

ALDI STORES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



ALDI STORES LIMITED

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ALDI STORES LIMITED

COMPANY INFORMATION

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

ALDI STORES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors have pleasure in presenting their strategic report for the year ended 31 December 2017.

Business review

As shown in the consolidated statement of comprehensive income on page 12, the group's turnover has increased by over £1.4bn (2016: £1bn) representing an increase of over 16% (2016: 13%). The profit for the year after taxation amounted to £173m (2016: £165m).

The group invested cash of £447m (2016: £459m) in the acquisition of tangible fixed assets to improve and increase the group's store and distribution network resulting in the opening of 74 new stores (2016: 74) in the UK and Ireland during the year and the creation of significant employment opportunities. The average number of employees increased by over 3,000 during 2017.

The group made UK and Ireland corporation tax payments totalling £45m (2016: £47m) during the year, as shown in the consolidated statement of cash flows on pages 18 to 19.

Principal risks and uncertainties

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

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

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

Financial key performance indicators

The consolidated statement of financial position on page 13 of the financial statements shows that the group's financial position at the year end has increased from last year's net assets total of £2.33bn to £2.53bn. The directors believe the group's strong financial position will help support future growth of the business.

As shown in the consolidated statement of cash flows on pages 18 to 19, the group has generated net cash from operating activities of £450m (2016: £462m). Net cash of £445m (2016: £454m) was used in investing activities, primarily reflecting the group's investment in its store and distribution network.

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

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



M C BARNES
Director

Date: 27 February 2018

ALDI STORES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors have pleasure in presenting their report and the financial statements for the year ended 31 December 2017.

Principal activity

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

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

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

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

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

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

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

Results and dividends

The profit for the year after taxation amounted to £173m (2016: £165m).

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

Corporate responsibility

For Aldi, Corporate Responsibility (CR) is about doing the right thing for our customers, through our supply chain (ethical working conditions and sustainable resources), our people, the environment and the communities we serve. Highlights in 2017 include:

ALDI STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Customers

- We recognise the need to support customers in making healthier choices and are committed to making our products healthier, giving clear nutrition labelling, when relevant putting part of your '5 a day' on pack and through promoting fresh fruit, 'Free From' and vegetables, and encouraging responsible drinking.
- Our weekly Super 6 offer has been promoting affordable fresh fruit and vegetables to our customers for over 10 years.
- We continue to work to the UK 2017 salt reduction targets to help reduce customers' salt intake. We are currently 88% compliant against these targets.
- Helping customers to reduce their sugar intake is a priority, particularly for children. We are supporting the UK Government's Childhood Obesity Strategy by aiming to reduce sugar by 20% (against a 2015 baseline) across key product ranges, such as cereals.
- As part of our Team GB Partnership, Aldi UK continue to support initiatives such as Get Set to Eat Fresh in schools and Homegrown Heroes to engage 1.2 million children in healthy eating and physical activity by 2020.
- We provide traffic light nutritional labelling on the front of pack to help customers identify healthy products and make informed purchasing decisions.
- In the UK we follow the Portman Guidelines for clear advertising and labelling of alcohol products and include information on calories per 100ml. All of our stores abide by Challenge-25 and we actively support the 'Drinkaware' campaign across our own label portfolio to help foster a culture of responsible drinking in the UK and the Responsible Retailing of Alcohol in Ireland (RRAI) guidelines in Ireland.
- All of our products are free from Genetically Modified ingredients and we do not permit the use of artificial trans fats or 'Southampton 6' colours in our own label or tertiary brand products.

Ethical working conditions

- In 2017, for the fourth year running, suppliers voted Aldi as the fairest supermarket to do business with in the Groceries Code Adjudicator (GCA) Survey.
- We are committed to human rights and fair labour practices and require all of our business partners to adhere to our Social Standards, which are based on United Nations (UN) and International Labour Organisation (ILO) guidelines.
- Through our Social Monitoring Programme (SMP), we work together with our suppliers to monitor and ensure continuous improvement of working conditions at production facilities. All of our Non-Food suppliers have been briefed about the SMP (Non-Food products in high-risk countries from 1 January 2018 onwards).
- We renewed our membership to the Accord on Fire and Building Safety in Bangladesh and continue to implement our own additional Bangladesh Minimum Requirements.
- In addition, our Aldi Factory Advancement Project in Bangladesh drives improvements in working conditions at production facilities. Over 80,000 workers have benefited from the project to date.
- We sponsor the 'Stronger Together' initiative, which equips businesses with the knowledge and resources to tackle labour exploitation and modern slavery in supply chains.
- During 2017, Aldi joined the Food Network for Ethical Trade (FNET); this initiative is supported by UK supermarkets and suppliers. It aims to improve human rights in global supply chains.
- In 2017, Aldi were shortlisted for the Thomson Reuters Stop Slavery Award, which celebrates businesses that investigate and remove forced labour from their supply chains.
- In 2017, we published our Supplier Policy for the Responsible Use of Labour Providers to support suppliers in addressing poor recruitment, supply and management practices and protect vulnerable workers (particularly migrant and seasonal workers) in our supply chain.

