan 14, 9185, Wachtebeke, Belgium
4 Registered address 1, Rue d'Arles, Port Hérriot, 69.007 LYON, France

All of the above investments are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in note 3.

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts in joint ventures financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

19. Joint ventures (continued)

2018

	Petroleum Products Storage & Transport Company S.A./N.V. €m	De Pooter Olie B.V. €m	Dépôt Pétrolier de Lyon S.A.S. €m	Total €m
Summarised balance sheet				
Current assets	-	6	5	11
Non-current assets	4	3	8	15
Current liabilities	(1)	(3)	(1)	(5)
Non-current liabilities	(2)	(1)	-	(3)
Net assets	**1**	**5**	**12**	**18**
Summarised income statement				
Revenue	3	59	4	66
Profit after tax for the year	**-**	**1**	**-**	**1**

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

2018

	Petroleum Products Storage & Transport Company S.A./N.V. €m	De Pooter Olie B.V. €m	Dépôt Pétrolier de Lyon S.A.S. €m	Total €m
Group's share in ownership	50%	50%	50%	
Group's share of net assets/liabilities	-	3	6	9
Other adjustments	-	(1)	(2)	(3)
Transfer to disposal group classified as held for sale		(2)	(4)	(6)
Carrying amount of the Group's interest in the joint venture	**-**	**-**	**-**	**-**

2017

	Petroleum Products Storage & Transport Company S.A./N.V. €m	De Pooter Olie B.V. €m	Dépôt Pétrolier de Lyon S.A.S. €m	Total €m
Summarised balance sheet				
Current assets	1	6	3	10
Non-current assets	3	3	10	16
Current liabilities	(2)	(4)	(1)	(7)
Non-current liabilities	(1)	(1)	-	(2)
Net assets	**1**	**4**	**12**	**17**

19. Joint ventures (continued)

2017 (continued)

	Petroleum Products Storage & Transport Company S.A./N.V. €m	De Pooter Olie B.V. €m	Dépôt Pétrolier de Lyon S.A.S. €m	Total €m
Summarised income statement				
Revenue	3	48	4	55
Profit after tax for the year	-	1	-	1

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

2017

	Petroleum Products Storage & Transport Company S.A./N.V. €m	De Pooter Olie B.V. €m	Dépôt Pétrolier de Lyon S.A.S. €m	Total €m
Group's share in ownership	50%	50%	50%	
Group's share of net assets/liabilities	-	2	6	8
Other adjustments	-	(1)	(2)	(3)
Carrying amount of the Group's interest in the joint venture	-	1	4	5

The Group holds a 19.64% investment stake in Multi Tank Card B.V. (2017: 19.64%), which is held as a financial asset at fair value through other comprehensive income in line with the accounting policy in note 3. Refer to note 34 for further information on the method used to determine the fair value of the investment.

20. Inventories

	2018 €m	2017 €m
Fuel and oil products	216	115
Retail products	126	30
Food to Go products	3	-
Transfer to disposal group classified as held for sale	(52)	-
	293	145

The cost of inventories recognised as an expense during the year was €10,355m (2017: €4,381m). The cost of inventories recognised as an expense includes €5m (2017: €3m) in respect of write-downs of inventory to net realisable value.

Inventories with a carrying amount of €345m (2017: €145m) have been pledged as security for certain of the Group's bank facilities.

21. Trade and other receivables

	2018 €m	2017 €m
Trade receivables	309	178
Allowance for doubtful debts	(4)	(4)
	305	174
Guarantee deposits	5	4
Loans to related parties (note 37)	58	9
Other receivables	42	51
Prepayments and accrued income	113	30
Transfer to disposal group classified as held for sale	(118)	-
	405	268

The balances are analysed as follows:

	2018 €m	2017 €m
Current	336	256
Non-current	69	12
	405	268

Trade receivables are recognised initially at the amount of consideration that is unconditionally due from customers in the ordinary course of business. The Group holds trade with the objective to collect the contractual cash flows and therefore measures trade receivables subsequently at amortised cost. Trade and other receivables are generally non-interest-bearing. Credit terms vary by country and the nature of the debt.

Trade and other receivables include €26m (2017: €5.3m) within prepayment and accrued income of amounts due from suppliers in relation to commercial income which have been earned but not yet invoiced.

Included in other receivables in 2017 was €33m paid as deposits for the Italian and German acquisitions, which completed in 2018 (see note 35).

Allowances against doubtful debts are recognised based on expected irrecoverable amounts determined by reference to past default experience and are adjusted to reflect current and forward-looking information based on macroeconomic factors and other factors which affect the ability of the customers to settle the receivables.

The ageing analysis of trade receivables and the provision for impairment of trade receivables is as follows:

2018	Current %/€m	31-60 days past due %/€m	61-90 days past due %/€m	Over 90 days past due %/€m	Total €m
Gross carrying amount – trade receivables	291	7	1	10	309
Expected credit loss rate	0%	0%	0%	46%	
Provision for impairment of trade receivables	-	-	-	**(4)**	**(4)**

21. Trade and other receivables (continued)

At 31 December 2017 the ageing analysis of past due but not impaired receivables was as follows:

	2017 €m
0-30 days	28
31-60 days	4
61-90 days	-
91-120 days	1
121+ days	2
Total	**35**

As at 31 December 2018 and 31 December 2017, trade receivables that were neither past due nor impaired, related to a receivables for whom there is no recent history of default. The other classes of receivables do not contain impaired assets.

At 31 December 2018, trade and other receivables of €10m (2017: €7m) were past due and impaired. Movement in the allowance for doubtful debts:

	2018 €m	2017 €m
Balance at the beginning of the year	(4)	(3)
Loss allowance recognised	(1)	(1)
Amounts written off during the year as uncollectible	1	-
Balance at the end of the year	**(4)**	**(4)**

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

22. Borrowings

	2018 €m	2017 €m
Secured borrowing at amortised cost		
Finance lease liabilities (see note 24)	(2)	(2)
Bank loans	(5,080)	(1,610)
Bank overdrafts	(45)	(40)
Revolving credit facilities	(259)	(59)
Transfer to disposal group classified as held for sale	1	-
	(5,385)	**(1,711)**
Total borrowings		
Amount due for settlement within 12 months	(355)	(103)
Amount due for settlement after 12 months	(5,030)	(1,608)
	(5,385)	**(1,711)**

22. Borrowings (continued)

	Sterling €m	Euros €m	US Dollar €m	Total €m
Analysis of borrowings by currency:				
31 December 2018				
Finance lease liabilities	-	(2)	-	(2)
Bank loans	(447)	(2,360)	(2,273)	(5,080)
Bank overdraft	(9)	(5)	(31)	(45)
Revolving credit facilities	(34)	(120)	(105)	(259)
	(490)	**(2,487)**	**(2,409)**	**(5,386)**
31 December 2017				
Finance lease liabilities	-	(2)	-	(2)
Bank loans	(670)	(940)	-	(1,610)
Bank overdraft	(35)	-	(5)	(40)
Revolving credit facilities	-	(59)	-	(59)
	(705)	**(1,001)**	**(5)**	**(1,711)**

At 31 December 2018 the Group has the below term loans:

(i) a Facility B GBP loan of £400m. The loan was taken out on 7 February 2018. Repayments totaling 1% per annum of the initial drawdown are made quarterly, with the balance repayable on maturity in 2025. The loan carries interest at 4.75% above LIBOR and is secured on the assets of the Group and guaranteed by certain entities of the Group.

(ii) A Facility B1 EUR loan of €835m. The loan was taken out on 7 February 2018. Repayments totaling 1% per annum of the initial drawdown are made quarterly, with the balance repayable on maturity in 2025. The loan carries interest at 4.0% above EURIBOR and is secured on the assets of the Group and guaranteed by certain entities of the Group.

(iii) a Facility B2 EUR loan of €250m. The loan was taken out on 7 February 2018. Repayments totaling 1% per annum of the initial drawdown are made quarterly, with the balance repayable on maturity in 2025. The loan carries interest at 4.0% above EURIBOR and is secured on the assets of the Group and guaranteed by certain entities of the Group.

(iv) A Facility B USD loan of $500m. The loan was taken out on 7 February 2018. Repayments totaling 1% per annum of the initial drawdown are made quarterly, with the balance repayable on maturity in 2025. The loan carries interest at 4.0% above USD LIBOR and is secured on the assets of the Group and guaranteed by certain entities of the Group.

(v) Additional term facility EUR loans of €175m. The loans were taken out on 18 April 2018. Repayments totaling 1% per annum of the initial drawdown are made quarterly, with the balance repayable on maturity in 2025. The loans carry interest at 4.0% above EURIBOR and are secured on the assets of the Group and guaranteed by certain entities of the Group.

