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The Good Food Shop (Hill Street) Newry Limited

Annual Report

Financial Year Ended 29 December 2018

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DIRECTORS AND OTHER INFORMATION

Board of directors at 20 September 2019

C N Martin
D O'Flynn

Solicitors

Arthur Cox
Victoria House
Gloucester House
Belfast
BT1 4LS

Secretary and registered office

D O'Flynn
Belfast Harbour Estate
1/19 Dargan Drive
Belfast BT3 9JG

Bankers

Ulster Bank
Lombard Street
Belfast

Registered number: NI049871

Independent Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

STRATEGIC REPORT

The directors present their strategic report for the year ended 29 December 2018. The reporting period of the ultimate parent, Musgrave Group plc, and all group undertakings including The Good Food Shop (Hill Street) Newry Limited, ends on the Saturday closest to 31 December, being 29 December 2018 for the current year and 30 December 2017 for the prior year. These financial statements are prepared for the 52 week period ended 29 December 2018. Comparatives are for the 52 week period ended 30 December 2017. The balance sheets for 2018 and 2017 are drawn up as at 29 December 2018 and 30 December 2017 respectively.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Ireland FRS 102". They are presented in pound sterling ("£").

Principal activities, review of the business, results and dividends

The company's core business is the operation of a supermarket and off licence in Newry, Northern Ireland.

Turnover for the year ended 29 December 2018 was £5,351,058 (2017: £5,522,437) and gross margin for the year was 24.0 per cent (2017: 23.4 per cent).

During the year, the company incurred an operating loss of £33,786. This represents an improvement of £6,308 on the prior year loss of £40,094.

At year-end 2018 the company had net assets of £274,900 (2017: £310,600), cash on hand of £225,300 (2017: £263,300) and net current liabilities of £83,700 (£55,600).

Key performance indicators

The company's key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, gross profit/(loss), operating profit/(loss) and profit/(loss) for the financial year as set out in the profit and loss account.

Trading for the year was in line with directors' expectations, and overall, given the challenging trading environment in the Northern Ireland grocery market, the directors believe the company performed satisfactorily.

Principal risks and uncertainties

The principal risks and uncertainties faced by the company are as follows:

- Brexit - the ultimate parent company has established a project team to manage the impact of the departure of the United Kingdom from the European Union on our business in Northern Ireland.
- Credit risk and customer loss - a significant customer's business could fail with consequent credit risk exposure to the company and a loss of future sales.
- Operational disruption – the company has taken facility protection measures and has contingency plans in place working closely with its insurance providers.
- Laws and regulations could change with a negative impact on the company.
- Food safety – the company monitors the supply chain of its products from primary producer to customer

Financial risk management

The Good Food Shop (Hill Street) Newry Limited is a subsidiary of Musgrave Group plc. The Group has a risk management programme in place, covering all entities within the Group, that seeks to manage the financial exposures of the Group and a treasury policy that has been approved by the board. The policies set out are implemented by the company's finance department.

The company's operations exposes it to a variety of risks which are aligned with Musgrave Group and have been disclosed in the Musgrave Group plc consolidated financial statements. These financial statements do not form part of this report but can be obtained from the Group's registered office at Ballycurreen, Airport Road, Cork, Ireland.

The Group maintains adequate medium-term committed facilities that ensure that each company within the Group has sufficient funds available for operations and planned expansion.

STRATEGIC REPORT - continued

Financial risk management - continued

Musgrave has implemented credit control policies in each of its divisions and governance is in place that requires Group approval of any material credit or other support being offered to a customer. Debtor ageing, arrears and returned direct debits are monitored and action is taken to minimise any potential loss to the Group. Credit checks are carried out on new customers and the overall exposure to any particular customer is managed through credit limits or other measures.

By order of the board

D O'Flynn
Company Secretary

A handwritten signature in black ink, appearing to be 'D O'Flynn', with a long horizontal line extending to the right.