ALDI STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Sustainable resources

- In the UK all of our everyday fresh primary beef, lamb, pork, chicken and milk is 100% British and certified to Red Tractor. We are also the second-largest retailer of RSPCA Assured products with our Specially Selected fresh primary chicken, primary pork, sausages and bacon certified to RSPCA Assured standards. In Ireland all our Butcher's Select range of meat and poultry is 100% Irish and Bord Bia certified and in Ireland we are the only Irish retailer to sell 100% Bord Bia approved eggs.
- As a member of the Roundtable for Sustainable Palm Oil (RSPO), we require 100% of palm oil in our own label food products to be from 100% RSPO certified sustainable sources. We are on target to reach our goal for own label non-food products to be 100% certified by the end of 2018.
- All of our facial tissues, toilet paper, kitchen towels, sanitary range and nappies, as well as all customer publications, in-store posters and till receipts are made using materials from responsibly managed forests certified by the Forestry Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). Our international goal is for all timber-based products and packaging material to be sourced from FSC or PEFC certified forests or consist of 100% recycled materials by the end of 2020 - we are currently 66% compliant with this target.
- We are committed to sourcing our fish from responsible sources and we use independent certification schemes, such as the Marine Stewardship Council (MSC) and work with experts, such as the Sustainable Fisheries Partnership (SFP), to deliver this goal. We are on target to source 100% of our farmed and wild-caught fish and seafood in the UK from responsible sources by the end of 2018. We require all of our canned tuna to be caught using pole and line or methods that do not employ fish aggregating devices (FAD-free).
- We do not permit microbeads in any of our own-label products and have moved all of our cotton buds from plastic stems to paper alternatives that are biodegradable.
- We have rolled out our animal welfare strategy to core and seasonal fresh pork, chicken and liquid milk products. As part of the strategy we will be reporting on antibiotic use and animal welfare KPIs on a quarterly basis. We are also a sponsor of Responsible Use of Medicines in Agriculture (RUMA) and committed to the responsible use of antibiotics in all our meat, poultry, milk and egg products.
- All of our cosmetics, toiletries or household products are certified by Cruelty Free International with the Leaping Bunny logo on pack.
- In 2017 we agreed that by the end of 2018 we will convert all cocoa used in our own label products to certified sustainable sources. We accept Rainforest Alliance, UTZ and Fairtrade certification to achieve this.
- 2017 was the third year running that all of our own-label Easter chocolate was certified to Fairtrade or UTZ standards.
- In 2015, Aldi signed the Detox Commitment to remove 11 priority chemicals from textiles and shoes by 1 January 2020. As part of this commitment, all products on sale since 1 January 2017 onwards were 100% free from the harmful chemicals APEOs and PFCs.
- In 2017, the Aldi South Group joined the Leather Working Group (LWG) and Aldi UK and Ireland launched our Leather Sourcing Policy. Any textiles or shoes containing leather must only be sourced from tanneries which are certified by the LWG.
- Due to the unethical production and harvesting practices, we launched our Cotton Sourcing Policy which bans the use of Uzbekistan and Turkmenistan cotton in the production of any Aldi products and Goods Not for Resale containing cotton.

ALDI STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Energy and environment

Waste management

- Since 2012, we have sent zero waste direct to landfill and we recycle 100% of our operational cardboard and plastic waste.
- Aldi are a signatory to Courtauld 2025, an industry-wide initiative to reduce the environmental impact of food and drink waste across the supply chain.
- In September 2017, Aldi UK & Ireland became a signatory of Friends of Champions 12.3, a subsidiary of the Champions 12.3 group, which was formed to combine the efforts of major businesses to reduce relative food waste by 50% by 2030 against a 2015 baseline.
- In 2017, 1,460 tonnes of waste have been removed from the supply chain with 189 of our suppliers having sold stock to Company Shop to date.
- Following a successful year in which we have seen the rollout of our FareShare ambient donations programme, the pilot of our fresh food redistribution programme in the Swindon Region, Aldi has donated 1,279,896 meals to charities.
- By the end of 2017, Aldi Ireland have donated the equivalent of over 550,000 meals to local charities via partners FoodCloud.

Energy management

- 100% of our UK & Ireland stores, Regional Distribution Centres (RDCs) and offices run on green electricity.
- We continue to roll-out solar panels across our estate, and have installed them at over 374 stores and all 9 UK RDCs.
- In 2017, we maintained certification to ISO 50001, an internationally recognised standard for energy management.
- We have reduced our carbon footprint by 50% since 2012, despite store and RDC growth.
- During 2017 it was agreed that Aldi UK and Ireland would become Carbon Neutral by 1 January 2019
- In 2017 we commenced two refrigeration trials focusing on chiller aerofoils and chillers with cabinet doors.

Our people

- Our people are our focus. We strive to improve the lives of our employees by creating a cooperative atmosphere where employees are able to learn together and from each other. We aim to foster teamwork and creativity, and provide all of our employees with responsibility, personal development, appreciation and job security.
- As of 31 December 2017, we employed in excess of 34,000 employees in UK & Ireland.
- We are proud to pay our employees at least equivalent to, and in the majority of roles higher than, the National Living Wage Foundation rate. All UK employees have been paid a highly competitive rate of at least £8.53 an hour, and £9.75 an hour in London, from 1 February 2017. Furthermore, in the Republic of Ireland, Aldi also paid a minimum hourly rate for all employees of €11.50. These rates exclude our apprenticeship scheme which is one of the most competitively paid retail schemes.
- Throughout 2017 we continued to ensure that Aldi's Store and Logistics colleagues received the highest quality induction and ongoing training possible. To support this we developed a new Learning Management System which will be rolled out to Logistics in Q1 2018.
- In order to modernise our approach further we have begun a process of automating our training through e-Learning, using computer based scenarios instead of literature only. This will be launched in Q1 2018 alongside our new 'CheckPoints' training system, designed to support our Store Colleagues by adapting to their previous experience and working schedule.
- From Q4 2017 we launched our new 'Training Course Catalogue' which is the result of interviewing and surveying over 2,000 Employees. The Catalogue is available to all Leadership roles within Aldi. It offers training courses designed to develop the competencies which show as an opportunity for improvement in the employee's Performance Review.

