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## **McCull's Retail Group Limited**

(Formerly Martin McColl Retail Group Limited)

## **Annual Report and Accounts 2013**

# **Leading the way with growth**

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**We are one of the UK's leading independent neighbourhood retailers, with a growing network of convenience stores and a profitable portfolio of newsagents.**

**We operate 707 convenience stores and 566 newsagents. Our convenience stores are branded McColl's and our newsagents are branded Martin's and, in Scotland, RS McColl. We are proud to be the local store for many communities around the country and aim to continue to strengthen and grow our business by building on the key part our stores play in many people's daily lives.**

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## Financial and operational highlights

# Another good year of growth and improvement

In 2013 we continued to reinforce our position as a leading independent neighbourhood retailer in the UK – growing our convenience store numbers and services, strengthening our business and playing an increasingly important part in the many local communities we serve around the country.

- **We delivered a strong financial performance – increasing sales for the fifth successive year, and increasing operating profit before exceptional income.**
- We added a further 52 convenience stores – bringing our total to 707. We're the second largest multiple convenience store operator in the UK.
- **We introduced a great new range of fresh, chilled and value products to our convenience stores, following new supply arrangements.**
- We completed a successful debt refinancing.

### Turnover (£million)

2013	869.4
2012	844.7
2011	804.8

**£869.4m**  
+2.9%

### Operating profit

before exceptional income  
(£million)

2013	14.3
2012	13.0
2011	11.5

**£14.3m**  
+10%

### EBITDA

before exceptional income  
(£million)

2013	34.9
2012	33.3
2011	31.2

**£34.9m**  
+4.8%

## Going from strength to strength



**James Lancaster**  
Chairman and Chief Executive

A handwritten signature in black ink that reads "James Lancaster".

For us, 2013 has been a year of strong financial performance, good growth and change for the better, as we continue to create an ever stronger foundation for achieving our long term ambition to be the best neighbourhood store for the local communities we serve across the UK. I'm pleased to say that the group continues to go from strength to strength.

### **Delivering another strong financial performance**

We delivered another strong financial performance in 2013 – increasing both our sales and our profits. Turnover increased for the fifth successive year, by 2.9% to £869.4m. Our like-for-like sales<sup>(1)</sup> were up 2.2%. Operating profit, before exceptional income, increased by 10.0% to £14.3m (2012: £13m). Earnings before interest, tax, depreciation, amortisation and exceptional income increased by £1.7m to £34.9m. We completed a successful debt refinance and generated strong operating cash flow which allowed us to invest further in the business.

(1) Like-for-like sales from stores that have traded throughout the current and prior financial 52 week periods, excluding petrol and commission.

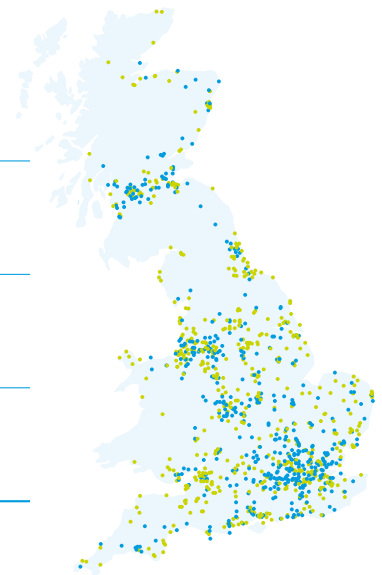
## Shop numbers 2013

Convenience  
**707**

Newsagents  
**566**

Total  
**1,273**

■ Convenience stores  
■ Newsagent stores



Shop numbers	2013	2012	2011
Convenience	707	655	588
Newsagents	566	614	675

### Valuing our people

From our 18,700 colleagues across our nationwide network of neighbourhood stores to our retail support centres – our people are the heart of our business. I'd like to take this opportunity to thank each and every one of my colleagues for their invaluable contribution to our continued growth and success.

In particular, this year, we held a Halloween fundraising. Our colleagues and customers raised over £175,000 for the Cardiac Risk in the Young charity, of which I am a director. I was delighted with the way everyone got behind the campaign.

### Continuing to implement our growth strategy

Our strong performance was driven by the continued implementation and success of our growth strategy. In line with our strategy we have added new products and services, continued to roll out our food and wine convenience stores and made further selective acquisitions.

We now have 707 convenience stores and we are well on the way to meeting our target of 800 in 2015. Of our one and a half million square feet of retail space, one million is now convenience. The time was right for our company to take on the name of our convenience store brand – McColl's.

Our Martin's and RS McColl newsagents are still very important to us. We are the market leader with 566 newsagents. They generate cash and profits and provide opportunities for us to offer our neighbourhood service to local communities across the UK. Indeed, a core part of our strategy is to convert our newsagents to food and wine convenience stores.

### Strengthening our supply chain and customer offer

In 2013 we concluded a major review of our supply chain. The objective of the review was to ensure we had reliable, cost-effective access to the best and broadest possible range of products for our stores. In particular, we focused on all-important chilled and fresh food and a value label for our convenience stores. This resulted in new agreements that we worked quickly to put in place.

This is all part of our ongoing commitment to strengthen and broaden our offer to customers so we can provide them with an ever better neighbourhood store.

### Looking ahead

Our strategy remains to focus on growing our convenience store business to further cement and extend our position as one of the UK's leading independent neighbourhood retailers. We intend to continue to grow, and to meet the needs of local communities with an ever better range of products and services on their doorstep.

### James Lancaster

Chairman and Chief Executive



# Growing and changing for the better



**Martyn Aguss**  
Chief Operating Officer

A handwritten signature in black ink, appearing to read 'Martyn Aguss'.

We delivered a strong performance in a year with many operational challenges, from growing our convenience business to implementing new supply arrangements. We made good progress on environmental and responsibility initiatives that we know are important to our customers.

**Continuing to grow our network of convenience stores**

We grow our convenience business in two core ways. One is by converting our newsagents to food and wine stores by adding a focused range of grocery and alcohol. This is a tried and tested, relatively quick and cost-effective route for us. We have carried out a further 40 such conversions this year and we now have 90 food and wine stores. Our other main route is acquisitions, where we buy convenience stores and make them part of the McColl's family. We acquired 23 new stores this year of which seven were in existing trading locations.

**Strengthening our supply chain**

In June 2013, we concluded a major review of our supply chain which began in 2012, and through this were able to broaden our offer in fresh, chilled and ambient grocery, including the introduction of a new value range. We also reviewed and changed our food-to-go supply and now have a new arrangement to provide our customers with a tasty range of hot food to take away. Other examples are new ranges of books, greetings cards and gift cards.

As ever, our colleagues are eager to embrace change and we couldn't have achieved so much without their help and support.



### **Doing business responsibly**

We are committed to being a responsible business across all key aspects – the environment, health and safety, our colleagues and the communities we serve.

### **Cutting down on waste**

Our new supply arrangements have enabled us to cut down on a good proportion of store waste. This was an explicit objective of the supply chain review. We now have the ability to recycle our cardboard and plastic materials. It is not only good for the environment but also saves us money.

### **Increasing our energy efficiency**

Launched in 2012, our energy management initiative is delivering on our commitment to drive down energy use in-store. We have succeeded in reducing energy consumption by 6% despite continuing to grow our business and increase our convenience offer, which inevitably adds to the pressure to use energy, for example to chill food and drink. We have more stores, with more equipment, and have still saved on our energy, which saves money, too. We managed to do this through a number of initiatives, including increasing colleague awareness and using new, more energy-efficient equipment.

### **Recognising and supporting our people**

With our drive to reduce energy use, as with every aspect of our business, our people make all the difference. We simply cannot succeed and grow without them.

We invest in training and developing our people, for example through our Onwards and Upwards management development programme. We continued our Customer First initiative focused on store standards and how to service our customers better. Also in our convenience stores we carried out training alongside the new supply arrangements, particularly covering the expanded ranges of fresh and chilled produce.

### **Ensuring health and safety**

We take our health and safety commitments very seriously and make sure we have all the necessary procedures and training in place. We carry out regular health and safety audits.

### **Playing a key part in our communities**

We are proud to be part of many local communities across the UK and are committed to making positive contributions in a number of ways. We deliver newspapers to around 130,000 homes and businesses every day. We provide many different services for the community, including lottery tickets, cash machines, bill payment and Collect+ internet collection points. We are looking to further expand these services. We also work very closely with the Post Office to develop this side of our business.

### **Heading in the right direction**

The market for us in 2013 showed some improvement over 2012. We're optimistic, not least because of our focus on and strength in the growing convenience sector. Yet our customers quite rightly remain highly value conscious and this is where we will focus our attention to best serve their needs.

### **Martyn Aguss**

Chief Operating Officer

# Strategy delivering strong financial performance



**Jonathan Miller**  
Chief Financial Officer

A handwritten signature in black ink that reads "Jonathan Miller". The signature is written in a cursive, flowing style.