(vi) A second lien EUR loan of €200m. The loan was taken out on 18 April 2018, repayable on maturity in 2026. The loan carries interest at 8.75% and is secured on the assets of the Group and guaranteed by certain entities of the Group.

(vii) An additional term USD loan of $1,700m. The loan was taken out on 19 April 2018. Repayments totaling 1% per annum of the initial drawdown are made quarterly, with the balance repayable on maturity in 2025. The loan carries interest at 4.0% above USD 3 Month LIBOR and is secured on the assets of the Group and guaranteed by certain entities of the Group.

22. Borrowings (continued)

(viii) A second lien USD loan of $245m. The loan was taken out on 19 April 2018, repayable on maturity in 2026. The loan carries interest at 8% above USD3 Month LIBOR and is secured on the assets of the Group and guaranteed by certain entities of the Group.

(ix) a Facility B3 EUR loan of €900m. The loan was taken out on 28 September 2018. Repayments totaling 1% per annum of the initial drawdown are made quarterly, with the balance repayable on maturity in 2025. The loan carries interest at 4.0% above EURIBOR and is secured on the assets of the Group and guaranteed by certain entities of the Group.

(x) An additional term facility EUR loan of €75m. The loan was taken out on 4 December 2018. Repayments totaling 1% per annum of the initial drawdown are made quarterly, with the balance repayable on maturity in 2025. The loan carries interest at 4.0% above EURIBOR and is secured on the assets of the Group and guaranteed by certain entities of the Group.

(xi) An additional term facility USD loan of $225m. The loan was taken out on 4 December 2018. Repayments totaling 1% per annum of the initial drawdown are made quarterly, with the balance repayable on maturity in 2025. The loan carries interest at 4.0% above USD 3 Month LIBOR and is secured on the assets of the Group and guaranteed by certain entities of the Group.

As a result of the restructure of the Group's principal term loans in February 2018 the following facilities were extinguished in the year, but were in place at the comparative year end date of 31 December 2017:

(i) D1 GBP loan of €699m. The loan was taken out on 18 May 2017 and repayable on maturity in 2023. The loan carried interest at 5.00% above 3 months LIBOR and was secured on the assets of the Group.

(ii) a D2 EUR loan of €914m. The loan was taken out on 18 May 2017 and repayable on maturity in 2023. The loan carried interest at 4.00% above 3 months EURIBOR and was secured on the assets of the Group.

The other principal features of the Group's borrowings are as follows:

(i) The Group has GBP Revolving Credit Facilities available totalling £250m (for utilisation in GBP or EUR) and USD Revolving Credit Facilities available for $150m (2017:EUR facility for €150m) which mature in 2022. These carry an interest rate of LIBOR/EURIBOR/US LIBOR +3% depending on the currency drawn down (2017: LIBOR + 3.50%) and are secured on the Group's assets. A commitment fee is payable quarterly in arrears on the aggregate undrawn at a rate of 35% of the applicable margin for the Revolving Credit Facility.

(ii) Finance lease liabilities are secured by the assets leased. The borrowings are at a fixed interest rate debt with repayment periods not exceeding eight years.

The weighted average interest rates paid during the year were as follows:

	2018 %	2017 %
Bank overdrafts	4.28%	3.05%
Revolving credit facilities	4.05%	3.50%
Capex/acquisition facilities	3.73%	3.80%
Bank loans	5.58%	4.95%

Details of the financial risk management objectives and policies of the Group, including hedging policies and exposure of the Group to liquidity risk, credit risk, interest rate risk, foreign currency risk and market risk are given in note 34.

23. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current year and prior reporting year.

	Property, plant and equipment €m	Intangible fixed assets €m	Retirement benefit obligations €m	Tax losses €m	Other temporary differences €m	Total €m
At 31 December 2017	(210)	-	1	22	22	(165)
Adjustment on initial application of IFRS 9	-	-	-	-	(9)	(9)
At 1 January 2018	(210)	-	1	22	13	(174)
Arising on acquisition	(38)	33	3	-	4	2
(Charge)/credit to income statement	6	(13)	-	17	16	26
Transfer to disposal group classified as held for sale	1	-	-	-	(2)	(1)
At 31 December 2018	(241)	20	4	39	31	(147)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2018 €m	2017 €m
Deferred tax liabilities	(351)	(209)
Deferred tax assets	204	44
	(147)	**(165)**

At the balance sheet date, the Group has unused tax losses of €299m (2017: €192m) and excess interest capacity of €153m (2017: €23m) available for offset against future profits.

A deferred tax asset has been recognised in respect of €140m (2017: €73m) of such losses. This is in respect of losses arising in the current period in entities in the US which are expected to have future taxable profits against which these losses can be offset, losses brought forward in entities which are utilising these brought forward losses each year, and losses in respect of the head of the German fiscal group which should be available for future offset against the future taxable profits of the consolidated fiscal group.

No deferred tax asset has been recognised in respect of the remaining €159m (2017: €119m) of losses or €153m (2017: €23m) of excess interest capacity as there are restrictions in place against these losses such that it is not considered probable that there will be future taxable profits available against which to offset them. It is also not considered probable that there will be interest capacity in the foreseeable future to enable these amounts to be utilised. Losses may be carried forward indefinitely.

No deferred tax liabilities have been recorded with respect to investments in subsidiaries and joint ventures as any unremitted earnings may be repatriated tax free.

24. Obligations under finance leases

The Group has finance leases for various items of plant, equipment, fixtures and fittings. The fair value of the Group's lease obligations approximate to their carrying value. The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 17.

24. Obligations under finance leases (continued)

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

	Minimum lease payments	
	2018 €m	2017 €m
Amounts payable under finance leases:		
In the second to fifth years inclusive	(2)	(2)
Less: future finance charges	-	-
Present value of lease obligations	(2)	(2)

	Present value of minimum lease payments	
	2018 €m	2017 €m
Amounts payable under finance leases:		
In the second to fifth years inclusive	(2)	(2)
Present value of lease obligations	(2)	(2)
Analysed as:		
Amounts due for settlement after 12 months	(2)	(2)

25. Trade and other payables

	2018 €m	2017 €m
Trade payables	(468)	(283)
Amounts due to related parties (note 37)	(2)	(2)
Social security and other taxes	(307)	(241)
Accrued expenses	(305)	(95)
Deferred income	(33)	(5)
Other payables	(23)	(11)
Transfer to disposal group classified as held for sale	298	-
	(840)	**(637)**

The balances are analysed as follows:

	2018 €m	2017 €m
Current	(795)	(625)
Non-current	(45)	(12)
	(840)	**(637)**

The average credit period taken for trade purchases is 20 days (2017: 22 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The Directors consider that the carrying amount of trade payables approximates to their fair value. Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. Social security and other taxes principally comprise amounts payable in relation to VAT, payroll taxes and excise duties.

Accrued expenses principally comprise invoices to be received from suppliers, rent payable and employee related costs. Other payables include deferred revenue of €5m (2017: €5m) representing customer loyalty points which have not yet expired or been redeemed and €9m (2017: €nil) of guarantees received from customers.

26. Provisions

	Property €m	Other €m	Total €m
At 31 December 2017	**(100)**	**(19)**	**(119)**
On acquisition of subsidiary	(136)	(81)	(217)
Additional provision in the year	(3)	(22)	(25)
Utilisation of provision	12	16	28
Release of provision	30	3	33
Exchange differences	6	2	8
Transfer to disposal group classified as held for sale	6	-	6
At 31 December 2018	**(185)**	**(101)**	**(286)**

The balances are analysed as follows:

	31 December 2018 €m	31 December 2017 €m
Current	(26)	(7)
Non-current	(260)	(112)
	(286)	**(119)**

Property provisions

Property provisions comprise asset retirement obligation provisions, environmental provisions for remediation works at petrol fillings stations ("PFS"), debranding provisions and dilapidation provisions. The nature of the provisions and the judgements applied in determining the amount to be provided are described in further detail below:

- *Asset retirement obligation ("Dismantling")*

  Dismantling provisions relate to sites for which the Group only has a right to operate the site for a number of years under a lease arrangement with a third party. After the right to use has expired, the Group is obliged to dismantle all assets on the specific site and to restore the site to its original condition. Amounts provided are based on prior experience of costs incurred. The provision is expected to be utilised in the medium to long term.

- *Environmental restoration*

  Environmental protection requirements for remediation works at petrol filling stations ("PFS") vary by country and are regulated by different agencies in each country. In all countries, a provision is made in full when a liability is identified and assessed. A provision is recognised for the present value of costs to be incurred for the restoration of sites, based on third party reports. The provision is expected to be utilised in the medium to long term.