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Our people (continued)

- In 2017, we launched our MyALDI App to all employees. MyALDI provides employees access to a regular Newsfeed, Rotas, Payslips, ALDI Benefits and more, all through employees' personal devices. By the end of 2017, over 23,000 employees signed up to MyALDI.
- In 2017 we continued initiatives to encourage the recruitment of individuals from a diverse range of backgrounds.
- Our Apprenticeship Programmes in Stores, Logistics and Administration trained 700 young people across the UK. 2017 saw the launch of the Driver Apprenticeship Programme for both internal employees and external candidates in order to provide progression and engagement opportunities within the Logistics Department.
- We also run an Industrial Placement Programme for university students in their penultimate year; this provides them with the opportunity to experience the retail sector prior to embarking on their final year of study and deciding on their career of choice.
- Career Progression for Store Operations and Logistics continued throughout 2017, this offered the opportunity for eligible Assistant Store Managers to apply to become a Store Manager, and Store Managers to become Area Managers. For 2017 we ran two sessions in order to open up opportunities more regularly. In total for Store Operations we received 233 applications and 127 candidates passed the Group Assessment stage.
- For Logistics, eligible Assistant Store Managers and Logistics Deputies were offered the opportunity to apply to become Section Leaders. A total of 76 applications were received and 31 passed the Group Assessment stage to go to final interviews.
- We continue to provide our Employee Assistance Programme, Retail Trust, to offer confidential support about stress, anxiety, depression, bereavement, relationships, debt, financial management, or caring for a sick or an elderly relative or friend. In 2017 the service provided confidential advice and support to over 800 employees.
- In 2017 we introduced a Wellbeing Risk Assessment to support the continuation of the health and wellbeing training that is delivered to all managers. The risk assessment provides further guidance for leaders in order to support employees with mental ill-health. It also ensures employees are reminded of the services Retail Trust offer, such as free counselling sessions.
- A 'Here To Help' poster was also rolled out to all departments, to remind employees of who to contact for support with different issues. The role of the direct leader, personnel leader, Retail Trust and Alertline are all outlined on the poster, including examples of the types of support offered.
- Each region is signed up to Occupational Health service providers to ensure employees who are seriously unwell or off work for long periods receive the support they need.

Community

- During 2017 we fully embedded the Teenage Cancer Trust partnership across the UK business. Over the past 12 months the partnership raised over £1.2 million for the charity. We aim to raise £5 million over 5 years and will focus on seeking ways to engage both employees and customers.
- Aldi Ireland raised over €155,000 for the Irish Cancer Society.
- During 2017 over 80,000 children took part in the Aldi Play rugby programme which is delivered in partnership with the Irish Rugby Football Union.
- Our partnership with the RSPB won both the Best Corporate Partnership and Best Educational Partnership categories at the International CSR Awards.
- During 2017, our UK partnership with the RSPB has enabled over 240,000 children to take part in our 'Giving Nature a Home in Schools' programme, representing over 4,000 sessions in over 1,100 schools. Since 2015 we have donated over £2.1 million to the RSPB.
- During 2017 we continued our partnership with the charity Farm Africa. Over three years we will donate £260,000 to fund a project which will improve the lives of more than 420 young people and their farming communities in Kitale, Western Kenya.
- During 2017 Aldi donated £100,000 to the British Red Cross to help the victims and their families of the Manchester Arena bombing.

ALDI STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 25. The average monthly number of people employed by the group in the year to 31 December 2017 was 33,123 (2016: 30,116).

The group is committed to the development of its team members as it recognises that they are its most valuable asset. This commitment continued to be acknowledged in 2017 by being placed 3rd in the Times Top 100 Graduate Employers.

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

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

Compliance Programmes

Groceries Supply Code of Practice

The Groceries Supply Code of Practice (GSCOP) came into force in the United Kingdom on 4 February 2010. It applies to all retailers with grocery sales over £1 billion and requires them to submit an annual report to the Competition and Markets Authority and the Groceries Code Adjudicator (GCA).

The annual report covering the period 1 January 2017 to 31 December 2017, in which no formal disputes were raised by suppliers, will be submitted in April 2018.

The GCA was formally established in June 2013 and regular meetings between the Adjudicator and Aldi take place throughout the year. These meetings are part of the collaborative approach adopted by the GCA to highlight and address Code related issues experienced by suppliers. Such meetings enable Aldi to continually assess the need for changes to existing practices, in order to maintain compliance with the Code.

The GCA annual survey of suppliers assessing retailers' GSCOP compliance, was undertaken once again in 2017. In this latest survey, Aldi was rated as the most Code compliant retailer for the fourth year in succession, having achieved this position in each survey since its inception in 2013.

Aldi first included the GSCOP summary on its website during 2013, and this summary is updated annually. The contact details of the Code Compliance Officer (CCO) are made available on the Aldi website and have also been passed to the GCA for inclusion on their official website.

All new suppliers are informed of the existence of the Adjudicator and annual refresher training is carried out for employees with GSCOP responsibilities. New starters to the business with buying responsibilities are also trained on the Code in accordance with the deadlines contained within it.

Supply Chain Initiative

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

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

ALDI STORES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Competition and Consumer Protection Bill

The Competition and Consumer Protection Bill was enacted in Ireland in October 2014 and signed into law in January 2016, becoming effective 30 April 2016.

Initial training on the Competition and Consumer Protection Bill, now referred to as the Irish Regulations, was conducted for all relevant employees in accordance with the relevant deadlines, and refresher training is provided on an annual basis. All new starters are also provided with training as they join the business.