We achieved a strong financial performance in 2013, building on the achievements of previous years. Revenue grew for our fifth successive year and operating profit before exceptional income increased by 10%. We completed an early debt refinancing and continued to invest in our growth strategy.

## **Profit and loss account**

### **Sales**

In what continues to be a challenging trading environment for retailers, I am delighted to report a further year of revenue growth. Turnover increased by 2.9% to £869.4m (2012: £844.7m). This was the result of strong growth in net like-for-like sales of 2.2% together with revenues from new convenience store acquisitions and store conversions. We continued to develop our food and wine format, converting a further 40 newsagents during the year.

In recent years we have responded to the current United Kingdom economic downturn by adopting a more competitive pricing strategy, both to maximise sales opportunities and to protect footfall, as our customers are increasingly value conscious. This strategy has continued and remains our focus, ensuring that we understand and meet the needs of our customers. We continually review and develop the range of products and services we offer. The development of our convenience stores has particularly benefited sales of chilled, fresh and ambient grocery as well as beers, wines and spirits.



## Turnover (£million)

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**£869.4m**  
+2.9%

## Operating profit before exceptional income (£million)

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**£14.3m**  
+10%

### Operating profit

Gross profit margins were slightly lower at 24.3% (2012: 24.7%) but total gross profit increased by £2.7m to £211.0m (2012: £208.3m), reflecting the improved sales performance. Our strong operational controls delivered further reductions in stock loss.

Other operating expenses before exceptional income, increased by just £1.4m to £196.7m (2012: £195.3m). We have continued to manage inflationary pressures by maintaining tight control of costs. The increase in operating expenses is principally related to the growth in the number of convenience stores in the estate, which have a higher cost structure than newsagents.

Exceptional income of £2.8m in the prior period represents a payment received from the Office of Fair Trading (OFT) relating to a regulatory penalty originally imposed by the OFT in 2008 in relation to the retail pricing of tobacco products in earlier years.

Operating profit, before exceptional income, increased by 10.0% to £14.3m (2012: £13.0m), reflecting the good sales performance and continued control of costs.

### Profits on sale of fixed assets

Profits on the sale of fixed assets for the period increased to £2.4m (2012: £2.0m), reflecting an increase in the number of sale and leasebacks of acquired freehold convenience stores.

### Finance charges

Net interest payable increased to £17.8m (2012: £10.9m). The early debt refinancing resulted in additional interest of £4.4m and the write-off of £1.2m of unamortised financing costs.

### Loss before taxation

The one-off additional interest costs of £5.6m resulted in a loss on ordinary activities before taxation for the period of £1.7m (2012: profit £6.3m).

### Taxation

The corporation tax charge on the loss for the period was £0.1m (2012: £3.8m).

### Balance sheet

Shareholders' funds at the end of the period were £41.2m (2012: £40.3m). Total recognised gains for the period were £0.8m, with the loss for the period offset by an actuarial gain of £2.6m (2012: loss £2.2m) net of deferred tax recognised on the group's pension schemes.

Fixed assets at the end of the period decreased to £178.3m (2012: £185.1m) due principally to the amortisation of goodwill arising on consolidation.

Current assets at the end of the period decreased to £100.6m (2012: £125.2m) principally reflecting the utilisation of cash on the refinance. Cash balances at the end of the period were £23.5m (2012: £52.2m).

Creditors falling due within one year decreased to £125.0m (2012: £166.3m). Bank loans due within one year reduced to £7.0m (2012: £48.1m) following the refinance.

Creditors falling due after more than one year increased to £103.3m (2012: £90.8m). Bank loans due after more than one year increased to £97.2m (2012: £83.5m) following the refinance.

The impact of the refinance on net debt is discussed below.



### **Pensions**

We operate two defined benefit pension schemes, both of which are closed to future accrual. The combined deficit in the two schemes, net of the related deferred tax asset, decreased by £2.7m to £3.9m (2012: £6.6m). The decrease principally reflects an increase in asset values over the period.

### **Cash flow and net debt**

I am pleased to report good cash generation for the period together with further capital investment in growing the business.

Net cash inflow from operating activities for the period was £32.0m (2012: £40.6m). Earnings before interest, tax, depreciation and amortisation decreased by £1.2m to £34.9m (2012: £36.1m). Working capital deteriorated slightly by £2.9m (2012: £4.5m improvement).

Earnings before interest, tax, depreciation, amortisation and before exceptional income, increased by 4.8% to £34.9m (2012: £33.3m).

Net interest paid for the period was £10.5m (2012: £6.5m). This increase is principally due to an additional interest payment of £4.4m in association with the refinance.

Net capital expenditure plus acquisitions and disposals for the period was £11.8m (2012: £12.7m), reflecting our continued development of convenience stores together with expenditure on the existing estate.

Net cash inflow before financing for the period was £6.2m (2012: £19.5m).

Net financing outflows were £34.9m (2012: £9.8m) principally reflecting scheduled repayments of the group's new and former bank loans together with the net utilisation of cash for the refinance.

Total decrease in cash was £28.7m (2012: £9.6m increase).

Net debt at the end of the period remained at £86.2m (2012: £86.2m).

### **Financing**

On 15 March 2013 we were pleased to complete our debt refinancing by arranging new bank facilities. The capital raised represented the amount needed to repay the existing facilities, which were due to expire from September 2013, and to cover arrangement fees and costs involved in agreeing the new funding. Ahead of the refinancing we had built up significant cash balances of which we applied £22.4m at completion, with the balance retained to meet short term working capital, tax and capital expenditure needs.

The new facilities comprise a £68m senior bank loan due 30 April and 30 June 2016 and a £43.5m mezzanine loan due 31 December 2016, together with a £15m revolving credit facility due 30 April 2016. Since the refinancing, £7.5m of senior debt has been repaid. In April we entered into interest rate swap agreements in order to hedge against interest rate risk arising from the variable rate debt. The agreements to which the group is party guarantee a maximum fixed rate borrowing cost on a portion of the group's debt up to 30 April 2015.

### **Creditor payment policy and practice**

The group's policy is to pay suppliers in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with.

At 24 November 2013, the group had an average of 44 days' (2012: 44 days') purchases outstanding in trade creditors. The company had no trade creditors.

Approved by the board of directors and signed on behalf of the board

**Jonathan Miller**  
Chief Financial Officer

24 January 2014

# A strong, very experienced and well connected team

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## **James Lancaster** Chairman and Chief Executive

James was a co-founder of the group in 1973, becoming Group Managing Director in 1984, Chief Executive in 1990 and Chairman and Chief Executive in 1995. Under his direction McColl's has grown to be the largest independent neighbourhood retailer in the UK. James led a management buyout of the business in 1995 and a secondary buyout in 2005. James is also a director of 'Cardiac Risk in the Young'.

## **Martyn Aguss** Chief Operating Officer

Martyn joined McColl's as a director in 2005 and was appointed Chief Operating Officer in 2011. He has overall responsibility for store trading and development of the retail proposition, and oversees the Buying, Marketing and Operational teams. Prior to joining McColl's he was a Partner at Ernst & Young.

## **Jonathan Miller** Chief Financial Officer

Jonathan joined the group in 1991. He was appointed Finance Director of the group's retail businesses in 1998 and Chief Financial Officer in 2004. As well as overall responsibility for financial performance, Jonathan oversees the Finance, Human Resources, Information Technology and Development teams. Jonathan trained as a Chartered Accountant with Deloitte.

## **Dave Thomas** Operations Director

Dave joined the group in 1998, initially as Regional Manager for convenience. He was appointed Operations General Manager in 2000 and Operations Director in 2005. Before joining McColl's, Dave worked in operational roles at Iceland and Southern Co-operative.

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## **Alan Smith** Non Executive Director

Alan was appointed to the board in 2006. He is also Chairman of Space NK, and non-executive director of Colefax and Fowler and Planet Organic. He has previously held board positions at Marks and Spencer, Kingfisher, Storehouse and Whitehead Mann.

## **Principal advisors**

### **Bankers**

Lloyds Banking Group  
25 Gresham Street  
London  
EC2V 7HN

### **Solicitors**

Travers Smith LLP  
10 Snow Hill  
London  
EC1A 2AL

### **Auditor**

Deloitte LLP  
Chartered Accountants  
and Registered Auditor  
London  
EC4A 3BZ

## **Secretary and registered office**

### **Secretary**

Jonathan Miller

### **Registered Office**

McColl's House  
Ashwells Road  
Brentwood  
Essex  
CM15 9ST

The directors present their report and the financial statements for the 52 week period ending on 24 November 2013. The comparative period represents the 52 week period ended 25 November 2012.