- *Debranding*

  Debranding provisions relate to sites where, on termination of existing contracts with fuel suppliers and brand licensors, the Group is obliged to debrand, at its own cost, sites and motorway concessions. Amounts provided are based on prior experience of costs incurred. The provision is expected to be utilised in the medium to long term.

  During the financial year, the Group performed significant rebranding activity resulting from the change of supplier for branded fuel in the Benelux region. As a result of new information to support the cost of debranding a site and an internal review of the costs incurred, the assumptions used in the calculation have been revised. The application of *IAS 8 Change in Accounting Estimates* has resulted in a reduction in the provision totalling €17.9m, which has been recognised in the income statement within administration expenses.

26. Provisions (continued)

- *Dilapidations*

  Dilapidation provisions relate to sites acquired on leases which contain clauses under with the Group has to make good dilapidations or other damage which occurs to the property during the course of the lease or restore the property to a specified condition. Amounts provided are based on prior experience of costs incurred. The provision is expected to be utilised in the medium to long term.

Other provisions

Other provisions relate primarily to legal claims, restructuring costs, onerous contracts and obligations to retailers/dealers who operate sites in the Group. The nature of the provisions and the judgements applied in determining the amount to be provided are described in further detail below:

- *Legal claims*

  The amount provided primarily represents several legal claims brought against the Group (i) by retailers, wholesalers, suppliers and sub-lessees for wrongful termination of contracts and/or alleged contractual breach, or (ii) by landlords for an amendment of the rent, or (iii) customers and employees claiming for injury or damages. Based on prior experience with such claims, the expected settlement date is uncertain and can extend for several years. Amounts provided for are based on estimated outcomes of the claims determined by internal and external legal counsel. The provision is expected to be utilised in the medium to long term.

- *Restructuring*

  As a result of the Group's restructuring plans, an amount has been provided to reflect the expected costs of completing the planned activity. This provision is expected to be utilised in the short to medium term.

- *Onerous contract*

  The amount provided represents onerous contracts in which the unavoidable costs resulting from the entity meeting its contractual obligations exceed the economic benefits expected to be received under that contract. Amounts provided for are based on the cost of fulfilling the terms of the contract. The provision is expected to be utilised in the medium to long term.

- *Retailer/dealer contract premiums*

  The Group provides for expected outflows to reflect the accumulated rights of the retailer/dealer. In certain jurisdictions, where the Group has an arrangement for a third party retailer/dealer to operate a site, the third party is legally or contractually entitled to certain benefits relating to the length of their service. The Group provides for the expected outflows arising from this obligation on the basis of the award accumulated at the reporting date. The provision is expected to be utilised in the medium to long term.

27. Share capital

	Number of shares	€
Authorised, issued and fully paid: Ordinary shares of £1 each		
At 31 December 2017 and 31 December 2018	**1,911**	**2,501**

The Company has one class of ordinary shares, which carry no right to fixed income.

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

28. Share premium account

	Share premium €m
Balance at 31 December 2017 and 31 December 2018	**1,587**

The share premium account arose on issue of ordinary shares on 29 January 2016 and on issue of ordinary shares on 17 November 2016.

29. Other reserves

The analysis of movements in reserves is shown in the statement of changes in equity. Details of the amounts included in other reserves are set out below.

Merger reserve

The merger reserve arose on the acquisition of Euro Garages Jersey Limited by EG Group Limited. In the case of the Group, the merger reserve represents the difference between the fair value and the nominal value of the share capital issued by EG Group Limited.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency into the Group's presentational currency, being Euros, are recognised directly in the translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are also included in the translation reserve.

	Translation reserve €m
Balance at 31 December 2017	**(61)**
Exchange differences on translating the net assets of foreign operations	(2)
Balance at 31 December 2018	**(63)**

30. Notes to the cash flow statement

	2018 €m	2017 €m
Cash flows from operating activities		
(Loss)/profit for the year	(138)	15
Adjustments for:		
Share of profit of equity accounted investments	(1)	(1)
Finance income	(12)	(13)
Finance costs	392	135
Income tax expense/(credit)	-	23
Loss/(gain)on disposal of property plant and equipment	4	(1)
Gain on disposal of investments in joint ventures	-	(17)
Depreciation of property, plant and equipment	199	119
Impairment of property, plant and equipment	-	14
Amortisation of intangible assets	63	14
Impairment of intangible assets	-	7
Negative goodwill released to income statement	(31)	-
(Decrease)/increase in provisions	(45)	(2)
Operating cash flows before movements in working capital	**431**	**293**
Changes in working capital		
Increase in inventories	(28)	(16)
Decrease/(Increase) in receivables	2	(63)
Increase in payables	19	58
Cash generated by operations	**424**	**272**
Income taxes paid	(44)	(9)
Net cash from operating activities	**380**	**263**

Additions to fixtures and equipment during the year amounting to €nil (2017: €nil) were financed by new finance leases.

Cash and cash equivalents

	2018 €m	2017 €m
Cash and cash equivalents per balance sheet	269	172
Bank overdrafts (presented in borrowings, see note 22)	-	-
Cash and cash equivalents per cash flow statement	**269**	**172**

30. Notes to the cash flow statement (continued)

Cash and cash equivalents comprise cash and short-term bank deposits (see accounting policy in note 3). The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting year as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet position as shown on the previous page.

Analysis of changes in net debt

	1 January 2018 €m	Cash flow €m	Exchange movements €m	Other non-cash movements [1] €m	31 December 2018 €m
Cash and bank balances	172	95	2	-	269
Finance leases	(2)	-	-	-	(2)
Borrowings	(1,709)	(3,489)	(263)	77	(5,384)
Net debt	**(1,539)**	**(3,394)**	**(261)**	**77**	**(5,117)**

[1] Other non-cash movements relate to capitalised borrowing fees in the year.

Balances at 31 December 2018 comprise:

	Non-current assets €m	Current assets €m	Current liabilities €m	Non-current liabilities €m	Total €m
Cash and bank balances	-	269	-	-	269
Finance leases	-	-	-	(2)	(2)
Borrowings	-	-	(355)	(5,029)	(5,384)
Net debt	**-**	**269**	**(355)**	**(5,031)**	**(5,117)**

31. Commitments and contingencies

Capital commitments

Capital commitments are due to the acquisition or renewal of new high way stations and concessions. As a result of these acquisitions, the Group has an obligation to undertake specified constructions and refurbishment for these locations. The commitment as per 31 December 2018 is €105m (2017: €73m).

Fuel supply contracts

In the regular course of business, the Group enters into relationships with fuel suppliers whereby the Group commits itself to purchase certain minimum quantities of fuel in order to benefit from better pricing conditions. The duration of these contracts range from 1 to 9 years. The total volume of these purchase commitments over the remaining contract duration is 29,440 million litres (2017: 3,549 million litres). The fuel price at the time of purchase is not in excess of current market prices and reflect normal business operations.

31. Commitments and contingencies (continued)

Contingent liabilities

The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated. On review of ongoing matters at the reporting date, management have concluded that all such claims other than those that are provided for are remote, and accordingly contingent liabilities have not been recognised. Contingent liabilities identified through business combinations are recognised on the balance sheet as provisions in accordance with IFRS 3.

Subsidiary audit exemptions

The following wholly owned subsidiary undertakings, consolidated into the Group financial statements for the year ended 31 December 2018, are exempt from the requirements for the audit of individual accounts by virtue of section 479A to the Dutch Civil Law section 403 and the Italian civil code article 27 of Legislative Decree 127/91. Information on the country of incorporation, registered office and principal activity is detailed in note 18.

Name	*Company number*
EG Holdings B.V.	66527198
EG Europe B.V.	60737719
EG Retail B.V.	60757124
EG (Benelux) B.V.	34271801
EG Retail (Netherlands) B.V.	24031986
EG Services (Netherlands) B.V.	27068921
EG Fuels (Kampen Terminal) B.V.	05085655
EG Fuels (Logistics) B.V.	05054898
EG (France) B.V.	50707043
EG (Italy) B.V.	69518998
EG (Germany) B.V.	70043086
EG Dutch Finco B.V.	70742618
NRGValue Branding Nederlands B.V.	68338120
NRGValue Retail Nederland B.V.	61694673
NRGValue Tankstations Nederland B.V.	64380610
A.J.J. Hermes B.V.	16065280

EG Group Limited will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 31 December 2018 in accordance with section 479A to the Dutch Civil Law section 403 and the Italian civil code article 27 of Legislative Decree 127/91.