Our annual compliance report for 2017 will be provided to the Competition and Consumer Protection Commission (CCPC) in March 2018, as required under the legislation.

Directors

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

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

Disclosure of information to auditor

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

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

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



M C BARNES
Director

Date: 27 February 2018

ALDI STORES LIMITED

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

Opinion

We have audited the financial statements of Aldi Stores Limited ("the company") for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom accounting standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

ALDI STORES LIMITED

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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



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

Date: 27 February 2018

ALDI STORES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	2	10,181,049	8,744,385
Cost of sales		(9,763,746)	(8,419,898)
Gross profit		<u>417,303</u>	<u>324,487</u>
Administrative expenses		(151,386)	(113,212)
Operating profit		<u>265,917</u>	<u>211,275</u>
Profit/(loss) on disposal of fixed assets		395	(3,244)
Profit before interest and taxation		<u>266,312</u>	<u>208,031</u>
Interest receivable and similar income	5	328	19,288
Interest payable and similar expenses	6	(45,763)	(12,524)
Profit before taxation	7	<u>220,877</u>	<u>214,795</u>
Taxation on profit	8	(47,682)	(49,371)
Profit for the financial year		<u><u>173,195</u></u>	<u><u>165,424</u></u>
Other comprehensive income			
Currency translation differences		20,564	86,694
Change in fair value of cash flow hedges		3,149	-
Reclassifications to profit and loss of cash flow hedges		(29)	-
Taxation on other comprehensive income		(531)	-
Other comprehensive income for the financial year		<u><u>23,153</u></u>	<u><u>86,694</u></u>
Total comprehensive income for the financial year		<u><u>196,348</u></u>	<u><u>252,118</u></u>

Continuing operations

All amounts relate to continuing operations

The notes on pages 20 to 40 form part of these financial statements.

ALDI STORES LIMITED
REGISTERED NUMBER: 02321869

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Intangible assets	9		9,231		6,873
Tangible assets	10		3,581,979		3,245,522
			<u>3,591,210</u>		<u>3,252,395</u>
Current assets					
Inventories	12	337,083		297,505	
Debtors	13	271,944		338,879	
Cash at bank and in hand		130,894		92,330	
		<u>739,921</u>		<u>728,714</u>	
Creditors: amounts falling due within one year	14	(1,339,140)		(1,218,893)	
Net current liabilities			<u>(599,219)</u>		<u>(490,179)</u>
Total assets less current liabilities			<u>2,991,991</u>		<u>2,762,216</u>
Creditors: amounts falling due after more than one year	15		(415,026)		(415,069)
Provisions for liabilities					
Other provisions	16	(37,323)		(301)	
Deferred taxation	17	(14,438)		(17,990)	
			<u>(51,761)</u>		<u>(18,291)</u>
Net assets			<u><u>2,525,204</u></u>		<u><u>2,328,856</u></u>
Capital and reserves					
Called up share capital	18		1,061,429		1,061,429
Redenomination reserve			428		428
Capital reserve			130,247		130,247
Cash flow hedge reserve			2,589		-
Retained earnings			1,330,511		1,136,752
Shareholder's funds			<u><u>2,525,204</u></u>		<u><u>2,328,856</u></u>

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


M C BARNES
 Director

Date: 27 February 2018

The notes on pages 20 to 40 form part of these financial statements.

ALDI STORES LIMITED
REGISTERED NUMBER: 02321869

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Intangible assets	9		5,612		6,100
Tangible assets	10		2,979,139		2,675,984
Investments	11		385,784		385,785
			<u>3,370,535</u>		<u>3,067,869</u>
Current assets					
Inventories	12	284,297		243,228	
Debtors	13	202,045		242,647	
Cash at bank and in hand		111,636		73,800	
		<u>597,978</u>		<u>559,675</u>	
Creditors: amounts falling due within one year	14	(1,157,272)		(1,031,189)	
Net current liabilities			<u>(559,294)</u>		<u>(471,514)</u>
Total assets less current liabilities			<u>2,811,241</u>		<u>2,596,355</u>
Creditors: amounts falling due after more than one year	15		(415,026)		(415,069)
Provisions for liabilities					
Other provisions	16	(31,359)		(301)	
Deferred tax	17	(10,800)		(14,900)	
			<u>(42,159)</u>		<u>(15,201)</u>
Net assets			<u><u>2,354,056</u></u>		<u><u>2,166,085</u></u>
Capital and reserves					
Called up share capital	18		1,061,429		1,061,429
Redenomination reserve			428		428
Capital reserve			130,247		130,247
Cash flow hedge reserve			2,602		-
Retained earnings			1,159,350		973,981
Shareholder's funds			<u><u>2,354,056</u></u>		<u><u>2,166,085</u></u>

ALDI STORES LIMITED
REGISTERED NUMBER: 02321869

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2017

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account of the parent company has not been presented. The parent company's profit for the financial year is £185.369m (2016: £121.267m).

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



M C BARNES
Director

Date: 27 February 2018

ALDI STORES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Redenomination reserve £000	Capital reserve £000	Cash flow hedge reserve £000	Retained earnings £000	Total £000
At 1 January 2016	1,061,429	428	130,247	-	884,634	2,076,738
Profit for the year	-	-	-	-	165,424	165,424
Other comprehensive income for the year	-	-	-	-	86,694	86,694
Total comprehensive income for the year	-	-	-	-	252,118	252,118
At 31 December 2016 and 1 January 2017	1,061,429	428	130,247	-	1,136,752	2,328,856
Profit for the year	-	-	-	-	173,195	173,195
Other comprehensive income for the year	-	-	-	2,589	20,564	23,153
Total comprehensive income for the year	-	-	-	2,589	193,759	196,348
At 31 December 2017	1,061,429	428	130,247	2,589	1,330,511	2,525,204

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

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

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

Retained earnings includes £93.876m net gains (2016: £73.312m net gains) of accumulated currency translation differences which are non-distributable.