The Chairman and Chief Executive's statement, Chief Operating Officer's review and the Financial review (on pages 2 to 8) form part of this report. Certain statutory information is now included in the Strategic report as required by the accounting regulations.

#### **Results and dividends**

The group retained loss for the period, after taxation, amounted to £1,800,000 (2012: £2,566,000 profit). No dividends were paid in the period (2012: £nil).

#### **Key performance indicators**

The group measures the development, performance and position of the business by referring to a number of key performance indicators. These measures are set out in the operational highlights on page 1 and throughout the Chairman and Chief Executive's statement, Chief Operating Officer's review and the Strategic report.

#### **Principal risks and uncertainties**

The principal risks and uncertainties facing the group are set out below. The group is influenced by a number of risk factors that could have a material impact on operating performance.

#### **Consumer spending**

The group's revenue depends on consumer spending which can be affected in numerous ways. This can include competition from other retailers on both a local and national level, as well as the general economic environment in the United Kingdom. These factors will influence customers' spending behaviour. The group seeks to make the most of its diverse and strong locations by setting prices and amending ranges which take into account competitor activity and economic conditions.

#### **Supply chain**

The group has no distribution operation of its own and relies on a number of key suppliers for product distribution to its stores. The failure of a major distributor has the potential to have a major impact on the group's operations. In order to mitigate this risk the group has selected supply partners with national distribution operations and has entered into long term arrangements with them. The group has regular review meetings with these supply partners to assess operational and financial performance, as well as contingency planning.

#### **Regulation**

Changes in regulation can have a significant impact on the group's business.

A significant proportion of the group's turnover is derived from product categories that are subject to legislation, including tobacco and alcohol. Any contravention of this legislation can compromise the group's ability to retail such products. The group has training programmes and controls in place that have been designed to ensure compliance with these laws and to ensure its stores are run in a responsible manner, thereby minimising some of these risks.

Other examples of regulation include increases in the rate of the National Minimum Wage. The group seeks to mitigate the impact of regulatory changes by continual consideration of operating procedures and costs.

#### **Information Technology**

The group relies on information technology systems and processes. A prolonged failure of these systems and processes would significantly impact the group's operations. To help protect against this, the group has established back-up procedures and maintains arrangements with a third party to assist with data recovery and business continuity.

#### **Financial risk management objectives and policies**

The group's policies are set out in note 19 to the financial statements.

### **Going concern**

This report contains a review of the group's business activities, financial position and cash flows, together with factors likely to affect its future development.

The group has considerable committed financial resources and a wide spread of business risks across different geographic areas and product categories. As a result, the directors believe that the group is able to manage its business risks despite the uncertain economic outlook.

The group has net current liabilities due to a low level of receivables, as sales are predominantly made in cash, and there is high stock turnover relative to the credit terms agreed with its suppliers. The directors do not consider this unusual.

On 15 March 2013 the group refinanced in full its existing bank loans. The group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the group should be able to operate within its new banking facilities, and will meet its banking covenants and repayments as they fall due.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### **Directors**

The directors who served throughout the period are shown on page 9.

### **Employment of disabled persons**

Disabled persons are employed and trained by the group where their aptitudes and abilities allow and suitable vacancies are available. Where employees become disabled, the group endeavours to continue their employment, provided there are jobs which they can do, bearing in mind not only their handicap or disability, but also their experience and skills. The need to develop the careers of disabled people and ensure their continued safety at work is accepted throughout the group and the necessary steps are taken to train and promote disabled employees where this is in their own and the group's best interests.

### **Employees**

Information on matters of concern to employees is given through information bulletins, meetings and reports. The same means, reinforced by profit sharing and bonus schemes, are used to help employees achieve a common awareness of the financial and economic factors affecting the performance of the group.

### **Auditor**

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

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken in their role as a director in order to make themselves aware of any relevant audit information, and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the board of directors and signed on behalf of the board

### **Jonathan Miller**

Secretary

24 January 2014

## Statement of directors' responsibilities

The directors are responsible for preparing the annual report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and parent company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# Independent auditor's report to the members of McColl's Retail Group Limited

We have audited the financial statements (the "financial statements") of McColl's Retail Group Limited for the 52 week period ended 24 November 2013 which comprise the group profit and loss account, the group and parent company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

## Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge required by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 24 November 2013, and of the group's loss for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the 52 week period for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

## Robert Matthews (Senior Statutory Auditor)

for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

24 January 2014

**Group profit and loss account**

52 week period ended 24 November 2013

	Notes	52 weeks ended 24 November 2013 £'000	52 weeks ended 25 November 2012 £'000
<b>Turnover</b>	2	<b>869,416</b>	844,684
Cost of sales		<b>(658,424)</b>	(636,417)
<b>Gross profit</b>		<b>210,992</b>	208,267
Other operating expenses (net)	3(a)	<b>(196,695)</b>	(195,311)
Exceptional income	4	-	2,839
<b>Total other operating expenses</b>		<b>(196,695)</b>	(192,472)
<b>Operating profit</b>		<b>14,297</b>	15,795
Operating profit before exceptional income		<b>14,297</b>	12,956
Exceptional income	4	-	2,839
Profit on sale of fixed assets		<b>2,443</b>	2,046
<b>Profit on ordinary activities before finance charges</b>		<b>16,740</b>	17,841
Net interest payable and similar charges	7	<b>(17,798)</b>	(10,922)
Other finance charges		<b>(597)</b>	(586)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(1,655)</b>	6,333
Tax on ordinary activities	8	<b>(145)</b>	(3,767)
<b>(Loss)/profit on ordinary activities after taxation being (loss)/profit for the financial period</b>	22	<b>(1,800)</b>	2,566

All turnover and operating profit arose from continuing operations.

**Group statement of total recognised gains and losses**

52 week period ended 24 November 2013

	52 weeks ended 24 November 2013 £'000	52 weeks ended 25 November 2012 £'000
(Loss)/profit for the period	<b>(1,800)</b>	2,566
Actuarial gain/(loss) recognised on pension scheme	<b>3,529</b>	(2,742)
UK deferred tax attributable to actuarial (gain)/loss:		
Arising from the origination of and reversal of timing differences	<b>(706)</b>	632
Arising from changes in the tax rate	<b>(223)</b>	(120)
<b>Total recognised gains</b>	<b>800</b>	336



Financial statements  
**Group balance sheet**  
 24 November 2013

	Notes	24 November 2013 £'000	25 November 2012 £'000
<b>Fixed assets</b>			
Goodwill	10	114,260	120,964
Tangible assets	11	64,066	64,145
Investments	12	18	–
		<b>178,344</b>	185,109
<b>Current assets</b>			
Stocks	14	44,224	44,446
Debtors – due within one year	15	32,839	28,599
Cash at bank and in hand	23	23,488	52,191
		<b>100,551</b>	125,236
<b>Creditors: amounts falling due within one year</b>	16	<b>(125,039)</b>	(166,255)
<b>Net current liabilities</b>		<b>(24,488)</b>	(41,019)
<b>Total assets less current liabilities</b>		<b>153,856</b>	144,090
<b>Creditors: amounts falling due after more than one year</b>	17, 18	<b>(103,309)</b>	(90,810)
<b>Provisions for liabilities</b>	20	<b>(5,505)</b>	(6,341)
<b>Net assets excluding pension liability</b>		<b>45,042</b>	46,939
Net pension liability	27	<b>(3,875)</b>	(6,594)
<b>Net assets including pension liability</b>		<b>41,167</b>	40,345
<b>Capital and reserves</b>			
Called up share capital	21	75	75
Share premium	22	734	712
Profit and loss account	22	40,358	39,558
<b>Shareholders' funds</b>	22	<b>41,167</b>	40,345

These financial statements of McColl's Retail Group Limited, registered number 05429759, were approved and authorised for issue by the board of directors on 24 January 2014.

Signed on behalf of the board of directors

**Jonathan Miller**  
 Director

**Company balance sheet**

24 November 2013

	Notes	24 November 2013 £'000	25 November 2012 £'000
<b>Fixed assets</b>			
Investments	12	<b>81,709</b>	81,709
<b>Current assets</b>			
Debtors – due within one year	15	<b>54,190</b>	152,709
Cash at bank and in hand		<b>1</b>	1
		<b>54,191</b>	152,710
<b>Creditors: amounts falling due within one year</b>	16	<b>(237,228)</b>	(237,500)
<b>Net current liabilities</b>		<b>(183,037)</b>	(84,790)
<b>Total assets less current liabilities</b>		<b>(101,328)</b>	(3,081)
<b>Creditors: amounts falling due after more than one year</b>	17, 18	<b>(46)</b>	(83,538)
<b>Net liabilities</b>		<b>(101,374)</b>	(86,619)
<b>Capital and reserves</b>			
Called up share capital	21	<b>75</b>	75
Share premium	22	<b>734</b>	712
Profit and loss account	22	<b>(102,183)</b>	(87,406)
<b>Shareholders' deficit</b>	22	<b>(101,374)</b>	(86,619)

These financial statements of McColl's Retail Group Limited, registered number 05429759, were approved and authorised for issue by the board of directors on 24 January 2014.