Date: 20 September 2019

DIRECTORS' REPORT

The directors' present their report and the financial statements for the year ended 29 December 2018. The financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Ireland FRS 102" which has replaced previous generally accepted accounting practice (GAAP) used in Ireland and the UK. They are presented in Sterling ("£").

Future developments

The directors plan to continue to develop the company's supermarket and off licence business.

Dividends

During the current and prior year, no dividends were paid or proposed.

Political and charitable donations

The company did not make any charitable or political donations during the year (2017: £Nil).

Directors and secretary

The directors who served during the year, and up to the date of signing of the financial statements, were as follows. They served as directors for the entire year.

C N Martin

D O'Flynn

Post balance sheet events

There have been no significant events affecting the company since the end of the financial year.

Statement of directors' responsibilities

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

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

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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have 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.

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.

Going concern

The financial statements have been prepared on a going concern basis as the directors are satisfied that a fellow subsidiary undertaking will continue to provide the necessary financial support to enable the company to continue to meet its liabilities as they fall due. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

DIRECTORS' REPORT - continued

Disclosure of information to auditors

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

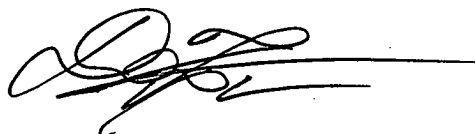
- As far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

D O'Flynn
Company secretary

A handwritten signature in black ink, appearing to be 'D O'Flynn', with a long horizontal line extending to the right.

Date: 20 September 2019



Independent auditors' report to the members of The Good Food Shop (Hill Street) Newry Limited

Report on the audit of the financial statements

Opinion

In our opinion, The Good Food Shop (Hill Street) Newry Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 29 December 2018; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.



Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 29 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in dark ink, appearing to read 'Declan Maunsell'.

Declan Maunsell
PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
24 September 2019

PROFIT AND LOSS ACCOUNT
Financial Year Ended 29 December 2018

	Notes	2018 £'000	2017 £'000
Turnover	5	5,351.1	5,522.4
Cost of sales		<u>(4,068.7)</u>	<u>(4,229.9)</u>
Gross profit		1,282.4	1,292.5
Selling expenses		(1,072.1)	(1,117.8)
Administrative expenses		<u>(244.0)</u>	<u>(214.8)</u>
Operating loss	6	(33.7)	(40.1)
Interest payable	7	<u>(6.3)</u>	<u>(1.5)</u>
Loss on ordinary activities before taxation		(40.0)	(41.6)
Tax charge on loss on ordinary activities	8	<u>(1.3)</u>	<u>(2.1)</u>
Loss for the financial year		<u>(41.3)</u>	<u>(43.7)</u>

BALANCE SHEET
As at 29 December 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	9	<u>358.6</u>	<u>366.2</u>
Current assets			
Stocks	10	270.3	236.8
Debtors - Amounts falling due within one year	11	62.0	67.5
Cash at bank and in hand		<u>225.3</u>	<u>263.3</u>
		557.6	567.6
Creditors - Amounts falling due within one year	12	<u>(641.3)</u>	<u>(623.2)</u>
Net current liabilities		<u>(83.7)</u>	<u>(55.6)</u>
Net assets		<u>274.9</u>	<u>310.6</u>
Capital and reserves			
Called up share capital	13	0.1	0.1
Profit and loss account	13	<u>274.8</u>	<u>310.5</u>
Total equity		<u>274.9</u>	<u>310.6</u>

The notes on pages 13 to 23 form part of these financial statements

The financial statements were approved by the board of directors on _____ and were signed on its behalf by:

On behalf of the board

D O'Flynn



The Good Food Shop (Hill Street) Newry Limited
Registered Number: NI049871

STATEMENT OF CHANGES IN EQUITY
As at 29 December 2018

	Called-up share capital presented as equity £000	Profit and loss account £000	Total £000
At 1 January 2017	0.1	347.3	347.4
Loss for the financial year	-	(43.7)	(43.7)
Contribution receivable from group undertaking in respect of tax losses surrendered (note 8)	-	6.9	6.9
At 30 December 2017	0.1	310.5	310.6
Movement during 2018			
Loss for the financial year	-	(41.3)	(41.3)
Contribution receivable from group undertaking in respect of tax losses surrendered (note 8)	-	5.6	5.6
At 29 December 2018	0.1	274.8	274.9

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The financial statements have been prepared for the year end to 29 December 2018.