The notes on pages 20 to 40 form part of these financial statements.

ALDI STORES LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Redenomination reserve £000	Capital reserve £000	Cash flow hedge reserve £000	Retained earnings £000	Total £000
At 1 January 2016	1,061,429	428	130,247	-	852,714	2,044,818
Profit for the year	-	-	-	-	121,267	121,267
Total comprehensive income for the year	-	-	-	-	121,267	121,267
At 31 December 2016 and 1 January 2017	1,061,429	428	130,247	-	973,981	2,166,085
Profit for the year	-	-	-	-	185,369	185,369
Other comprehensive income for the year	-	-	-	2,602	-	2,602
Total comprehensive income for the year	-	-	-	2,602	185,369	187,971
At 31 December 2017	1,061,429	428	130,247	2,602	1,159,350	2,354,056

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

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

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

ALDI STORES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017	2016
	£000	£000
Cash flows from operating activities		
Profit for the financial year	173,195	165,424
Adjustments for:		
Taxation on profit	47,682	49,371
Interest receivable	(328)	(19,288)
Interest payable	45,763	12,524
(Profit)/loss on disposal of fixed assets	(395)	3,244
Depreciation charges	124,317	146,188
Amortisation charges	3,068	3,831
Increase in inventories	(39,578)	(77,209)
Decrease in debtors	867	3,547
Increase in creditors	104,722	231,810
Increase/(decrease) in provisions	36,264	(1,139)
Foreign exchange differences	(905)	(9,664)
Taxation paid	(45,038)	(46,962)
Net cash generated from operating activities	449,634	461,677
Cash flows from investing activities		
Interest received	328	1,234
Purchase of intangible fixed assets	(2,917)	(7,864)
Purchase of tangible fixed assets	(447,280)	(459,224)
Proceeds from disposal of tangible fixed assets	4,925	11,636
Net cash used in investing activities	(444,944)	(454,218)

ALDI STORES LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017	2016
	£000	£000
Cash flows from financing activities		
Interest paid	(11,963)	(14,301)
Other finance charges	-	(45,782)
Net receipts from/(payments to) group undertakings	47,717	(218,275)
Loan advances from group undertakings	-	415,000
Repayment of loans	-	(227,530)
Net cash generated from/(used in) financing activities	35,754	(90,888)
Net increase/(decrease) in cash and cash equivalents	40,444	(83,429)
Cash and cash equivalents at beginning of year	89,599	170,487
Foreign exchange gains on cash and cash equivalents	628	2,541
Cash and cash equivalents at the end of year	130,671	89,599
Cash and cash equivalents consist of:		
Cash at bank and in hand	130,894	92,330
Bank overdrafts	(223)	(2,731)
Cash and cash equivalents	130,671	89,599

The notes on pages 20 to 40 form part of these financial statements.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Company information

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

2. Accounting policies

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

2.1 Basis of preparation

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

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

2.2 Basis of consolidation

The consolidated financial statements incorporate the company and its subsidiary undertakings at 31 December 2017 using the acquisition method of accounting. The results of the subsidiary undertakings are included from the date at which they became subsidiaries and all intra-group transactions, balances, income, expenses, profits and losses are eliminated on consolidation.

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

2.3 Going concern

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

2.4 Exemptions

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

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

2.5 Turnover

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

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.6 Intangible fixed assets and amortisation

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

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

Software	3 years
Other intangibles	20 years

2.7 Tangible fixed assets and depreciation

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

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

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

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

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

2.8 Impairment of tangible and intangible assets

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

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

2.9 Inventories

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

2.10 Fixed asset investments

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

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.11 Operating lease charges

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

2.12 Taxation

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

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

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

Deferred tax assets and liabilities are not discounted.

2.13 Foreign currency

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

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

Exchange differences arising in the ordinary course of business are included in arriving at the operating result.

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

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

2.14 Financial instruments

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

i) Financial assets

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

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

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

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.14 Financial instruments (continued)

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.

ii) Financial liabilities

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

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

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

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

iii) Hedging arrangements

From 1 January 2017 the group has applied hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies.

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

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

2.15 Pensions

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

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

2.16 Cash

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

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.17 Cash pooling

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

2.18 Provisions

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

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

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

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

Useful economic lives of tangible fixed assets

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

Impairment of tangible and intangible fixed assets

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

Taxation

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

Provisions

Provision is made for employee benefit obligations. This provision requires management's best estimate of the costs that will be incurred based on contractual requirements.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. Employees and directors

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

	2017 £000	2016 £000
Group		
Wages and salaries	744,351	637,678
Social security costs	65,908	56,177
Pension costs	36,608	13,210
	<u>846,867</u>	<u>707,065</u>

The average monthly number of employees, including part-time staff and directors was 33,123 (2016: 30,116).

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in separately administered funds. Contributions payable by the group to the schemes during the year amounted to £14.863m (2016: £12.310m).

	2017 £000	2016 £000
Company		
Wages and salaries	642,425	552,353
Social security costs	55,242	47,059
Pension costs	31,217	11,603
	<u>728,884</u>	<u>611,015</u>

The average monthly number of employees, including part-time staff and directors was 29,737 (2016: 26,934).

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in a separately administered fund. Contributions payable by the company to the scheme during the year amounted to £13.102m (2016: £10.778m).