Signed on behalf of the board of directors

**Jonathan Miller**  
Director

**Group cash flow statement**

52 week period ended 24 November 2013

	Notes	<b>52 weeks ended 24 November 2013 £'000</b>	52 weeks ended 25 November 2012 £'000
<b>Operating activities</b>			
Operating profit		<b>14,297</b>	15,795
Depreciation and amortisation charges		<b>20,640</b>	20,311
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>34,937</b>	36,106
(Increase)/decrease in debtors		<b>(4,240)</b>	1,313
Decrease/(increase) in stocks		<b>555</b>	(4,252)
Increase in creditors		<b>1,689</b>	8,296
Decrease in pensions		<b>(716)</b>	(724)
Decrease in provisions		<b>(209)</b>	(129)
<b>Net cash inflow from operating activities</b>		<b>32,016</b>	40,610
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>610</b>	648
Interest paid		<b>(10,844)</b>	(6,926)
Hire purchase interest paid		<b>(217)</b>	(242)
		<b>(10,451)</b>	(6,520)
<b>Taxation</b>			
Corporation tax paid		<b>(3,629)</b>	(1,900)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		<b>(11,593)</b>	(10,566)
Receipts from sales of fixed assets		<b>5,270</b>	5,741
Investment		<b>(18)</b>	-
		<b>(6,341)</b>	(4,825)
<b>Acquisitions and disposals</b>			
Purchase of businesses	13	<b>(5,424)</b>	(7,896)
<b>Net cash inflow before financing</b>		<b>6,171</b>	19,469
<b>Financing</b>			
New loans		<b>111,533</b>	-
Issue costs		<b>(4,621)</b>	-
Repayment of loans		<b>(140,428)</b>	(8,665)
Repayment of hire purchase loans		<b>(2,172)</b>	(2,164)
Hire purchase loans received		<b>814</b>	1,007
		<b>(34,874)</b>	(9,822)
<b>(Decrease)/increase in cash</b>	23	<b>(28,703)</b>	9,647

**Notes to the financial statements**

52 week period ended 24 November 2013

**1. Accounting policies****Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable UK law and accounting standards. The following accounting policies have been applied consistently by the directors in both the current and preceding periods. The financial statements are prepared on the going concern basis. Going concern is discussed on page 11 of the Directors' Report.

**Basis of consolidation**

The group financial statements for 2013 consolidate the financial statements of McColl's Retail Group Limited (the "company") and all its subsidiary undertakings (together, "the group") drawn up to 24 November 2013. No profit and loss account is presented for McColl's Retail Group Limited as permitted by section 408 of the Companies Act 2006. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method of accounting.

**Goodwill**

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial period following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is reviewed for impairment and if such goodwill is not considered to be attached to the continuing business it is taken into account in determining the profit or loss on sale or closure.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment.

Depreciation is provided so as to write off the cost of tangible fixed assets less their estimated residual values on a straight-line basis over the expected useful economic lives of the assets concerned. Principal rates used for this purpose are:

*Land and buildings*

Freehold (including land where it is not separately identifiable)		- 50 years
Long leaseholds improvements		- 50 years
Short leaseholds improvements	- shops	- 10 years
	- other	- the term of the lease
Leasehold premiums		- the unexpired portion of the lease

*Plant and machinery*

Motor vehicles		- 4 years
Computer equipment		- between 5 and 8 years
Furniture and fittings		- between 5 and 10 years

The carrying value of tangible fixed assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

**Investments**

Fixed asset investments are shown at cost less provision for impairment.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost of goods for resale is calculated for each category of stock by reducing the net selling price by the attributable average gross margin. Net realisable value is the price at which the stocks can be realised in the normal course of the business. Provision is made for obsolete, slow-moving or defective items where appropriate.

**Volume rebates**

Volume discounts receivable from suppliers are recognised as a credit to cost of sales in the period in which the stock to which the volume discounts apply is sold.

## **Taxation**

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider that, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## **Capital instruments**

Capital instruments are evaluated to determine whether they contain both a liability and an equity component. Such components are classified separately as financial liabilities and equity instruments. Equity instruments are recorded in shareholders' funds and liability instruments are recorded in long term liabilities.

The sum of the carrying amounts assigned to liability and equity components on initial recognition is equal to the fair value that is ascribed to the instrument as a whole. Both components are subsequently measured at cost. The finance cost in respect of capital instruments other than equity, is recognised in the profit and loss account and is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

## **Derivative instruments**

The group uses interest rate swaps and swaptions to adjust interest rate exposures.

The group's criteria for interest rate swaps are:

- the instrument must be related to an asset or a liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing for net interest payable. Such derivative financial instruments are measured at cost. The group does not hold derivative financial instruments for speculative purposes.

## **Exceptional items**

Exceptional items, shown in the profit and loss account, are material items which derive from events or transactions that do not fall within the ordinary activities of the company and which individually, or if of a similar type, in aggregate, need to be disclosed by virtue of their size of incidence if the financial statements are to give a true and fair view and to ensure the presentation is relevant to an entity's financial performance.

## **Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and incremental costs incurred in obtaining finance. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## **Leases**

Assets held under hire purchase contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over their useful lives. Capital payments are spread evenly over the life of the agreement with interest being charged to the profit and loss account using the effective interest method.

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**Notes to the financial statements**

52 week period ended 24 November 2013

Continued

**1. Accounting policies** (continued)**Pensions**

The group operates two defined benefit pension schemes, in addition to several defined contribution schemes, which require contributions to be made to separately administered funds.

The service cost of providing retirement benefits to employees during the period is charged to profit or loss in the period. The expected return on the assets of the schemes during the period based on market value of scheme assets at the start of the period is included within other finance charges/income under FRS 17. This also includes a charge representing the expected increase in the liabilities of the scheme during the period, arising from liabilities of the scheme being one year closer to payment. Differences between actual and expected returns on assets during the period are recognised in the statement of total recognised gains and losses in the period. The net deficit on the schemes is reported on the balance sheet within the pension liability. This is net of related deferred tax.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the financial year. Differences between contributions payable in the financial year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Further information on pensions is disclosed in note 27.

**Related parties**

The company has not disclosed transactions with related parties that are part of the McColl's Retail Group Limited group of companies as permitted by Financial Reporting Standard No 8.

**2. Turnover**

Turnover represents the amounts receivable for goods and services sold in the period which fall within the group's principal activities, stated net of value added tax.

Commission from the sale of lottery tickets and electronic phone top-ups is recognised net within turnover as the company acts as an agent.

In the opinion of the directors, the group engages in one principal area of activity, that of operators of convenience and newsagent stores. Turnover is derived entirely from the United Kingdom.

**3. Operating profit**

(a) Other operating expenses (net) is made up as follows:

	<b>52 weeks ended 24 November 2013 £'000</b>	52 weeks ended 25 November 2012 £'000
Selling, distribution and advertising costs	<b>194,007</b>	190,422
Administrative expenses	<b>26,395</b>	27,262
Other operating income	<b>(23,707)</b>	(22,373)
<b>Total other operating expenses (net)</b>	<b>196,695</b>	195,311

Other operating income includes income from the operation of sub-post offices, rental income and commission earned from ATMs.

(b) Operating profit is stated after charging:

	<b>52 weeks ended 24 November 2013 £'000</b>	52 weeks ended 25 November 2012 £'000
Fees payable to the company's auditor for the audit of the company's financial statements	<b>20</b>	20
The audit of the company's subsidiaries pursuant to legislation	<b>130</b>	120
Total audit fees	<b>150</b>	140
Tax services	<b>174</b>	92
Corporate finance services – as part of this £309,000 (2012: £nil) was capitalised as finance costs as part of the debt refinancing	<b>384</b>	722
Other services	<b>24</b>	6
Total non audit fees	<b>582</b>	820
Amortisation of goodwill	<b>8,900</b>	8,782
Depreciation of owned assets	<b>11,740</b>	11,380
Operating lease payments – other	<b>29,933</b>	29,405
– plant and machinery	<b>160</b>	365

**4. Exceptional income**

Exceptional income is made up as follows:

	<b>52 weeks ended 24 November 2013 £'000</b>	52 weeks ended 25 November 2012 £'000
Repayment of regulatory penalty and associated costs	<b>-</b>	2,839

Prior year exceptional income comprises £2.8m received from the Office of Fair Trading ("OFT") in respect of a regulatory penalty incurred by the group in 2008 in relation to the OFT's investigation into the retail pricing of tobacco products in the period from 2000 to 2003. A number of other parties to the investigation successfully appealed to the Competition Appeal Tribunal in December 2011 and, in the light of assurances provided to the group in 2008, the OFT agreed to make a repayment to the group in the amount of its penalty plus a contribution to certain other costs.