32. Operating lease arrangements

The Group leases land, buildings and vehicles in the ordinary course of business. The Group leases land and various buildings under non-cancellable operating lease agreements, including lease agreements under concession agreements. The majority of lease agreements are renewable at the end of the lease year at market rate. No purchase option exists at the end of leases.

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	**2017**
	€m	€m
Lease payments under operating leases recognised as an expense in the year	131	71

32. Operating lease arrangements (continued)

	2018 €m	2017 €m
Within one year	83	38
In the second to fifth years inclusive	241	124
After five years	233	172
	557	334

Operating lease payments represent rentals payable by the Group in respect of certain of its retail and office buildings.

33. Employee benefit obligations

The Group operates a variety of post-employment benefit arrangements, covering both funded defined benefit schemes and funded defined contribution schemes. These benefits have been valued in conformity with IAS 19 and in accordance with the Group accounting policies described in note 3.

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements:

	2018 €m	2017 €m
Balance sheet obligations for:		
Defined benefit plan	(24)	(4)
Defined contribution plan	-	-
Jubilee premium plan	(3)	(3)
Transfer to disposal group classified as held for sale	1	-
Liability in the balance sheet	(26)	(7)
Income statement charge:		
Defined benefit plan	(1)	(2)
Defined contribution plan	(5)	(1)
Jubilee premium plan	(1)	-
	(7)	(3)

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Defined benefit schemes

Following the acquisition of EFR in November 2016 and Echo Tankstellen GmbH and Retail Operating Company GmbH in October 2018 the Group now operates the following long-term employee benefit plans for its working and retired personnel: retirement benefit plan, jubilee benefits for long years of service and bridge pension plan for employment terminated before the normal retirement date.

33. Employee benefit obligations (continued)

The Group operates five defined benefit plans (2017: four), one for employees in Belgium, three for employees in the Netherlands and one for employees in Germany. Employee contributions are required regarding the defined benefit plan.

In Belgium the defined benefit plan is subject to the Belgian law and is insured by AG Insurance. The pension plan is an annuity plan, which also provides an option for a lump sum payment at the retirement age based on the average salary. These arrangements are typical in the Belgian market. The plan in Belgium is funded. If the plan assets are below the legal minimum funding requirement, the employer is obliged to make an immediate contribution to the plan. The legal requirement is based on a 6% interest rate and the mortality table. The investments are governed by the insurer, who oversees all investment decisions.

In the Netherlands, the defined benefit plans are subject to Dutch law and are insured by Aegon Levensverzekering N.V. and Nationale-Nederlanden Levensverzekering Maatschappij N.V. One of the defined benefit plans is a final pay plan, which provides benefits to members in the form of annuities based on final salary. The other defined benefit plans are average pay plans, which provide benefits to members in the form of annuities based on average salary. The annuity arrangements are typical in the Dutch market and are required by Dutch law. After retirement or withdrawal, pensions are indexed conditionally with inflation. All of the plans in the Netherlands are funded. The plan assets are governed by the insurer, who also bears the risks and responsibility of the plan assets – overseeing all investment decisions and guaranteeing the accrued benefits in the case of a deficit position of the scheme.

In Germany, the defined benefit plan is unfunded. Members are eligible to receive life-long benefit payments in case of death, disability and when reaching normal retirement age. The amount of benefits depends mainly on the length of service and final salary of the plan members, while the exact details of the pension benefits vary based on the employee's date of hire. Benefit payments will be paid directly from the company.

The risks of the Group in the Netherlands are limited to pension increases and transfer of value. In Belgium an additional risk for the Group arises if the plan assets are below the legal minimum funding requirement. This requirement does not exist for the Group's plans in the Netherlands. In Germany, as the plans are unfunded, the Group bears the risks of longevity, futures salary increases, inflation (pension increases) and interest risk.

The schemes typically expose the Company to the following actuarial risks:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent full actuarial valuations of the plan assets and the present value of the defined benefit liabilities in Belgium, the Netherlands and Germany were carried out at 31 December 2018 by Mercer. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

33. Employee benefit obligations (continued)

The principal assumptions used for the purposes of the Netherlands actuarial valuations were as follows:

Key assumptions used:	2018	2017
Discount rate (%)	2.2	2.1
Expected rate of salary increase (%)	-	1.8
Future inflation (%)	1.8	1.8
Average age of active participants (years)	49.1	49.1
Average service of active participants (years)	19.5	19.5
Average longevity at retirement age for current pensioners (years)		
Male	22.1	21.9
Female	24.5	24.7
Average longevity at retirement age for current employees (future pensioners) (years)		
Male	24.7	24.6
Female	26.9	27.4

The principal assumptions used for the purposes of the Belgium actuarial valuations were as follows:

Key assumptions used:	2018	2017
Discount rate (%)	2.2	2.1
Expected rate of salary increase (%)	2.0	2.0
Future inflation (%)	1.8	1.8
Average age of active participants (years)	52.0	48.0
Average service of active participants (years)	23.0	17.0
Average longevity at retirement age for current pensioners (years)		
Male	20.5	20.5
Female	24.1	24.1
Average longevity at retirement age for current employees (future pensioners) (years)		
Male	20.5	20.5
Female	24.1	24.1

The principal assumptions used for the purposes of the Germany actuarial valuations were as follows:

Key assumptions used:	2018	2017
Discount rate (%)	2.2	-
Expected rate of salary increase (%)	3.0	-
Future inflation (%)	-	-
Average age of active participants (years)	47.9	-
Average service of active participants (years)	19.7	-
Average longevity at retirement age for current pensioners (years)		
Male	20.1	-
Female	23.6	-
Average longevity at retirement age for current employees (future pensioners) (years)		
Male	23.5	-
Female	26.4	-

33. Employee benefit obligations (continued)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

2018
€m

	Belgium	Netherlands	Germany	Total
Present value of defined benefit obligations	4.6	7.4	20.9	**32.9**
Fair value of plan assets	(1.2)	(7.4)	-	**(8.6)**
Net liability arising from defined benefit obligation	3.4	-	20.9	**24.3**

2017
€m

	Belgium	Netherlands	Germany	Total
Present value of defined benefit obligations	(6)	(8)	-	**(14)**
Fair value of plan assets	2	8	-	**10**
Net liability arising from defined benefit obligation	(4)	-	-	**(4)**

Movements in the present value of defined benefit obligations in the year were as follows:

2018
€m

	Belgium	Netherlands	Germany	Total
Opening defined benefit obligation	(6.0)	(7.6)	-	**(13.6)**
Arising on acquisition	-	-	(18.8)	**(18.8)**
Current service cost	(0.2)		(0.2)	**(0.4)**
Interest cost	(0.1)	(0.1)	(0.1)	**(0.3)**
Re-measurement losses/(gains):				
• Actuarial gains and losses arising from changes in demographic assumptions	0.5	0.1	-	**0.6**
• Actuarial gains and losses arising from changes in financial assumptions	0.1	0.1	(1.6)	**(1.4)**
• Actuarial gains and losses arising from experience adjustments	0.8	-	(0.2)	**0.6**
Benefits paid	0.3	0.1	-	**0.4**
Closing defined benefit obligation	(4.6)	(7.4)	(20.9)	**(32.9)**

33. Employee benefit obligations (continued)

2017
€m

	Belgium	Netherlands	Germany	Total
Opening defined benefit obligation	(5.9)	(9.5)	-	**(15.4)**
Current service cost	(0.2)	-	-	**(0.2)**
Interest cost	(0.1)	(0.2)	-	**(0.3)**
Re-measurement losses:				
• Actuarial gains and losses arising from changes in demographic assumptions	0.1	-	-	**0.1**
• Actuarial gains and losses arising from changes in financial assumptions	-	0.2	-	**0.2**
Past service cost	-	1.8	-	**1.8**
Benefits paid	0.1	0.1	-	**0.2**
Closing defined benefit obligation	(6.0)	(7.6)	-	**(13.6)**

Movements in the fair value of plan assets in the year were as follows:

2018
€m

	Belgium	Netherlands	Germany	Total
Opening fair value of plan assets	1.8	7.6	-	9.4
Interest income	-	0.1	-	0.1
Remeasurement losses	(0.3)	(0.2)	-	(0.5)
Benefits paid	(0.3)	(0.1)	-	(0.4)
Closing fair value of plan assets	1.2	7.4	-	8.6

2017
€m

	Belgium	Netherlands	Germany	Total
Opening fair value of plan assets	1.8	7.5	-	9.3
Interest income	-	0.2	-	0.2
Remeasurement gains	0.1	-	-	0.1
Benefits paid	(0.1)	(0.1)	-	(0.2)
Closing fair value of plan assets	1.8	7.6	-	9.4

The major categories and fair values of plan assets at the end of the reporting year for each category are as follows:

2018
€m

	Belgium	Netherlands	Germany	Total
Assets held by insurance companies	1.2	7.4	-	8.6

2017
€m

	Belgium	Netherlands	Germany	Total
Assets held by insurance companies	1.8	7.6	-	9.4

33. Employee benefit obligations (continued)

The average duration of the defined benefit obligations at the end of the reporting year is 5.23 years (2017: 22.3 years) relating to active, deferred and retired members.