Directors' remuneration

	2017 £000	2016 £000
Aggregate emoluments	4,333	3,760
Company contributions to defined contribution pension schemes	144	170
	<u>4,477</u>	<u>3,930</u>

Retirement benefits were accruing to three directors under a defined contribution pension scheme (2016: three) and an early retirement scheme.

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

4. Employees and directors (continued)

	2017	2016
	£000	£000
Highest paid director		
Aggregate emoluments	1,992	1,887
Company contributions to defined contribution pension schemes	-	12
	1,992	1,899

Key management personnel

Key management include the directors and members of senior management. Total compensation payable to key management for employee services is £13.896m (2016: £12.306m).

5. Interest receivable and similar income

	2017	2016
	£000	£000
Bank interest receivable	52	94
Interest receivable from group undertakings	276	1,140
Total interest income on financial assets not measured at fair value through profit or loss	328	1,234
Gains on derivative financial instruments	-	18,054
Total interest receivable and similar income	328	19,288

6. Interest payable and similar expenses

	2017	2016
	£000	£000
Bank interest payable	6	-
Bank loan interest payable	-	785
Other loan interest payable	-	340
Interest payable to group undertakings	11,480	11,289
Other interest payable	477	110
Total interest expense on financial liabilities not measured at fair value through profit or loss	11,963	12,524
Losses on derivative financial instruments	33,040	-
Net interest payable on employee benefits	760	-
Total interest payable and similar expenses	45,763	12,524

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. Profit before taxation

This is stated after charging/(crediting):

	2017 £000	2016 £000
Fees payable to the company's auditor for the audit of the parent company and the group's consolidated financial statements	226	224
Fees payable to the company's auditor and its associates for other services:		
Audit of the company's subsidiaries	45	45
Other assurance and advisory fees	139	293
Inventory recognised as an expense	7,839,891	6,625,052
Depreciation	124,317	146,188
Amortisation	3,068	3,831
Impairment of tangible fixed assets (included in 'profit/(loss) on disposal of fixed assets')	911	5,199
Tangible fixed assets impairment reversal (included in 'profit/(loss) on disposal of fixed assets')	(5,010)	(6,786)
Operating lease charges	81,266	68,818
Foreign exchange loss	4,138	21,133

The tangible fixed asset impairment charge and reversal have been recognised based on changes in the independent external valuation of the group's individual property assets at 31 December 2017 compared to previous valuations. The impairment reversal partially reverses impairment losses previously recognised.

The amount of foreign exchange differences arising during the year and classified in equity at 31 December 2017 is a gain of £16.426m (2016: £65.561m gain).

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. Taxation on profit

Analysis of charge for the year

	2017	2016
	£000	£000
Corporation tax		
UK Corporation tax at 19.25% (2016: 20%)	46,500	38,608
UK Corporation tax adjustments in respect of previous periods	(2,797)	(2,211)
Overseas tax	8,204	8,257
Overseas tax adjustments in respect of previous periods	(38)	(20)
Total current tax	51,869	44,634
Deferred tax		
Origination and reversal of timing differences	(4,291)	4,737
Adjustments in respect of previous periods	104	-
Total deferred tax	(4,187)	4,737
Taxation on profit	47,682	49,371

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. Taxation on profit (continued)

Factors affecting tax charge for the year

The tax assessed differs from that arrived at by applying the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit before taxation	220,877	214,795
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	42,519	42,959
Effects of:		
Ineligible depreciation	10,896	12,596
Expenses not deductible for tax purposes	1,190	1,261
Income not taxable	(79)	-
Other timing differences reversing	-	(691)
Adjustments to tax charge in respect of previous periods	(2,731)	(2,231)
Difference in tax rates	615	-
(Profit)/loss on disposal of fixed assets	(17)	654
Effects of overseas tax rates	(4,711)	(5,177)
Total tax charge the for year	47,682	49,371

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

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's and group's future current tax charge accordingly.

The group has capital losses of £179.135m (2016: £163.588m) available indefinitely for carry forward against future capital profits. A deferred tax asset of £30.134m (2016: £27.810m) relating to the capital losses has not been recognised due to uncertainty over whether sufficient profits against which these losses could be offset will be generated in the foreseeable future.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. Intangible fixed assets

Group

	Software £000	Other intangibles £000	Total £000
Cost			
At 1 January 2017	12,384	-	12,384
Additions	2,753	164	2,917
Disposals	(269)	-	(269)
Reclassifications	-	13,538	13,538
Exchange differences	44	-	44
At 31 December 2017	14,912	13,702	28,614
Amortisation			
At 1 January 2017	5,511	-	5,511
Charge for the year	2,887	181	3,068
Disposals	(3)	-	(3)
Reclassifications	-	10,789	10,789
Exchange differences	18	-	18
At 31 December 2017	8,413	10,970	19,383
Net book value			
At 31 December 2017	6,499	2,732	9,231
At 31 December 2016	6,873	-	6,873

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. Intangible fixed assets (continued)

Company

	Software £000
Cost	
At 1 January 2017	11,071
Additions	2,222
Disposals	(269)
At 31 December 2017	13,024
Amortisation	
At 1 January 2017	4,971
Charge for the year	2,444
Disposals	(3)
At 31 December 2017	7,412
Net book value	
At 31 December 2017	5,612
At 31 December 2016	6,100