**Notes to the financial statements**

52 week period ended 24 November 2013

Continued

**5. Directors' emoluments**

	<b>52 weeks ended 24 November 2013 £'000</b>	52 weeks ended 25 November 2012 £'000
Emoluments	<b>2,051</b>	2,384
Company contribution to money purchase and personal pension schemes	<b>64</b>	63
	<b>2,115</b>	2,447

Two directors were members of the group's defined benefit pension scheme. The emoluments of the highest paid director were £833,830 (2012: £1,016,399). Contributions to that director's personal pension arrangement totalled £nil (2012: £nil).

Company contributions for two directors were made to money purchase pension schemes (2012: two).

**6. Staff costs**

	<b>52 weeks ended 24 November 2013 £'000</b>	52 weeks ended 25 November 2012 £'000
Wages and salary costs	<b>111,177</b>	112,346
Social security costs	<b>5,032</b>	5,186
Other pension costs	<b>761</b>	631
	<b>116,970</b>	118,163

Other pension costs include only those items included within operating costs. Items reported elsewhere have been excluded. The above staff costs exclude directors' emoluments. The above relates to the group. The company had no staff other than the directors (note 5). There are no prepaid or accrued pension amounts at year end.

The average monthly number of employees, excluding directors, during the period was as follows:

	<b>52 weeks ended 24 November 2013 No.</b>	52 weeks ended 25 November 2012 No.
Retailing	<b>18,455</b>	18,745
Central administration	<b>309</b>	319
	<b>18,764</b>	19,064

The McColl's Retail Group Limited Employee Incentive Trust (the "Trust") was established on 6 September 2005. It is an offshore, discretionary trust with independent trustees, established for the benefit of employees, former employees and certain relatives. As at 24 November 2013, the Trust held the legal interest in 112,565 (2012: 112,565) ordinary shares in McColl's Retail Group Limited, of which the beneficial interest in 89,975 (2012: 89,975) shares had been acquired by employees of the group. At 24 November 2013, the net deficit on the capital account of the Trust was £608 (2012: £608), comprising shares in the company at a cost of £44,550 (2012: £44,550), cash of £39,655 (2012: £39,655) and a loan from the company of £84,813 (2012: £84,813).



## 7. Net interest payable and similar charges

	52 weeks ended 24 November 2013 £'000	52 weeks ended 25 November 2012 £'000
Interest receivable	454	648
Interest payable:		
Bank loans and overdrafts	(15,590)	(10,739)
Hire purchase interest	(217)	(242)
Unwinding of the discount included in provisions	(80)	(25)
	<b>(15,887)</b>	<b>(11,006)</b>
Similar charges:		
Amortisation of issue costs	(2,365)	(564)
Net interest payable and similar charges	<b>(17,798)</b>	<b>(10,922)</b>

## 8. Tax on ordinary activities

Analysis of tax charge in the period:

	52 weeks ended 24 November 2013 £'000	52 weeks ended 25 November 2012 £'000
Current tax:		
Current tax on income for the period	1,683	3,303
Adjustments in respect of prior periods	(911)	926
	<b>772</b>	<b>4,229</b>
Deferred tax:		
Origination and reversal of timing differences	(699)	(502)
Associated with pension deficit	72	40
Tax charge for the period	<b>145</b>	<b>3,767</b>

### Factors affecting current tax charge:

The difference between the effective statutory rate and the actual current tax charge is reconciled as follows:

	52 weeks ended 24 November 2013 £'000	52 weeks ended 25 November 2012 £'000
(Loss)/profit on ordinary activities before tax	(1,655)	6,333
(Loss)/profit on ordinary activities multiplied by the blended applicable statutory rate of 23.33% (2012: 24.67%)	(386)	1,562
Disallowed expenses and non-taxable income	2,069	1,741
Adjustments in respect of prior periods	(911)	926
Total current tax charge	<b>772</b>	<b>4,229</b>

The movements in deferred taxation during the period are as follows:

	£'000
Deferred tax liability as at 25 November 2012 (note 20)	2,408
Arising from the origination of and reversal of timing differences	(385)
Arising from changes in tax rate	(314)
<b>Deferred tax liability as at 24 November 2013 (note 20)</b>	<b>1,709</b>

**Notes to the financial statements**

52 week period ended 24 November 2013

Continued

**8. Tax on ordinary activities** (continued)

The deferred tax liability comprises:

	<b>24 November 2013 £'000</b>	25 November 2012 £'000
Accelerated capital allowances	<b>1,709</b>	2,519
Other timing differences	-	(111)
Associated with pension deficit	<b>(967)</b>	(1,969)
	<b>742</b>	439
Amount shown within pension deficit (note 27)	<b>967</b>	1,969
Total liability included in provisions (note 20)	<b>1,709</b>	2,408

**9. Loss attributable to members of the parent undertaking**

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account for the parent undertaking is not presented. The loss after taxation dealt with in the accounts of the company was £14,777,000 (2012: £13,936,000).

**10. Intangible fixed assets**

Group	Goodwill £'000
<b>Cost:</b>	
At 25 November 2012	176,414
Additions	2,266
Disposals	(1,136)
<b>At 24 November 2013</b>	<b>177,544</b>
<b>Amortisation and impairment:</b>	
At 25 November 2012	55,450
Provided during the period	8,900
Reversal of past impairment losses	(393)
Disposals	(673)
<b>At 24 November 2013</b>	<b>63,284</b>
<b>Net book value:</b>	
<b>At 24 November 2013</b>	<b>114,260</b>
At 25 November 2012	120,964

Goodwill arising on acquisitions is being amortised evenly over the directors' estimate of the useful economic life of 20 years.

## 11. Tangible fixed assets

Group	Land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost:</b>			
At 25 November 2012	25,397	85,659	111,056
Acquisitions	2,620	205	2,825
Additions	3,438	8,155	11,593
Disposals	(11,069)	(23,314)	(34,383)
<b>At 24 November 2013</b>	<b>20,386</b>	<b>70,705</b>	<b>91,091</b>
<b>Depreciation and impairment:</b>			
At 25 November 2012	10,257	36,654	46,911
Provided during the period	2,155	9,585	11,740
Reversal of past impairment losses	-	(250)	(250)
Disposals	(8,439)	(22,937)	(31,376)
<b>At 24 November 2013</b>	<b>3,973</b>	<b>23,052</b>	<b>27,025</b>
<b>Net book value:</b>			
<b>At 24 November 2013</b>	<b>16,413</b>	<b>47,653</b>	<b>64,066</b>
At 25 November 2012	15,140	49,005	64,145

The net book value of land and buildings for the group is made up of:

	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Total £'000
<b>At 24 November 2013</b>	<b>5,283</b>	<b>105</b>	<b>11,025</b>	<b>16,413</b>
At 25 November 2012	5,414	107	9,619	15,140

The net book value of tangible fixed assets includes an amount of £6,600,000 (2012: £7,889,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the period was £2,094,000 (2012: £1,902,000).

**Notes to the financial statements**

52 week period ended 24 November 2013

Continued

**12. Investments**

Group	24 November 2013 £'000	25 November 2012 £'000
Investments at cost	18	–
<hr/>		
Company	£'000	£'000
Subsidiary undertakings – cost and net book value	81,709	81,709

The carrying value of the investment in subsidiary undertakings has been reviewed at 24 November 2013 and no impairment charge is required.

To avoid a statement of excessive length, details of investments which are not significant have been omitted. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the group during the period:

Name of company	Country of registration (or incorporation) and operation	Holding	Proportion of voting rights and shares held	Nature of business
All held by the company unless indicated.				
Bracklands Ltd*	England and Wales	Ordinary shares	100%	Property Co
Clark Retail Ltd*	Scotland	Ordinary shares	100%	Retailing
Dillons Stores Ltd*	England and Wales	Ordinary shares	100%	Retailing
Key Food Stores Ltd*	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Martin McColl Ltd*	England and Wales	Ordinary shares	100%	Retailing
Martin Retail Group Ltd*	Scotland	Ordinary shares	100%	Retailing
Price Smasher Ltd*	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Smile Holdings Ltd*	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Smile Stores Ltd*	England and Wales	Ordinary shares	100%	Retailing
Thistledove Limited	England and Wales	Ordinary shares	100%	Predecessor Holding Co
TM Group Holdings Ltd*	England and Wales	Ordinary shares	100%	Intermediate Holding Co
TM Vending Ltd*	England and Wales	Ordinary shares	100%	Corporate activities
Tog Ltd*	England and Wales	Ordinary shares	100%	Intermediate Holding Co

\*100% held by a subsidiary undertaking

**13. Acquisitions**

During the period, the group made a number of small acquisitions, none of which was individually considered material to the group. The cash consideration for these acquisitions was £5,424,000 and the assets acquired (to which no fair value adjustments were made) are summarised as follows:

	£'000
Tangible fixed assets	2,825
Stocks	333
Goodwill	2,266
	5,424

## 14. Stocks

	Group	
	24 November 2013 £'000	25 November 2012 £'000
Goods for resale	<b>44,224</b>	44,446

The directors consider that the replacement value of stocks does not materially differ from the book value shown above.