The Group expects to make a contribution of €nil to the defined benefit schemes during the next financial year.

There has been no change in the processes used by the Group to manage its risks from prior years.

Sensitivity analyses:

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior periods.

If the discount rate was 25bps higher/(lower) the defined benefit obligation would decrease/(increase) by €1.9m/(€2.1m).

If the expected salary growth increases/(decreases) by 0.25%, the defined benefit obligation would (increase)/decrease by (€1.2m)/€0.7m.

34. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance and sustaining the future development of the business.

The capital structure of the Group consists of net debt (borrowings disclosed in notes 22 and 30 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as disclosed in notes 27 to 29). The Group is not subject to any externally imposed capital requirements.

The Board can manage the Group's capital structure by diversifying the debt portfolio, recycling capital through sale and leaseback transactions and flexing capital expenditure. Part of the Group's capital risk management is to monitor a broad range of financial metrics and ensure compliance with the general covenants included in the Group's various borrowing facilities. There have been no breaches of financial covenants in the financial year ended 31 December 2018 or 31 December 2017.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

34. Financial instruments (continued)

Gearing ratio

The gearing ratio at the year end is as follows:

	2018 €m	2017 €m
Debt	(5,386)	(1,711)
Cash and cash equivalents	269	172
Net debt	**(5,117)**	**(1,539)**
Equity	**368**	**463**
Net debt to equity ratio	**1,390%**	**332%**

Debt is defined as long and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in note 22.

Equity includes all capital and reserves of the Group that are managed as capital.

Categories of financial instruments

	2018 €m	2017 €m
Financial assets		
At amortised cost		
Cash and bank balances	269	172
Trade and other receivables (excluding prepayments)	410	237
Financial assets at amortised cost	-	1
Investments at fair value through OCI	1	-
Financial liabilities		
At amortised cost		
Borrowings (excluding finance lease liabilities)	(5,384)	(1,709)
Finance lease liabilities	(2)	(2)
Trade and other payables (excluding contract liabilities, social security and other taxes)	(806)	(396)
Fair value through profit and loss (FVTPL) – mandatorily measured		
Forward currency contracts	-	(2)
Interest rate swaps	(4)	(10)

Financial risk management objectives

Risks facing the Group include market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The objective is to identify, quantify, manage and then monitor events or actions that could lead to financial losses. The Group occasionally seeks to minimise the effects of these risks by using derivative financial instruments (interest rate swaps or forward exchange contracts) to hedge certain risk exposures. The

34. Financial instruments (continued)

Financial risk management objectives (continued)

Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on purchase of fuel in US Dollars by European subsidiaries; and
- interest rate swaps to mitigate the risk of rising interest rates.

The Group has not applied cash flow hedge accounting on forward foreign exchange contracts.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management

The Group's exposure to foreign currency risk is as follows. Amounts represent balances carried in non-functional currencies by Group entities. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts:

2018	Euro €m	US Dollar €m	GBP €m	Total €m
Cash and cash equivalents	26	-	-	26
Trade and other receivables	-	2	-	2
Trade and other payables	-	(27)	(7)	(34)
Borrowings	(2,288)	(458)	-	(2,746)
Balance sheet exposure	**(2,262)**	**(483)**	**(7)**	**(2,752)**

2017	Euro €m	US Dollar €m	GBP €m	Total €m
Cash and cash equivalents	11	1	2	14
Trade and other receivables	24	3	-	27
Trade and other payables	-	(48)	-	(48)
Borrowings	(973)	-	-	(973)
Forward exchange contracts	(1)	19	-	18
Balance sheet exposure	**(939)**	**(25)**	**2**	**(962)**

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro in relation to the servicing of Euro denominated debt held by subsidiaries with a GBP functional currency, the servicing of USD denominated debt held by subsidiaries with a Euro functional currency and the US dollar in relation to fuel purchases by European subsidiaries with a Euro functional currency.

34. Financial instruments (continued)

Foreign currency sensitivity analysis (continued)

The following table details the Group's sensitivity to a 10 per cent increase and decrease in GBP against the Euro and the Euro against the US Dollar. 10 per cent represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10 per cent change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the functional currency strengthens 10 per cent against the relevant foreign currency. For a 10 per cent weakening of the functional currency against the relevant foreign currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	Income Statement		Equity	
	2018 €m	2017 €m	2018 €m	2017 €m
10% change	285	35	285	35

In management's opinion, a change in equity of 10% of the Euro against GBP would be offset against the foreign currency translation within equity. The table above therefore does not show the impact of the translation of foreign subsidiaries into presentational currency.

Forward foreign exchange contracts

The following table details the forward foreign currency ('FC') contracts outstanding as at the year end:

Outstanding contracts	Average exchange rate		Notional value		Fair value	
	2018 %	2017 %	2018 €m	2017 €m	2018 €m	2017 €m
Buy Euro						
Less than 3 months	-	1.13	-	220	-	(2)
Buy USD						
Less than 3 months	-	1.19	-	16	-	-
			-	236	-	(2)

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The risk is managed through the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and a defined risk appetite ensuring the most cost-effective hedging strategies are applied.

34. Financial instruments (continued)

Interest rate swap contracts

Under interest rate swap contracts, the Group exchanges the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the earnings and cash flow risk of changing interest rates on the variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate		Notional principal value		Fair value	
	2018	2017	2018	2017	2018	2017
	%	%	€m	€m	€m	€m
Less than 1 year	1.76	-	280	-	(1)	-
1 to 2 years	-	1.7	-	295	-	(8)
2 to 5 years	-	-	-	-	-	-
5 years +	5.5	5.5	15	15	(3)	(2)
			295	310	(4)	(10)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months LIBOR/EURIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the interest rate exposure for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared on the assumption that the liability outstanding at balance sheet date was outstanding for the full year. A 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year would be impacted as follows:

	2018	2017
	€m	€m
Variable rate borrowings	55	18
Interest rate swaps	-	(10)
	55	8

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, derivatives in an asset position, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Sales to retail customers are settled in cash or using major credit cards.

34. Financial instruments (continued)

Credit risk management (continued)

The Group's trade receivable balances comprise a number of individually small amounts from unrelated customers, over a number of geographical areas. Concentration of risk is therefore limited.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties, taking into account the financial position of customers, past experience and other factors, are continuously monitored.

The Group has no significant concentration of credit risk. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out on the following page.

Liquidity risk tables

	Carrying amount	1 year or less	1 to <2 years	2 to <5 years	5+ years	Total contractual cash flows
	€m	€m	€m	€m	€m	€m
31 December 2018						
Non-derivative financial liabilities:						
Trade and other payables	(1,106)	(1,065)	(39)	-	(2)	(1,106)
Finance lease liability	(2)	(1)	(1)	(1)	-	(3)
Fixed interest rate instruments	(200)	(18)	(18)	(35)	(217)	(288)
Variable interest rate instruments	(5,184)	(355)	(218)	(630)	(5,318)	(6,521)
	(6,492)	(1,439)	(276)	(666)	(5,537)	(7,918)
31 December 2017						
Non-derivative financial liabilities:						
Trade and other payables	(396)	(395)	-	-	(10)	(405)
Finance lease liability	(2)	(21)	(1)	(1)	(1)	(24)
Variable interest rate instruments	(1,709)	(182)	(78)	(235)	(1,655)	(2,150)
	(2,107)	(598)	(79)	(236)	(1,666)	(2,579)

The above tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

34. Financial instruments (continued)

Liquidity risk tables (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates or foreign exchange rates as illustrated by the yield curves existing at the reporting date.