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Tangible fixed assets

Group

	Land and buildings £000	Capital work in progress £000	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2017	3,597,703	111,967	423,810	44,954	4,178,434
Additions	142,993	194,251	96,772	15,609	449,625
Disposals	(16,758)	(229)	(24,118)	(692)	(41,797)
Reclassifications	161,172	(161,300)	(13,393)	(17)	(13,538)
Exchange differences	24,247	195	2,948	6	27,396
At 31 December 2017	3,909,357	144,884	486,019	59,860	4,600,120
Depreciation					
At 1 January 2017	655,917	-	259,738	17,257	932,912
Charge for the year	80,334	-	39,418	4,565	124,317
Disposals	(9,787)	-	(20,333)	(557)	(30,677)
Reclassifications	-	-	(10,783)	(6)	(10,789)
Provision for impairments	(4,099)	-	-	-	(4,099)
Exchange differences	4,358	-	2,113	6	6,477
At 31 December 2017	726,723	-	270,153	21,265	1,018,141
Net book value					
At 31 December 2017	3,182,634	144,884	215,866	38,595	3,581,979
At 31 December 2016	2,941,786	111,967	164,072	27,697	3,245,522

Included within the cost of land and buildings are amounts relating to freehold land and long leasehold land of £1,462.944m and £105.081m (31 December 2016: £1,377.049m and £99.284m) respectively. Freehold and long leasehold land are not depreciated.

The net book value of land and buildings consists of freehold property, long leasehold property and short leasehold property of £2,945.409m, £172.696m and £64.529m (31 December 2016: £2,718.026m, £170.554m and £53.206m) respectively.

The net book value at 31 December 2016 included impairment provisions against land and buildings of £41.864m. During the year £5.010m of this provision was released, due to the properties against which the provisions were made having been sold or which would have been adjusted for in an earlier period if more accurate information had been available. The provisions have also been subject to exchange rate movements of £0.840m. Further impairment provisions of £0.911m have been made and the cumulative amount of the provision at December 2017 is £38.605m (31 December 2016: £41.864m) based on independent external valuations.

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Tangible fixed assets (continued)

Company

	Land and buildings £000	Capital work in progress £000	Equipment, fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2017	2,882,883	106,194	336,376	44,770	3,370,223
Additions	131,979	182,226	88,249	15,609	418,063
Disposals	(14,066)	(78)	(22,243)	(692)	(37,079)
Reclassifications	151,664	(151,791)	144	(17)	-
At 31 December 2017	3,152,460	136,551	402,526	59,670	3,751,207
Depreciation					
At 1 January 2017	480,089	-	197,077	17,073	694,239
Charge for the year	67,140	-	34,690	4,565	106,395
Disposals	(7,493)	-	(18,607)	(557)	(26,657)
Reclassifications	-	-	6	(6)	-
Provision for impairments	(1,909)	-	-	-	(1,909)
At 31 December 2017	537,827	-	213,166	21,075	772,068
Net book value					
At 31 December 2017	2,614,633	136,551	189,360	38,595	2,979,139
At 31 December 2016	2,402,794	106,194	139,299	27,697	2,675,984

Included within the cost of land and buildings are amounts relating to freehold land and long leasehold land of £1,182.192m and £83.572m (31 December 2016: £1,113.034m and £78.440m) respectively. Freehold and long leasehold land are not depreciated.

The net book value of land and buildings consists of freehold property, long leasehold property and short leasehold property of £2,419.528m, £138.595m and £56.510m (31 December 2016: £2,220.746m, £137.021m and £45.027m) respectively.

The net book value at 31 December 2016 included impairment provisions against land and buildings of £15.215m. During the year £2.745m of this provision was released, due to the properties against which the provisions were made having been sold or which would have been adjusted for in an earlier period if more accurate information had been available. Further impairment provisions of £0.836m were made and the cumulative amount of the provision at 31 December 2017 is £13.306m (31 December 2016: £15.215m) based on independent external valuations.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. Fixed asset investments

Company

	Investment in capital in subsidiary undertakings £000
Cost	
At 1 January 2017	385,809
Disposals	(25)
At 31 December 2017	385,784
Provision for diminution in value	
At 1 January 2017	24
Disposals	(24)
At 31 December 2017	-
Net book value	
At 31 December 2017	385,784
At 31 December 2016	385,785

The principal subsidiaries of the company are as follows:

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

1 Investment is held through a subsidiary company

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

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

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

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

All of the above subsidiaries are included in the consolidation.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. Inventories

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Goods for resale	335,093	295,150	282,754	241,215
Goods for own use	1,990	2,355	1,543	2,013
	337,083	297,505	284,297	243,228

13. Debtors

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Other receivables	25,973	26,074	24,052	23,319
Amounts owed by group undertakings	207,358	258,759	141,163	166,336
Derivative financial instruments	18,373	33,040	18,372	33,040
Prepayments and accrued income	20,240	21,006	18,458	19,952
	271,944	338,879	202,045	242,647

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

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

14. Creditors: Amounts falling due within one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Bank overdrafts	223	2,731	223	796
Trade payables	1,115,640	1,043,969	969,950	891,727
Corporation tax	19,893	13,059	19,822	12,579
Other taxes and social security	25,700	24,887	15,202	13,759
Other payables	73,767	56,291	62,446	45,203
Derivative financial instruments	15,224	-	15,206	-
Accruals and deferred income	87,220	72,799	73,129	62,764
Amounts owed to group undertakings	1,473	5,157	1,294	4,361
	1,339,140	1,218,893	1,157,272	1,031,189

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

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

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Other payables	26	69	26	69
Loans from group undertakings	415,000	415,000	415,000	415,000
	<u>415,026</u>	<u>415,069</u>	<u>415,026</u>	<u>415,069</u>

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

16. Provisions for liabilities

Group	Employee benefits £000	Other provisions £000	Total £000
At 1 January 2017	-	301	301
Additions dealt with in profit or loss	37,502	-	37,502
Amounts utilised	(179)	(301)	(480)
At 31 December 2017	<u>37,323</u>	<u>-</u>	<u>37,323</u>

Company	Employee benefits £000	Other provisions £000	Total £000
At 1 January 2017	-	301	301
Additions dealt with in profit or loss	31,538	-	31,538
Amounts utilised	(179)	(301)	(480)
At 31 December 2017	<u>31,359</u>	<u>-</u>	<u>31,359</u>

Other provisions relate to property cost obligations existing at the prior period end date recognised in accordance with the accounting policy stated in note 2.