The Good Food Shop (Hill Street) Newry Limited ("The company") is a private company limited by shares and incorporated in Northern Ireland. The registered office is Belfast Harbour Estate, 1/19 Dargan Drive, Belfast.

Musgrave Investments Limited is the company's immediate parent undertaking and Musgrave Group plc (incorporated in the Republic of Ireland) is the ultimate parent undertaking. The company's financial statements reflect the effects of such group membership. Musgrave Group plc is the only company for which group financial statements are drawn up and of which the company is a member.

Copies of Musgrave Group plc financial statements can be obtained from:

David O'Flynn

Musgrave Group plc

Ballycurreen

Airport Road

Cork

2 Statement of compliance

The entity financial statements of The Good Food Shop (Hill Street) Newry Limited have been prepared on a going concern basis and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention.

The reporting period of Musgrave Group plc, the ultimate parent company, ends on the Saturday closest to 31 December, being 29 December 2018 for the current year and 30 December for the prior year. The financial statements of all group undertakings, including the company, have been prepared to 29 December 2018. The comparatives are in respect of the financial year ended 30 December 2017.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year. It also requires the directors to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

(b) Going concern

The financial statements have been prepared on a going concern basis as the directors are satisfied that a fellow subsidiary undertaking will continue to provide the necessary financial support to enable the company to continue to meet its liabilities as they fall due. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(c) Disclosure exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company is a qualifying entity and the following exemptions have been taken by the company:

(i) *Preparation of a statement of cash flows*

The Company has not prepared a cash flow statement, as required by Section 7 of FRS 102 and FRS 102 Paragraph 3.17(d), on the basis that it is a qualifying entity and the Consolidated Statement of Cash Flows, of its ultimate parent company, Musgrave Group plc includes the Company's cash flows.

(ii) *Financial instrument disclosures*

Disclosures required under FRS 102 paragraphs 11.41(b)(c)(e)(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and paragraphs 12.26 have not been made as the information is provided in the consolidated financial statement disclosures.

(iii) *Key management compensation*

The requirement of FRS 102 paragraph 33.7 Company key management compensation has not been separately disclosed as the information is provided in the consolidated financial statement disclosures.

(d) Foreign currency

(i) *Functional and presentation currency*

The Company's functional and presentation currency is the pound sterling denominated by the symbol (£) and unless otherwise stated, the financial statements have been presented in thousands ('000).

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(e) Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered to third party retail customers and is stated net of returns, discounts and rebates, value added taxes and consumer loyalty schemes redeemed.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the customer; and (b) when the specific criteria relating to the each of company sales channels have been met, as described below.

(i) *Sale of goods – retail*

Sales of goods are recognised at point of sale for retail transactions. Retail sales are usually by cash, credit or payment card.

Sales are made to retail customers with a right to return, subject to certain conditions. Accumulated experience is used to estimate and provide for such returns at the time of sale.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(f) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

(g) Taxation

Income tax expense for the financial year comprises current and deferred tax recognised in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current or deferred tax assets and liabilities are not discounted.

(i) *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. A current tax liability is recognised where appropriate and measured on the basis of amounts expected to be paid to the tax authorities.

(ii) *Deferred tax*

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial year end and that are expected to apply to the reversal of the timing difference.

(iii) *Losses surrendered to/from group undertakings*

The company has elected to recognise all amounts paid/received in the statement of changes in equity for payments made/received for the surrendering of tax losses to/from another group company.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(h) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working location and condition for its intended use.