	Carrying amount €m	1 year or less €m	1 to <2 years €m	2 to <5 years €m	5+ years €m	Total contractual cash flows €m
2018						
Net settled:						
Interest rate swaps	(4)	(4)	-	-	-	(4)
Gross settled:						
Foreign exchange contracts - outflow	-	-	-	-	-	-
Foreign exchange contracts - inflow	-	-	-	-	-	-
	(4)	(4)	-	-	-	(4)
2017						
Net settled:						
Interest rate swaps	(10)	(6)	(3)	(3)	-	(12)
Gross settled:						
Foreign exchange contracts - outflow	(2)	(264)	-	-	-	(264)
Foreign exchange contracts - inflow	-	268	-	-	-	268
	(12)	(2)	(3)	(3)	-	(8)

34. Financial instruments (continued)

Financing facilities

	2018 €m	2017 €m
Unsecured bank overdraft facility, reviewed annually and payable at call:		
- amount used	45	40
- amount unused	5	-
	50	40
Secured revolving credit facilities maturing in 2022		
- amount used	259	59
- amount unused	151	93
	410	152
Secured term loan facilities maturing in 2023/2019:		
- amount used	5,080	1,590
- amount unused	-	-
	5,080	1,590
Secured capex and acquisition facility maturing in 2021		
- amount used	-	20
- amount unused	-	94
	-	114
Letter of credit facility maturing in 2022		
- amount used	-	-
- amount unused	385	135
	385	135

Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

34. Financial instruments (continued)

Fair value measurements (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Fair value as at 31 December 2018	Fair value as at 31 December 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Foreign currency forward contracts	Assets – €nil and Liabilities – €nil	Assets – €nil and Liabilities – €2m	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Interest rate swaps	Assets – €nil; Liabilities (not designated for hedging) – €4m	Assets – €nil; Liabilities (not designated for hedging) – €10m	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting year) and contract Interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
3) Unquoted equity shares at FVTOCI*	Assets – €1m Liabilities – €nil	Assets – €1m Liabilities – €nil	Level 3	Discounted cash flow. Future cash flows are estimated using an income based approach and discounted at the Groups weighted average cost of capital ("WACC").	Discount rate and future cash flow forecasts	A 1% increase/ (decrease) in the discount rate would result in a decrease/ (increase) in fair value of €nil

*The unquoted equity shares at FVTOCI financial asset included under level 3 related to the Group's non-controlling interest in Multi Tank Card B.V. in the Netherlands

34. Financial instruments (continued)

Fair value measurements recognised in the balance sheet

	Fair value hierarchy as at 31/12/18			
	Level 1	Level 2	Level 3	Total
	2018	2018	2018	2018
	€m	€m	€m	€m
Unquoted equity shares at FVTOCI				
Unquoted equities	-	-	1	1
Total	-	-	1	1
Financial liabilities at FVTPL				
Derivative financial liabilities	-	(4)	-	(4)
Total	-	(4)	-	(4)

	Fair value hierarchy as at 31/12/17			
	Level 1	Level 2	Level 3	Total
	2017	2017	2017	2017
	€m	€m	€m	€m
Unquoted equity shares at FVTOCI				
Unquoted equities	-	-	1	1
Total	-	-	1	1
Financial liabilities at FVTPL				
Derivative financial liabilities	-	(12)	-	(12)
Total	-	(12)	-	(12)

There were no transfers between Level 1 and 2 during the current year or prior year.

Fair value gains and losses for derivative financial assets and liabilities are included within finance income and finance costs in the income statement.

Reconciliation of Level 3 fair value measurements of financial instruments

	Financial assets at fair value
	€m
Balance at 31 December 2017	1
Total gains or losses:	
- in other comprehensive income	-
Balance at 31 December 2018	1

34. Financial instruments (continued)

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

	Carrying value		Fair value	
	2018 **€m**	**2017** **€m**	**2018** **€m**	**2017** **€m**
Financial assets				
Financial assets held at amortised cost:				
- loans to related parties	58	9	58	9
- trade and other receivables	347	224	347	224
- guarantee deposits	5	4	5	4
Total	410	237	410	237
Financial liabilities				
Financial liabilities held at amortised cost:				
- bank borrowings	(5,384)	(1,709)	(5,520)	(1,709)
- loans from related parties	(2)	(2)	(2)	(2)
- trade and other payables	(1,104)	(635)	(1,104)	(635)
Financial lease payable	(2)	(2)	(2)	(2)
Total	(6,492)	(2,348)	(6,628)	(2,348)

35. Business combinations

Italy

On 14 February 2018, the Group acquired the trade and assets of Exxon Italia, comprising 1,158 sites across Italy. The acquisition forms part of the Group's core growth strategy and allowed the Group to enter the Italian market.

Fair value of assets and liabilities

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. The finalisation of the fair value of the acquired assets and liabilities is now complete.

	Note	€m
Property, plant and equipment	i	299
Intangible assets	ii.	6
Trade and other receivables	iii.	30
Trade and other payables		(2)
Provisions	iv	(104)
Total identifiable assets		**229**
Goodwill	v.	**35**
Total consideration		**264**
Satisfied by:		
Cash		264
Net cash outflow arising on acquisition:		
Cash consideration		(264)
		(264)

i. The fair value of the acquired property, plant and equipment was determined following an external valuation.

ii. Fair value adjustments to recognise €2m of intangible assets for dealer contracts and €4m of intangible assets for highway concessions were identified on acquisition, reflecting the future economic benefit expected from the contracts acquired.

iii. The fair value of the acquired receivables is equal to the gross contractual amounts receivable. Included in trade and other receivables is an indemnification asset of €30m, representing the maximum amount agreed to be compensated to the Group by ExxonMobil for the completion of environmental indemnification works, as determined by a third party expert.

iv. Provisions of €104m principally relate to environmental remediation works, obligations to dismantle leased sites and accumulated benefits payable to dealers at the end of their contract. Of the total environmental provision recognised on acquisition of €41m, €30m of expected outflows will be indemnified by ExxonMobil (presented within trade and other receivables, see point iii. above).

v. The goodwill arising on acquisition of €35m reflects the fact that the value of the acquired business is based on its existing cash generating potential rather than its existing assets and that many of its strengths such as scale and location do not represent intangible assets as defined by IFRS. There are also significant synergies available between the Group and acquired entities. None of the goodwill is expected to be deductible for income tax purposes.

35. Business combinations (continued)

Italy (continued)

Transactions costs of €21m relating to registration taxes and other professional fees have been recognised as administrative expenses in the Income Statement. These have been separately identified as exceptional costs as detailed in note 5.

The results of EG Italia have been consolidated from 14 February 2018 contributing €2,069m revenue and €6m profit after tax between the date of acquisition and 31 December 2018.

NRG

On 18 April 2018, the Group acquired 100% of the share capital of NRGValue Limited and all its subsidiaries, a group which specialises in forecourt trading and operates 97 forecourts across the Netherlands. The acquisition forms part of the Group's core growth strategy and enhances the Group's footprint in the Netherlands.

Fair value of assets and liabilities

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. The exercise to determine the fair value of the acquired assets and liabilities is complete, however this will continue to be reviewed within the 12 month post acquisition measurement period and therefore remains provisional at the date of approval of these financial statements.

	Note	€m
Property, plant and equipment	i	112
Intangible assets	ii.	50
Inventories		7
Cash and cash equivalents		7
Trade and other receivables	iii.	17
Deferred tax assets	v.	2
Trade and other payables		(72)
Deferred tax liability	v.	(30)
Provisions	iv.	(5)
Total identifiable assets		**88**
Goodwill	vi.	**65**
Total consideration		**153**
Satisfied by:		
Cash		153
Net cash outflow arising on acquisition:		
Cash consideration		(153)
Less: cash and cash equivalent balances acquired		7
		(146)

i. The fair value of the acquired property, plant and equipment was determined following an external valuation.

ii. The fair value of intangible assets comprises €45m of intangible assets for highway concessions, €3m for dealer contracts and €2m for favourable leases, reflecting the future economic benefit expected from the contracts acquired.

iii. The fair value of the acquired receivables is equal to the gross contractual amounts receivable.

35. Business combinations (continued)

NRG (continued)

iv. Provisions of €5m relate to obligations to dismantle leased sites, pre agreed termination fees payable to agents and employee liabilities.

v. Deferred tax liabilities of €30m and deferred tax assets of €2m have been recognised to reflect temporary differences that arose on acquisition.

vi. The goodwill arising on acquisition of €65m reflects the fact that the value of the acquired business is based on its existing cash generating potential rather than its existing assets and that many of its strengths such as scale and location do not represent intangible assets as defined by IFRS. There are also significant synergies available between the Group and acquired entities. None of the goodwill is expected to be deductible for income tax purposes.

Transaction costs of €5m relating to professional fees have been recognised as administrative expenses in the Income Statement. These have been separately identified as exceptional costs as detailed in note 5.

The results of NRGValue and its subsidiaries have been consolidated from 18 April 2018 contributing €366m of revenue and €12m profit after tax between the date of acquisition and 31 December 2018.