## 15. Debtors: amounts falling due within one year

	Group		Company	
	24 November 2013 £'000	25 November 2012 £'000	24 November 2013 £'000	25 November 2012 £'000
Trade debtors	<b>3,113</b>	2,690	-	-
Amounts due from subsidiary undertakings	-	-	<b>49,089</b>	147,599
Supplier rebates	<b>17,695</b>	15,044	-	-
Other debtors	<b>5,840</b>	4,550	-	-
Corporation Tax – group receivable	-	-	<b>4,960</b>	4,960
Prepayments and accrued income	<b>6,191</b>	6,315	<b>141</b>	150
	<b>32,839</b>	28,599	<b>54,190</b>	152,709

## 16. Creditors: amounts falling due within one year

	Group		Company	
	24 November 2013 £'000	25 November 2012 £'000	24 November 2013 £'000	25 November 2012 £'000
Bank loans	<b>6,978</b>	48,120	-	48,120
Amounts due under hire purchase obligations	<b>2,268</b>	2,112	-	-
Trade creditors	<b>88,779</b>	85,446	-	-
Amounts due to subsidiary undertakings	-	-	<b>237,228</b>	188,901
Corporation tax	<b>1,114</b>	3,958	-	-
Other taxation and social security	<b>3,942</b>	3,401	-	-
Other creditors	<b>2,354</b>	1,598	-	-
Accrued interest	<b>1,059</b>	479	-	479
Accruals and deferred income	<b>18,545</b>	21,141	-	-
	<b>125,039</b>	166,255	<b>237,228</b>	237,500

**Notes to the financial statements**

52 week period ended 24 November 2013

Continued

**17. Creditors: amounts falling due after more than one year**

	Group		Company	
	<b>24 November 2013 £'000</b>	25 November 2012 £'000	<b>24 November 2013 £'000</b>	25 November 2012 £'000
Bank loans	<b>97,216</b>	83,479	-	83,470
Amounts due under hire purchase obligations	<b>3,135</b>	4,649	-	-
Other creditors	<b>2,912</b>	2,614	-	-
Preference shares	<b>46</b>	68	<b>46</b>	68
	<b>103,309</b>	90,810	<b>46</b>	83,538

1,000 preference shares were issued on 5 September 2005, at £105.32 per share. The preference shares bear annual interest of £5 per share. The preference shares do not contain any conversion options and do not have a set redemption date.

As the company has a contractual obligation to pay cash (£5,000 annual interest), the preference shares are seen as a compound financial instrument containing both a liability and equity component. The component parts have thus been presented separately on the balance sheet. The sum of the component parts was initially recognised at the value of the issue proceeds and these have been subsequently measured at cost. The annual preference share interest has been presented as a finance cost in earnings.

The value of the preference share liability is calculated as the present value of the maximum expected amount of interest that could be paid each year until infinity (number of shares issued multiplied by £5). The discount factor used in the calculation is a market related rate of interest, which is a rate the issuer would receive if this instrument were offered to market participants but excluding the equity component. The equity component (see notes 21 and 22) is calculated as the difference between the issue proceeds (£105,320) and the above value calculated for the liability component.

**18. Bank loans and hire purchase obligations**

	Group		Company	
	<b>24 November 2013 £'000</b>	25 November 2012 £'000	<b>24 November 2013 £'000</b>	25 November 2012 £'000
Amounts falling due:				
In one year or less	<b>8,519</b>	48,687	-	48,687
In more than one year but not more than two years	<b>7,922</b>	66,621	-	66,621
In more than two years but not more than five years	<b>91,338</b>	17,620	-	17,611
	<b>107,779</b>	132,928	-	132,919
Less: unamortised issue costs	<b>(3,585)</b>	(1,329)	-	(1,329)
	<b>104,194</b>	131,599	-	131,590
Less: included in creditors: amounts falling due within one year	<b>(6,978)</b>	(48,120)	-	(48,120)
	<b>97,216</b>	83,479	-	83,470

The long term loans are secured by a fixed charge over the group's head office property together with a floating charge over the company's assets.

Details of hire purchase obligations repayable are as follows:

	Group and Company	
	24 November 2013 £'000	25 November 2012 £'000
Amounts falling due:		
In one year or less	2,268	2,112
In more than one year but not more than two years	2,006	2,051
In more than two years but not more than five years	1,129	2,598
	5,403	6,761
Less: included in creditors: amounts falling due within one year	(2,268)	(2,112)
Amounts repayable within two to five years	3,135	4,649

Details of loans and hire purchase obligations repayable within two to five years are as follows:

	Group and Company	
	24 November 2013 £'000	25 November 2012 £'000
Subordinated Loan repayable on 6 March 2015 at 8.00% above LIBOR	-	10,000
Subordinated Loan accrued redemption premia repayable on 6 March 2015	-	7,620
Hire purchase obligations	1,129	2,598
Senior Term Loan A repayable on 30 April 2016 at 4.5% above LIBOR	6,434	-
Senior Term Loan B repayable on 30 June 2016 at 5.0% above LIBOR	37,625	-
Mezzanine Loan repayable on 31 December 2016 at 18.0%	47,279	-
	92,467	20,218

## 19. Financial risk management

### Derivatives and other financial instruments

The group's principal financial instruments, other than derivatives, comprise loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The disclosures below exclude taxation and unamortised finance costs.

### Interest rate risk

Floating rate financial liabilities on which interest is paid bear interest at rates based on one month, three month or six month LIBOR. It is the group's policy to hedge an element of its floating rate risk exposure through interest rate swaps. The company has entered into interest rate swap agreements where variable rate interest payments are swapped for fixed rate interest payments. This has been done in order to hedge against cash flow interest rate risk arising from the variable rate debt. The derivative agreements to which the group is party guarantee a maximum fixed rate borrowing cost on a portion of the group's debt up to 30 April 2015.

As at 24 November 2013, the interest rate derivative contract has an aggregate fair value of £33,974 (2012: £nil). The fair value is calculated as the present value of future expected net contracted cash flows at market related rates, which are current at the balance sheet date.

**Notes to the financial statements**

52 week period ended 24 November 2013

Continued

**19. Financial risk management** (continued)**Interest rate risk profile of financial liabilities**

The interest rate profile of the financial liabilities of the group as at 24 November 2013 was as follows:

	Fixed rate financial liabilities £'000	Floating rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000	Total £'000
Financial liabilities	49,597	63,586	117,491	230,674

The interest rate profile of the financial liabilities of the group as at 25 November 2012 was as follows:

	Fixed rate financial liabilities £'000	Floating rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000	Total £'000
Financial liabilities	1,986	137,703	115,279	254,968

The floating rate financial liabilities comprise sterling denominated bank loans and overdrafts that bear interest based on three month LIBOR. The group has entered into an interest rate swap at a LIBOR rate of 0.57% on amounts which represented approximately 70% of the senior loans outstanding based on the anticipated repayment date.

**Interest rate risk profile of financial assets**

The interest rate profile of the financial assets of the group as at 24 November 2013 was as follows:

	Financial assets on which no interest is paid £'000	Total £'000
Financial assets	50,136	50,136

The interest rate profile of the financial assets of the group as at 25 November 2012 was as follows:

	Financial assets on which no interest is paid £'000	Total £'000
Financial assets	74,475	74,475

**Liquidity risk**

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and loans.

**Maturity of financial liabilities**

The maturity profile of the group's financial liabilities was as follows:

	24 November 2013 £'000	25 November 2012 £'000
In one year or less, or on demand	124,223	162,166
In more than one year but not more than two	11,281	69,345
In more than two years but not more than five	94,679	20,747
In more than five years	491	2,710
	230,674	254,968



### Borrowing facilities

The group had certain borrowing facilities available to it for general working capital requirements, of which £nil were drawn at 24 November 2013 (25 November 2012: £nil).

### Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all the group's financial assets and financial liabilities:

	At 24 November 2013		At 25 November 2012	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Financial liabilities				
Short term borrowings and current portion of long term borrowings	<b>(8,519)</b>	<b>(8,519)</b>	(48,687)	(48,687)
Short term creditors	<b>(110,737)</b>	<b>(110,737)</b>	(108,664)	(108,664)
Hire purchase	<b>(5,404)</b>	<b>(5,404)</b>	(6,761)	(6,761)
Long term borrowings	<b>(99,260)</b>	<b>(99,260)</b>	(84,241)	(84,241)
Long term creditors	<b>(2,958)</b>	<b>(2,958)</b>	(2,682)	(2,682)
Provisions	<b>(3,796)</b>	<b>(3,796)</b>	(3,933)	(3,933)
	<b>(230,674)</b>	<b>(230,674)</b>	(254,968)	(254,968)
Financial assets				
Short term debtors	<b>26,648</b>	<b>26,648</b>	22,284	22,284
Cash and short term deposits	<b>23,488</b>	<b>23,488</b>	52,191	52,191
	<b>50,136</b>	<b>50,136</b>	74,475	74,475

## 20. Provisions for liabilities

Group	Deferred tax £'000	Dilapidations £'000	Onerous contracts £'000	Total £'000
At 25 November 2012	2,408	1,704	2,229	<b>6,341</b>
Utilised during the period	-	(454)	(427)	<b>(881)</b>
Unwinding of the discount included in provisions (Credited)/charged to the profit and loss account	-	15	65	<b>80</b>
	(699)	916	382	<b>599</b>
Released unused	-	(455)	(179)	<b>(634)</b>
<b>At 24 November 2013</b>	<b>1,709</b>	<b>1,726</b>	<b>2,070</b>	<b>5,505</b>

### Deferred tax

A provision for deferred tax has arisen owing to accelerated capital allowances. A deferred tax liability has not been recognised in respect of the taxable gains arising on the disposal of intangible fixed assets where the gains have been rolled into replacement assets. This is on the basis that there are no binding agreements in place to sell the replacement assets at the balance sheet date and, furthermore, the gains would only crystallise if the replacement assets were sold and rollover relief was not available to defer the resulting gains. The estimated value of the deferred tax liability not recognised is £4.6m.

Deferred tax has been measured at 20%, being the tax rate that was substantially enacted at the balance sheet date.

### Dilapidations

A provision is recognised for the expected cost of dilapidation that has occurred in respect of leasehold properties. It is expected that most of these costs will be incurred during the next five years.

### Onerous contracts

A provision is recognised for the rent due less estimated rent receivable until the anticipated disposal of a vacant property. In addition, provision has been made for excess rent over market rent on leasehold properties as part of fair value assessments made on acquisition. It is expected that most of these costs will be incurred during the next five years.

**Notes to the financial statements**

52 week period ended 24 November 2013

Continued

**21. Called up share capital - Group and Company**

	24 November 2013 £	25 November 2012 £
Authorised, allotted, called up and fully paid:		
600,075 ordinary shares of 10p each	<b>60,008</b>	60,008
149,925 "A" ordinary shares of 10p each	<b>14,992</b>	14,992
1,000 preference shares of 1p each	<b>10</b>	10
	<b>75,010</b>	75,010

The ordinary shares and "A" ordinary shares have no fixed right to a dividend. The preference shares have a right to a fixed cumulative dividend of £5 per share per annum and carry certain rights on a sale, listing or return of assets.

The ordinary shares and "A" ordinary shares rank pari passu for voting rights and on a winding up. The preference shares carry no votes.

**22. Reconciliation of shareholders' funds and movement on reserves**

	Called up share capital £'000	Share premium £'000	Profit and loss account £'000	2013 £'000	2012 £'000
<b>Group</b>					
At 25 November 2012	75	712	39,558	<b>40,345</b>	40,015
(Loss)/profit for the period	-	-	(1,800)	<b>(1,800)</b>	2,566
Movement on share premium	-	22	-	<b>22</b>	(6)
Actuarial profit/(loss) recognised on pension scheme	-	-	2,600	<b>2,600</b>	(2,230)
<b>At 24 November 2013</b>	<b>75</b>	<b>734</b>	<b>40,358</b>	<b>41,167</b>	40,345
<b>Company</b>					
At 25 November 2012	75	712	(87,406)	<b>(86,619)</b>	(72,677)
Loss for the period	-	-	(14,777)	<b>(14,777)</b>	(13,936)
Movement on share premium	-	22	-	<b>22</b>	(6)
<b>At 24 November 2013</b>	<b>75</b>	<b>734</b>	<b>(102,183)</b>	<b>(101,374)</b>	(86,619)

**23. Notes to the statement of cash flows**

Analysis and reconciliation of net debt

	At 25 November 2012 £'000	Cash flow £'000	Other non-cash movements £'000	At 24 November 2013 £'000
Cash at bank and in hand	52,191	(28,703)	-	<b>23,488</b>
Loans due within one year	(50,232)	46,962	(5,976)	<b>(9,246)</b>
Loans due after one year	(88,128)	(12,088)	(135)	<b>(100,351)</b>
Preference shares	(68)	-	22	<b>(46)</b>
	(86,237)	6,171	(6,089)	<b>(86,155)</b>

Short term deposits and short term loans are included within cash at bank and in hand in the balance sheet.

	<b>52 weeks ended 24 November 2013 £'000</b>	52 weeks ended 25 November 2012 £'000
Decrease/(increase) in cash	<b>28,703</b>	(9,647)
New loans	<b>111,533</b>	-
Issue costs	<b>(4,621)</b>	-
Repayment of loans	<b>(140,428)</b>	(8,665)
Hire purchase loans received	<b>814</b>	1,007
Repayment of hire purchase loans	<b>(2,172)</b>	(2,164)
<b>Change in net debt resulting from cash flows</b>	<b>(6,171)</b>	(19,469)
Amortised issue costs	<b>2,365</b>	564
Accrued redemption premia	<b>-</b>	4,037
Capitalisation of accrued interest	<b>3,746</b>	-
Preference shares debt valuation	<b>(22)</b>	6
<b>Movement in net debt</b>	<b>(82)</b>	(14,862)
<b>Net debt at beginning of period</b>	<b>86,237</b>	101,099
<b>Net debt at end of period</b>	<b>86,155</b>	86,237

#### 24. Capital commitments

##### Group

The group had capital commitments of £223,000.

##### Company

The company had no capital commitments.

#### 25. Operating lease commitments

The group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	<b>24 November 2013 £'000</b>	25 November 2012 £'000	<b>24 November 2013 £'000</b>	25 November 2012 £'000
Group				
Operating leases which expire:				
within one year	<b>1,012</b>	1,157	-	313
between two and five years	<b>9,855</b>	8,492	-	-
after five years	<b>16,290</b>	17,495	-	-
	<b>27,157</b>	27,144	-	313

##### Company

The company had no operating lease commitments.

**Notes to the financial statements**

52 week period ended 24 November 2013

Continued

**26. Contingent liabilities**

The group and company did not have any material contingent liabilities at 24 November 2013.

Certain subsidiaries of the company have assigned UK property leases in the normal course of business. Should the assignees fail to fulfil any obligations in respect of these leases, members of the group may be liable for those defaults. The group cannot reliably quantify the amount of such contingent liabilities due to their uncertain nature. The number of such claims arising to date has been small and the liability, which is charged to the profit and loss account as it arises, has not been material.

**27. Pension commitments**

The group accounts for pensions in accordance with FRS 17.

The group operates two defined benefit pension schemes in the UK, the TM Group Pension Scheme and the TM Pension Plan. Full actuarial valuations of the schemes are carried out in accordance with legislative requirements. The last full valuations of the schemes were carried out at 31 March 2013.

Contributions to the schemes are made in accordance with the advice of independent qualified actuaries on the basis of valuations. The figures for these financial statements have been based, in accordance with FRS 17, on valuations using the projected unit method.

The contributions made in respect of the accounting period were £790,000 (2012: £795,000). As at 24 November 2013 contributions of £67,000 (2012: £65,000) due in respect of the current reporting period had not been paid over to the schemes.

The agreed contribution level for future years following the latest actuarial valuation of the schemes, is £1,470,000 increased annually by price inflation. This will be subject to annual review and, at the next actuarial valuation, the contribution level will be reassessed.

Both schemes ceased accrual on 1 July 2008 and now have no active members. Both schemes are closed to new entrants.

As at 24 November 2013 an irrecoverable surplus exists in the TM Group Pension Scheme which has not been recognised.