(i) Shop properties - land and buildings

Land and buildings include freehold and leasehold premises (including leasehold improvements) and offices. Land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Shop properties - plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation and residual values

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost less their residual values over their estimated useful lives, as follows:

Shop properties - land and buildings	10 to 25 years
Shop properties - plant and equipment	5 to 10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(iv) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of production of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(v) De-recognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised as a profit or loss and included in 'Other operating (losses)/gains'.

(i) Impairment of non-financial assets

At each balance sheet date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of its fair value less costs to sell and its value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and pre-interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(i) Impairment of non-financial assets - continued

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

(i) Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition, and where appropriate, less trade discounts and rebates.

At the end of each reporting period, stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell, and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

(k) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension schemes.

(i) *Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) *Annual bonus plan*

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(l) Financial assets and liabilities

The company has applied Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

(i) *Financial assets*

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

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

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

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(l) Financial assets and liabilities - continued

(i) Financial assets - continued

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

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

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(m) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

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

(n) Share capital presented as equity

Equity shares issued are recognised at the proceeds received and presented as share capital and share premium. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Related party transactions

The company is exempt from disclosing related party transactions with entities that are part of the Musgrave Group.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

(i) *Impairment of tangible assets*

The carrying value of tangible assets is assessed for impairment based on the presence of impairment indicators – where events or changes in circumstances indicate that the carrying amount may not be recoverable. Where impairment indicators are identified, impairment tests are carried out. This is done by comparing the asset's carrying value to the higher of its value in use and net realisable value (fair value less costs to sell). Any shortfall is recorded as an impairment charge. The asset's value-in-use is assessed based on estimates of future cash flows discounted appropriately. Net realisable value is estimated using a valuation process.

(b) Critical judgements in applying the company's accounting policies

No critical judgements have been identified in these financial statements.

5 Turnover

Turnover arises from the retailing of food and general merchandise in Northern Ireland.

Other segmental information:

All of the company's turnover and net loss are within the same geographical area and arise from the same business activity.

6 Operating loss

2018	2017
£'000	£'000

Operating loss has been arrived at after charging:

Staff costs:

- Wages and salaries	696.6	702.6
- Social welfare costs	39.7	37.4
	<u>736.3</u>	<u>740.0</u>

Depreciation of tangible assets (note 9)	72.5	66.8
Professional fees	97.0	108.2
Light, heat and power	91.9	83.6
Directors' remuneration (note 14)	-	-
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Operating loss - continued	2018 Number	2017 Number
The average number of persons employed by the company during the financial year was:		
Selling and distribution	22	21
Administration and support	2	1
	<u>24</u>	<u>22</u>

7 Interest payable	2018 £'000	2017 £'000
Interest payable on loans from group undertaking	<u>6.3</u>	<u>1.5</u>
Loans wholly repayable within one year		

8 Tax charge on loss on ordinary activities	2018 £'000	2017 £'000
Current tax		
Corporation tax on loss for the financial year	<u>-</u>	<u>-</u>
Deferred tax		
Timing differences, origination and reversal (note 11)	<u>1.3</u>	<u>2.1</u>

The company is liable to corporation tax on trading profits at the standard rate of 19 per cent (2017: 19.25 per cent) in Northern Ireland. Changes to the UK corporation tax rates were included as part of Finance Bill 2016. This included a reduction to the main rate to 17 per cent from 1 April 2020. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements.

The differences between the current tax charge for the year and the current credit that would result from applying the standard rate of corporation tax to the loss on ordinary activities are explained as follows:

	2018 £'000	2017 £'000
Loss on ordinary activities before tax	<u>(40.0)</u>	<u>(41.6)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax for the year of 19 per cent (2017: 19.25 per cent)	7.6	7.9
<i>Effects of:</i>		
Expenses not deductible	(3.3)	(3.1)
Tax losses surrendered to group undertakings	<u>(5.6)</u>	<u>(6.9)</u>
Total tax charge for the year	<u>(1.3)</u>	<u>(2.1)</u>