US Kroger convenience stores

On 20 April 2018, the Group acquired 100% of the share capital of the Kroger convenience store business and its subsidiaries, a group which specialises in forecourt trading and operates 762 convenience stores across 18 states in the United States of America. The acquisition forms part of the Group's core growth strategy and enabled the Group to enter the American market.

Fair value of assets and liabilities

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. The exercise to determine the fair value of the acquired assets and liabilities is complete, however this will continue to be reviewed within the 12 month post acquisition measurement period and therefore remains provisional at the date of approval of these financial statements.

	Note	€m
Property, plant and equipment	i	449
Intangible assets	ii	229
Inventories	iii	85
Cash and cash equivalents		19
Trade and other receivables	iv.	21
Trade and other payables		(160)
Provisions	v.	(53)
Total identifiable assets		**590**
Goodwill	vi.	**1,209**
Total consideration		**1,799**
Satisfied by:		
Cash		1,799
Net cash outflow arising on acquisition:		
Cash consideration		(1,799)
Less: cash and cash equivalent balances acquired		19
		(1,780)

35. Business combinations (continued)

US Kroger convenience stores (continued)

i. The fair value of the acquired property, plant and equipment was determined following an external valuation.

ii. The fair value of intangible assets comprises €229m of intangible assets attributable to the acquired trade names; "Turkey Hill", "Kwik Shop", "Tom Thumb", "Loaf 'n' Jug" and "Quik Stop", reflecting the future economic benefit expected to be realised.

iii. Included in the €85m of inventory acquired is an adjustment of €31m to the opening balance to align the accounting policy to an acceptable IFRS valuation method, as adopted by the Group.

iv. The fair value of the acquired receivables is equal to the gross contractual amounts receivable.

v. Represents provisions for obligations to dismantle or restore leased sites, environmental remediation obligations, unfavourable lease contracts and the self-insurance provision for legal claims.

vi. The goodwill arising on acquisition of €1,209m (translated to Euro at the acquisition date rate) reflects the fact that the value of the acquired business is based on its existing cash generating potential rather than its existing assets and that many of its strengths such as scale and location do not represent intangible assets as defined by IFRS.

   There are also significant synergies available between the Group and acquired entities. None of the goodwill is expected to be deductible for income tax purposes.

Transactions costs of €25m relating to professional and legal fees have been recognised as administrative expenses in the Income Statement. These have been separately identified as exceptional costs as detailed in note 5.

The results of the Kroger convenience stores business have been consolidated from 20 April 2018 contributing €2,876m of revenue and €27m profit after tax between the date of acquisition and 31 December 2018.

35. Business combinations (continued)

Germany

On 1 October 2018, the Group acquired 100% of Echo Tankstellen GmbH and its subsidiaries, a group which specialises in forecourt trading and operates 1,019 forecourts across Germany. The acquisition forms part of the Group's core growth strategy and enabled the Group to enter the German market.

Fair value of assets and liabilities

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. The exercise to determine the fair value of the acquired assets and liabilities is incomplete in respect of property related provisions and the determination of the fair value of consideration paid, and accordingly the fair values remain provisional at the date of approval of these financial statements. It is possible that the goodwill will change on completion of the fair value exercise.

	Note	€m
Property, plant and equipment	i.	242
Intangible assets	ii.	228
Inventories		58
Cash and cash equivalents		73
Trade and other receivables	iii.	188
Deferred tax assets	iv.	120
Trade and other payables		(168)
Deferred tax liabilities	iv.	(91)
Employee benefit obligations	v.	(19)
Provisions	vi.	(52)
Total identifiable assets		**579**
Goodwill	vii.	**381**
Total consideration		**960**
Satisfied by:		
Cash		960
Net cash outflow arising on acquisition:		
Cash consideration		(960)
Less: cash and cash equivalent balances acquired		73
		(887)

i. The fair value of the acquired property, plant and equipment was determined following an external valuation.

ii. The fair value of intangible assets includes €215m for dealer contracts, which were identified on acquisition, reflecting the future economic benefit expected from the contracts acquired.

iii. The fair value of the acquired receivables is equal to the gross contractual amounts receivable.

iv. Deferred tax liabilities of €91m and deferred tax assets of €120m have been recognised to reflect temporary differences that arose on acquisition.

v. The fair value of the employee benefit obligation has been determined following an actuarial valuation of the acquired defined benefit scheme.

vi. Provisions principally relate to obligations to dismantle leased sites, debranding obligations and unfavourable lease contracts. Also included is a contingent liability of €10m relating to obligations to dealers that are conditional upon the dealer fulfilling specific performance criteria.

35. Business combinations (continued)

Germany (continued)

vi. (continued) In accordance with IFRS 3 Business Combinations, contingent liabilities identified through business combinations are recognised on the balance sheet as provisions.

vii. The goodwill arising on acquisition of €381m reflects the fact that the value of the acquired business is based on its existing cash generating potential rather than its existing assets and that many of its strengths such as scale and location do not represent intangible assets as defined by IFRS. There are also significant synergies available between the Group and acquired entities. None of the goodwill is expected to be deductible for income tax purposes.

Transactions costs of €15m relating to consulting, professional and legal fees have been recognised as administrative expenses in the Income Statement. These have been separately identified as exceptional costs as detailed in note 5.

The results of the German business have been consolidated from 1 October 2018 contributing €1,215m of revenue and €29m profit after tax between the date of acquisition and 31 December 2018.

US Minit Mart

On 4 December 2018, the Group the trade and assets of Minit Mart, comprising 233 convenience stores across the United States of America. The acquisition forms part of the Group's core growth strategy and enabled the Group to strengthen its presence in the American market, following the Kroger acquisition earlier in 2018.

Fair value of assets and liabilities

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. At the date of approval of these financial statements., due to the proximity of the acquisition to the reporting date, a fair value exercise has not yet been completed, and so these values remain provisional.

	Note	€m
Property, plant and equipment		328
Inventories		22
Cash and cash equivalents		1
Trade and other receivables	i.	1
Trade and other payables		(28)
Provisions	ii.	(3)
Total identifiable assets		**321**
Negative goodwill	iii.	**(31)**
Total consideration		**290**
Satisfied by:		
Cash		290
Net cash outflow arising on acquisition:		
Cash consideration		(290)
Less: cash and cash equivalent balances acquired		1
		(289)

35. Business combinations (continued)

US Minit Mart (continued)

i. The fair value of the acquired receivables is equal to the gross contractual amounts receivable.

ii. Represents provisions for obligations to dismantle or restore leased sites.

iii. The negative goodwill of €31m arising from the acquisition has been credited to the income statement as other operating income, and separately presented as an exceptional gain as detailed in note 5. An exercise to identify the fair value of the assets and liabilities of the business acquired has not yet been performed due to the proximity of the acquisition to the reporting date. Accordingly, the valuation and the negative goodwill recognised remains provisional, and it is possible that the negative goodwill will change on completion of the fair value exercise. The negative goodwill has arisen as a result of the book value of the assets acquired being higher than the value paid for the acquisition of the assets.

Transactions costs of €4m relating to professional and legal fees have been recognised as administrative expenses in the Income Statement. These have been separately presented as exceptional costs as detailed in note 5.

The results of the Minit Mart business have been consolidated from 4 December 2018 contributing €35m of revenue and €2m loss after tax between the date of acquisition and 31 December 2018. This result excludes the €31m of negative goodwill recognised (see note iii above).

Result of the Group for 2018 including acquisitions

Proforma revenue and profit as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the year have not presented because pre-acquisition financial information is not available for a number of the acquisitions.

2017 Acquisitions

In 2017, the Group completed acquisition in the UK (Wolfson Trago, Wycliffe Moore and the Orchard Group) and in Belgium (Velaine). The provisional fair values of identifiable assets and liabilities for these acquisitions were reported in the financial statements for the year ended 31 December 2017. In finalising the fair value of identifiable assets and liabilities, no changes have been made to the provisional fair values.

Other acquisitions to be completed as at the balance sheet date

On 9 November 2018, the Group entered into an agreement with Woolworths Group to buy its Petrol business, comprising 537 fuel convenience sites, for $1,725m (€1,069m). As part of the transaction, the Group entered into a commercial alliance with Woolworths Group covering fuel discount redemption, loyalty, and wholesale product supply for up to 15 years. In accordance with the terms of the agreement, Woolworths Group will commence wholesale product supply to these fuel convenience sites and customers will be able to redeem fuel discounts, and earn Woolworths Rewards points on fuel and merchandise purchases at fuel convenience sites owned or operated by the Group. Woolworths will also provide support services under a two year TSA.