The disclosures are based upon the valuations of the schemes which were carried out as at 31 March 2013 and have been updated to 24 November 2013 by qualified independent actuaries. The main assumptions made when valuing the assets and liabilities of the schemes under FRS 17 (as amended) are as follows:

Main financial assumptions:

	Group Pension Scheme	
	24 November 2013 % pa	25 November 2012 % pa
RPI inflation	3.35	2.80
CPI inflation	2.35	2.10
Rate of general long term increase in salaries	n/a	n/a
Rate of increase to pensions in payment:		
Pre April 1997	3.25	2.75
Post April 1997	3.25	2.75
Post April 2006	2.20	2.05
Discount rate of scheme liabilities	4.25	4.00

Demographic assumptions:

		24 November 2013	
		TM Group Pension Scheme	TM Pension Plan
Future life expectancy of a pensioner aged 65	- male	86.4	85.7
	- female	88.1	88.0
Future life expectancy at age 65 for someone aged 45	- male	87.5	87.5
	- female	89.7	89.7

		25 November 2012	
		TM Group Pension Scheme	TM Pension Plan
Future life expectancy of a pensioner aged 65	- male	86.4	85.7
	- female	88.1	88.0
Future life expectancy at age 65 for someone aged 45	- male	87.5	87.5
	- female	89.7	89.7

Expected return on assets:

Value at 24 November 2013				
	Long term rate of return expected at 24 November 2013 %pa	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Equities	6.6	16,269	19,243	35,512
Government bonds	3.6	15,545	2,119	17,664
Corporate bonds	4.3	41,173	15,995	57,168
Property	4.7	3,282	3,282	6,564
Cash	0.5	383	247	630
Total market value of assets		76,652	40,886	117,538
Present value of scheme liabilities		(72,084)	(45,728)	(117,812)
Surplus/(deficit) in scheme		4,568	(4,842)	(274)
Irrecoverable surplus		(4,568)	-	(4,568)
Deficit in scheme		-	(4,842)	(4,842)
Related deferred tax asset		-	967	967
Net pension liability		-	(3,875)	(3,875)

Value at 25 November 2012				
	Long term rate of return expected at 25 November 2012 %pa	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Equities	5.9	19,235	18,413	37,648
Government bonds	3.0	13,761	-	13,761
Corporate bonds	4.0	37,321	8,222	45,543
Property	4.0	3,227	3,227	6,454
Cash	4.0	1,878	7,584	9,462
Total market value of assets		75,422	37,446	112,868
Present value of scheme liabilities		(75,743)	(45,688)	(121,431)
Deficit in scheme		(321)	(8,242)	(8,563)
Irrecoverable surplus		-	-	-
Deficit in scheme		(321)	(8,242)	(8,563)
Related deferred tax asset		74	1,895	1,969
Net pension liability		(247)	(6,347)	(6,594)

The long term expected return on assets has been set with reference to current market yields on government and corporate bonds, and expected outperformance of equities and property. The overall expected return on assets reflects the relative weighting of different asset classes held by the scheme.

**Notes to the financial statements**

52 week period ended 24 November 2013

Continued

**27. Pension commitments** (continued)

The amounts that have been charged to the consolidated profit and loss account and the consolidated statement of total recognised gains and losses under FRS 17 are set out below.

Amounts charged to operating profit:

	For the period ended 24 November 2013		
	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Past service cost	-	-	-
Total operating charge	-	-	-

	For the period ended 25 November 2012		
	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Past service cost	29	-	29
Total operating charge	29	-	29

Amounts charged to other finance income under FRS 17:

	For the period ended 24 November 2013		
	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Expected return on pension scheme assets	2,748	1,393	4,141
Interest on pension scheme liabilities	(2,955)	(1,783)	(4,738)
Net return	(207)	(390)	(597)

	For the period ended 25 November 2012		
	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Expected return on pension scheme assets	3,043	1,516	4,559
Interest on pension scheme liabilities	(3,229)	(1,916)	(5,145)
Net return	(186)	(400)	(586)

Amounts recognised in the statement of total recognised gains and losses:

	For the period ended 24 November 2013		
	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Actual return less expected return on pension scheme assets	2,208	3,462	5,670
Experience gains and losses arising on the present value of scheme liabilities	402	(1,288)	(886)
Changes in assumptions underlying the present value of scheme liabilities	2,486	826	3,312
Actuarial gain recognised in the statement of total recognised gains and losses	5,096	3,000	8,096
Irrecoverable surplus	(4,568)	-	(4,568)
	528	3,000	3,528
Accrued contributions	-	1	1
Total amount included in STRGL	528	3,001	3,529
Total cumulative amount included in STRGL	2,071	(4,418)	(2,347)

	For the period ended 25 November 2012		
	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Actual return less expected return on pension scheme assets	5,552	3,836	9,388
Experience gains and losses arising on the present value of scheme liabilities	(134)	(198)	(332)
Changes in assumptions underlying the present value of scheme liabilities	(9,528)	(6,240)	(15,768)
Actuarial loss recognised in the statement of total recognised gains and losses	(4,110)	(2,602)	(6,712)
Irrecoverable surplus	3,968	-	3,968
	(142)	(2,602)	(2,744)
Accrued contributions	-	2	2
Total amount included in STRGL	(142)	(2,600)	(2,742)
Total cumulative amount included in STRGL	1,543	(7,419)	(5,876)

Changes in scheme liabilities:

	For the period ended 24 November 2013		
	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Scheme liabilities at prior financial year end	<b>75,743</b>	<b>45,688</b>	<b>121,431</b>
Interest cost	<b>2,955</b>	<b>1,783</b>	<b>4,738</b>
Actuarial (gain)/loss	<b>(2,888)</b>	<b>462</b>	<b>(2,426)</b>
Benefits paid from scheme assets	<b>(3,726)</b>	<b>(2,205)</b>	<b>(5,931)</b>
Scheme liabilities recognised in the balance sheet	<b>72,084</b>	<b>45,728</b>	<b>117,812</b>

	For the period ended 25 November 2012		
	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Scheme liabilities at prior financial year end	66,354	39,293	105,647
Interest cost	3,229	1,916	5,145
Actuarial loss	9,662	6,438	16,100
Benefits paid from scheme assets	(3,531)	(1,959)	(5,490)
Past service cost	29	-	29
Scheme liabilities recognised in the balance sheet	75,743	45,688	121,431

**Notes to the financial statements**

52 week period ended 24 November 2013

Continued

**27. Pension commitments** (continued)

Changes in scheme assets:

	For the period ended 24 November 2013		
	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Opening fair value of scheme assets	75,422	37,446	112,868
Expected return on assets	2,748	1,393	4,141
Contributions by the employer	-	790	790
Actuarial gain	2,208	3,462	5,670
Benefits paid	(3,726)	(2,205)	(5,931)
Scheme assets recognised in the balance sheet	76,652	40,886	117,538

Changes in scheme assets:

	For the period ended 25 November 2012		
	TM Group Pension Scheme £'000	TM Pension Plan £'000	Total £'000
Opening fair value of scheme assets	70,322	33,294	103,616
Expected return on assets	3,043	1,516	4,559
Contributions by the employer	36	759	795
Actuarial gain	5,552	3,836	9,388
Benefits paid	(3,531)	(1,959)	(5,490)
Scheme assets recognised in the balance sheet	75,422	37,446	112,868

History of experience gains and losses:

	Total				
	24 November 2013	25 November 2012	27 November 2011	28 November 2010	29 November 2009
Difference between expected and actual return on pension scheme assets					
Amount (£'000)	5,670	9,388	(140)	(402)	13,062
Percentage of scheme assets	(4.8%)	(8.3%)	0.1%	0.4%	(13.1%)
Experience gains and losses arising on the present value of scheme liabilities					
Amount (£'000)	(886)	(332)	(340)	7,251	(154)
Percentage of the present value of scheme liabilities	0.8%	0.3%	0.3%	(7.1%)	(0.1%)
Total actuarial gain/(loss) recognised in statement of total recognised gains and losses					
Amount (£'000)	8,096	(6,712)	(3,405)	11,731	(14,065)
Percentage of the present value of scheme liabilities	6.9%	(5.5%)	(3.2%)	13.7%	(12.4%)
Fair value of scheme assets (£'000)	117,538	112,868	103,615	101,917	99,675
Present value of defined benefit obligation (£'000)	(117,812)	(121,431)	(105,647)	(102,265)	(113,290)
Deficit arising in the scheme (£'000)	(4,842)	(8,563)	(2,032)	(348)	(13,615)



**28. Related party transactions**

During the year the group made charitable donations of £6,050 (2012: £nil) to Cardiac Risk in the Young (CRY) which is a charity of which James Lancaster, Chairman and Chief Executive, is a director.

**29. Control**

The group is under the control of its directors, who control the majority of the group's issued ordinary share capital throughout the whole of the year and the previous year. No individual shareholders own a controlling interest in the shares of the company. The group considers its directors as related parties and the relevant disclosures in relation to transactions with them are detailed in note 5.

# Contacts and addresses

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Printed by Pureprint Group using their *pureprint*<sup>®</sup> environmental print technology, a guaranteed, low carbon, low waste, independently audited process that reduces the environmental impact of the printing process. Pureprint Group is a CarbonNeutral<sup>®</sup> company and is certified to Environmental Management System, ISO 14001 and registered to EMAS, the Eco Management and Audit Scheme.



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