Employee benefit obligations existing at the period end date are recognised in accordance with the accounting policy stated in note 2. In assessing the obligation the following assumptions have been used: discount rate of 2.5% and price inflation of 2.4% per annum. The directors have also utilised a staff turnover and salary increase percentage based on historic information in determining the year end employee benefit provision.

It is expected that payments of £0.919m will be made in the year ended 31 December 2018 in respect of the employee benefit obligation. The timing of the remaining payments to fully settle the obligation are uncertain.

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. Deferred taxation

Group

	2017 £000	2016 £000
At 1 January	17,990	12,885
Additions dealt with in profit or loss	(4,187)	4,737
Additions dealt with in other comprehensive income	531	368
Foreign translation adjustment	104	-
At 31 December	14,438	17,990

Company

	2017 £000	2016 £000
At 1 January	14,900	10,850
Additions dealt with in profit or loss	(4,633)	4,050
Additions dealt with in other comprehensive income	533	-
At 31 December	10,800	14,900

Deferred taxation

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Accelerated capital allowances	20,298	12,833	15,866	9,743
Other timing differences	(5,860)	5,157	(5,066)	5,157
	14,438	17,990	10,800	14,900

The deferred tax liability is not expected to materially change in 2018.

ALDI STORES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

18. Called up share capital

	2017	2016
	£000	£000
Allotted, issued and fully paid:		
1,061,429,168 ordinary shares of £1 each (2016: 1,061,429,168 ordinary shares of £1 each)	1,061,429	1,061,429

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

19. Financial instruments

Group

	2017	2016
	£000	£000
Financial assets measured at fair value through profit or loss:		
Derivative financial instruments	18,373	33,040
Financial assets measured at amortised cost:		
Other receivables	25,973	24,875
Amounts owed by group undertakings	207,358	258,759
	233,331	283,634
Financial liabilities measured at fair value through profit or loss:		
Derivative financial instruments	15,224	-
Financial liabilities measured at amortised cost:		
Trade payables	1,115,640	1,043,969
Other payables	3,257	3,178
Amounts owed to group undertakings	1,473	5,157
Loans from group undertakings	415,000	415,000
	1,535,370	1,467,304

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

19. Financial instruments (continued)

Derivative financial instruments - forward contracts

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

The forward exchange contracts are designated as hedging instruments and their fair value is based on their listed market price, if available, otherwise fair value is determined by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. The net fair value of the forward foreign currency contracts at 31 December 2017 is an asset of £3.149m (2016: £33.040m)

At 31 December 2017 the outstanding forward exchange contracts all mature within 12 months (2016: 12 months). The cash flows associated with the contracts are expected to affect profit or loss and are expected to occur within 12 months (2016: 12 months).

A hedging gain of £3.149m (2016: £nil), representing the change in fair value of the forward exchange contracts, was recognised in other comprehensive income in the year.

20. Financial commitments

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Capital commitments	129,128	168,944	115,593	152,957

Capital commitments represent property, plant and equipment capital expenditure contracted for but not provided in the financial statements. The commitments will be funded from operating cash flow. Group commitments of £115.913m (2016: £146.087m) are due within one year and £13.215m (2016: £22.857m) due over one year. Company commitments of £107.951m (2016: £136.390m) are due within one year and £7.642m (2016: £16.567m) due over one year.

Lease commitments

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

	2017 £000	2016 £000
Payment due:		
Within 1 year	70,893	61,320
Between 1 and 5 years	262,500	224,217
Over 5 years	718,722	566,070
	1,052,115	851,607

ALDI STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

21. Company control and transactions with directors and related parties

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

M C Barnes, director of the company, has a loan of £0.120m (2016: £0.141m) outstanding at 31 December 2017. Interest is charged at 1.25% per annum (2016: 1.25% per annum) and has been paid in the year. Repayments have been made during the year of £0.022m (2016: £0.02m) on the loan with the remaining balance being repayable in full by October 2029.

G Hurley, director of the company, has a loan of £0.172m (2016: £nil) outstanding at 31 December 2017. Interest is charged at 1.25% per annum and has been paid in the year. A loan of £0.195m (2016: £nil) was granted and repayments have been made during the year of £0.025m (2016: £nil) on the loan with the remaining balance being repayable in full by February 2032.

During the year the group and company made total loans of £0.235m (2016: £nil) to key management personnel including directors, total repayments of £0.063m (2016: £0.112m) were received and the total amount outstanding at 31 December 2017 is £0.541m (2016: £0.370m). Interest is charged at 1.25% per annum (2016: 1.25% per annum) and has been paid in the year.

During the year the group and company made total short-term bridging loans of £nil (2016: £1.396m) to key management personnel including directors. The loans were interest free and repayments of £nil (2016: £1.396m) have been received during the year. No amounts remain outstanding at 31 December 2017 (2016: £nil).

During the year the group received IT services amounting to £40.585m (2016: £34.882m) from Aldi International Services GmbH & Co. oHG.

At 31 December 2017 £0.335m is owed by (2016: £2.937m owed to) Aldi International Services GmbH & Co. oHG and is included within debtors due within one year (2016: creditor amounts falling due within one year). The Siepmann Stiftung and Carolus Stiftung have significant influence over Aldi International Services GmbH & Co. oHG and Aldi Stores Limited.