The transaction was approved by the Foreign Investment Review Board on 27 February 2019. The acquisition completed on 1 April 2019 (see note 36). Due to the proximity of the acquisition to the approval of these financial statements, it is not practical to include full IFRS 3 'Business Combinations' disclosures. The Group will provide full IFRS 3 disclosures in the Group's Annual Report & Financial Statements for the year ending 31 December 2019.

36. Events after the balance sheet date

On 8 March 2019, the Group completed the acquisition of all shares of Urban Origin Limited, an IT consultancy business in the United Kingdom. As part of this acquisition, provisional net assets of €0.3m were acquired for consideration of €0.9m.

On 22 March 2019, a put option was agreed with WEX inc, pursuant to which the Group may exercise a sale of the proprietary cards business for €235m (see note 8), subject to anti-trust, works councils and related clearances. If exercised by the Group, the sale is expected to complete in the second quarter of 2019.

On 1 April 2019 the Group successfully completed a financing exercise securing the necessary additional term loan funding for the 2019 acquisition in Australia. The Group secured additional €1,091m term loan funding.

On 1 April 2019, the Group completed the acquisition of all shares in Woolworths FuelCo from Woolworths Group in Australia, which encompasses their network of 537 fuel convenience sites across Australia (see note 35), for consideration of €1,069m.

On 5 April 2019, RPM Acquisition Sub, LLC, a subsidiary of EG Group Limited, incorporated in April 2019, entered into a definitive agreement with Fastrac Markets, LLC for the purchase of their 54 site network for a consideration of $270m (€236m). The acquisition is subject to regulatory approval and is expected to complete in May 2019.

On 5 April 2019, EG Retail (America), LLC, a subsidiary of EG Group Limited entered into a definitive agreement to purchase 100% of the share capital of Certified Oil Company, Inc. for a consideration of $155m (€135m). The company owns and operates 71 sites in the USA. The acquisition is subject to regulatory approval and is expected to complete in June 2019.

Due to the proximity of the acquisitions to the approval of these financial statements, it is not practical to include full IFRS 3 'Business Combinations' disclosures. The Group will provide full IFRS 3 disclosures in the Group's Annual Report & Financial Statements for the year ending 31 December 2019.

37. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sale of goods/services		Purchase of goods/services	
	2018 €m	2017 €m	2018 €m	2017 €m
De Pooter Olie B.V.	17	19	(1)	-
Petroleum Products Storage & Transport Company S.A.	-	-	(1)	(1)
Depot Petrolier de Lyon S.A.S.	1	1	(1)	(1)
Clearsky 1 LP	-	-	(1)	-
Total	18	20	(4)	(2)

37. Related party transactions (continued)

In addition to those in the table on the previous page, an amount of €0.3m (2017: €0.3m) was payable in total to M Issa and Z Issa (Directors of the Company) relating to property lease costs.

Goods are sold based on the price list in force and terms that would be available to third parties. Sale of services are negotiated with related parties on a cost-plus basis. Goods and services are bought from related parties on normal commercial terms and conditions.

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2018 €m	2017 €m	2018 €m	2017 €m
De Pooter Olie B.V.	-	1	-	-
Petroleum Products Storage & Transport Company S.A.	1	-	-	-
Clearsky 1 LP	2	-	-	-
Clearsky 2 LP	37	-	-	-
Optima Bidco (Jersey) Limited	18	8	(2)	(2)
Total	58	9	(2)	(2)

De Pooter Olie B.V., Petroleum Products Storage & Transport Company S.A. and Depot Petrolier de Lyon S.A.S. are 50 percent joint ventures of the Group, to whom the Group provide fuel supplies. The receivable from Petroleum Products Storage & Transport Company S.A. has arisen from sale transactions and are due one month after the date of sales.

Optima Bidco (Jersey) Limited is the ultimate parent company of the Group. The Group has provided a loan at rates comparable to the average commercial rate of interest.

Clearsky 1 LP is a partnership in which the controlling parties are also Directors of the Group. Purchases from Clearsky 1 LP in the year are for the provision of commercial transport for the Group at arms length rates. Amounts owed by Clearksy LP to the Group are for a short term loan, repayable on demand.

Clearsky 2 LP is a partnership in which the controlling parties are also Directors of the Group. Amounts owed by Clearksy 2 LP to the Group are for a short term loan, repayable on demand.

The receivables are unsecured in nature and unless otherwise states, bear no interest. No guarantees have been given or received and no provisions have been made for doubtful debts in respect of the amounts owed by related parties. The payables to related parties are from purchase transactions for services due one month after the date of purchase. The payables from purchase transactions are unsecured and bear no interest.

37. Related party transactions (continued)

Remuneration of Directors and key management personnel

The remuneration of the key management personnel of the Group, including the Directors, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2018 €m	2017 €m
Salaries, fees, bonuses and benefits in kind	3.4	1.5

Highest paid Director

	2018 €m	2017 €m
Salaries, fees, bonuses and benefits in kind	1.1	0.6

No Directors or key management personnel are members of the Group's defined benefit pension scheme (2017: none). No Directors are members of money purchase schemes (2017: nil).

No dividends were paid in the year in respect of ordinary shares held by the Company's Directors (2017: €nil).

EG Group Limited
Company balance sheet
As at 31 December 2018

	Notes	31 December 2018 £m	31 December 2017 £m
Non-current assets			
Investment in subsidiaries	6	1,212	1,212
Net assets		1,212	1,212
Capital and reserves			
Called up share capital	7	-	-
Share premium account	7	1,212	1,212
Shareholders' funds		1,212	1,212

The Company's loss for the year was £0.1 million (2017: £nil).

The notes on pages 112 to 114 form part of these financial statements.

The financial statements of EG Group Limited (registered number 09826582) were approved by the board of Directors and authorised for issue. They were signed on its behalf by:

Mohsin Issa

Co-Chief Executive Officer

9 April 2019

EG Group Limited
Company statement of changes in equity
As at 31 December 2018

	Share capital £m	Share premium £m	Total equity £m
On incorporation	-	-	-
Capital re-organisation	-	674	**674**
Issue of share capital	-	538	**538**
Balance at 31 December 2016	-	1,212	1,212
Balance at 31 December 2017 and 31 December 2018	-	1,212	1,212

1. General information

The principal activity of EG Group Limited ("the Company") is as a holding company. The Company is incorporated and domiciled in the United Kingdom. The Company is a private Company limited by shares and is registered in England and Wales, and the address of the registered office is Euro House, The Beehive Trading Park, Haslingden Road, Blackburn, Lancashire, BB1 2EE.

2. Basis of preparation

The separate financial statements of the Company have been prepared on the historical cost basis, in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and are presented as required by the Companies Act 2006.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group accounts.

The Company's financial statements are presented in Pounds Sterling, its functional currency, rounded to the nearest million.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and not presented an income statement or a statement of comprehensive income for the Company alone.

3. Significant accounting policies

Basis of accounting

The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

There are no critical accounting judgements applied in preparation of the Company financial statement

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of assets

The carrying amounts of the company's investments are reviewed at each reporting date to determine whether there is any indication of impairment in accordance with the accounting policy set out in note 3 of the consolidated financial statements. The recoverable amounts of cash-generating units have been determined based on value in-use calculations which require the use of estimates. Note 15 in the consolidated financial statements details the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

5. Information regarding Directors, employees and auditor's remuneration

There were no employees other than the Directors during the current year. None of the Directors received any emoluments in respect of their services as Directors of the Company.

The auditor's remuneration for audit and other services is disclosed in note 10 to the consolidated financial statements.

6. Investment in subsidiaries

	£m
Cost and net book value	
On 31 December 2017 and 31 December 2018	**1,212**

Details of the Company's direct subsidiaries at 31 December 2018 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
EG Finco Limited	UK	100	100

The investments in subsidiaries are all stated at cost.

EG Finco Limited is registered at Euro House, The Beehive Trading Park, Haslingden Road, Blackburn, Lancashire, BB1 2EE.

The list of the Company's subsidiary undertakings is provided in note 18 to the consolidated financial statements.

7. Share capital and share premium account

There are no movements within share capital and share premium, the information regarding these accounts is disclosed within notes 27 and 28 to the consolidated financial statements.

8. Controlling party

In the opinion of the Directors, the Company's ultimate parent company and ultimate controlling party is Optima Bidco (Jersey) Limited, a company registered in Jersey Channel Islands. The Company's immediate controlling party is EG Midco 1 Limited.

The parent undertaking of the largest group, which includes the Company and for which group accounts are prepared, is EG Midco Limited, a company incorporated in Great Britain, registered at Euro House, Beehive Trading Park, Haslingden Road, Blackburn, BB1 2EE, United Kingdom.