A group undertaking has received the benefit of tax losses from the company for the consideration of £5,595 (2017: £6,952), which is receivable at year end. These contributions have been reflected in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Tangible fixed assets	Shop properties land and buildings £'000	Shop properties plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 31 December 2016	652.8	1,791.2	6.9	2,450.9
At 30 December 2017	652.8	1,800.1	6.9	2,459.8
At 30 December 2017	652.8	1,800.1	6.9	2,459.8
Additions	-	64.9	-	64.9
At 29 December 2018	652.8	1,865.0	6.9	2,524.7
Accumulated depreciation				
At 31 December 2016	400.0	1,623.4	3.4	2,026.8
Charge for the year	18.1	47.3	1.4	66.8
At 30 December 2017	418.1	1,670.7	4.8	2,093.6
At 31 December 2017	418.1	1,670.7	4.8	2,093.6
Charge for the year	18.1	53.0	1.4	72.5
At 29 December 2018	436.2	1,723.7	6.2	2,166.1
Net book amounts				
At 31 December 2016	252.8	167.8	3.5	424.1
At 30 December 2017	234.7	129.4	2.1	366.2
At 29 December 2018	216.6	141.2	0.7	358.6

Musgrave Limited has confirmed that it will acquire the tangible assets of the company for an amount equal to or exceeding the stated net book value as at 29 December 2018 or undertake to compensate the company in respect of any loss that may arise on the disposal of tangible assets to a third party.

10 Stocks	2018 £'000	2017 £'000
Goods for resale	270.3	236.8

The replacement cost of stocks did not differ materially from the balance sheet amount.

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Debtors - Amounts falling due within one year	2018	2017
	£'000	£'000
Other debtors	24.3	26.6
Prepayments and accrued income	8.3	8.8
Amounts owed by parent undertaking	5.6	7.0
Deferred tax	23.8	25.1
	<u>62.0</u>	<u>67.5</u>

Amounts owed by the parent undertaking are unsecured, non-interest bearing and repayable on demand.

	2018	2017
	£'000	£'000
Deferred taxation		
Opening deferred tax asset	25.1	27.2
Charged to profit and loss (note 8)	(1.3)	(2.1)
Closing deferred tax asset	<u>23.8</u>	<u>25.1</u>

The deferred tax asset of £23,799 (2017: £25,077) relates to fixed asset timing differences.

12 Creditors - Amounts falling due within one year	2018	2017
	£'000	£'000
Trade creditors	132.9	185.0
Accruals and deferred income	135.9	174.1
Amounts due to group undertakings	352.8	248.0
Other taxes and social security costs	13.7	12.9
Value added tax	6.0	3.2
	<u>641.3</u>	<u>623.2</u>

Amounts due to group undertakings are unsecured, non-interest bearing and repayable on demand except for an amount of £249,849 (2017: £199,849) which is interest bearing at a rate of 2.7 per cent (2017: 3.0 per cent).

Trade creditors include amounts due to certain suppliers who have reserved title to goods supplied. Since the extent to which these creditors are effectively secured at any time depends on a number of conditions, the validity of some of which is not readily determinable, it is not possible to indicate how much of the creditors were effectively secured by reservation of title.

Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Share capital and reserves	2018 £'000	2017 £'000
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid - presented as equity		
100 ordinary shares of £1 each	<u>0.1</u>	<u>0.1</u>

The authorised share capital of the company comprises ordinary shares. There is a single class of ordinary shares, which carry equal voting rights. There are no restrictions on the distribution of dividends and the repayment of capital.

Profit and loss account

The profit and loss account represents accumulated comprehensive income and losses for the financial year and prior financial years.

14 Information regarding directors	2018 £'000	2017 £'000
Remuneration		
Directors' emoluments – for management services	<u>-</u>	<u>-</u>

The emoluments of the company's directors are paid by a group undertaking and are not specifically recharged to the company. These directors are directors of a number of group and subsidiary undertakings and it is not possible to make an accurate apportionment of their emoluments in respect of each of these subsidiaries.

15 Commitments

The company had no revenue or capital commitments at either balance sheet date.

16 Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 20 September 2019 and were signed on its behalf on that date.