Bringing convenience to your neighbourhood

McColl's Retail Group plc
Annual Report and Accounts 2015

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We are proud to be one of the UK's leading neighbourhood retailers with a growing network of 1,352 managed convenience stores and newsagents.

Reflecting our strategic focus on the neighbourhood, we continue to add to our convenience store estate, which at 893 stores, represents two thirds of our total network.

Continuing to grow

- In 2015, we delivered growth across a range of financial measures – increasing sales, profit before tax and EBITDA, whilst controlling costs and reducing debt.
- Our focus on neighbourhood convenience gained momentum as we moved ever closer to reaching our target of 1,000 convenience stores in 2016. To this end, we acquired an additional 60 convenience stores and converted a further 45 of our newsagents to food and wine stores – bringing the period-end number of convenience stores to 893. In the multiples convenience store segment, we are the second biggest player in the UK.
- As well as increasing our number of convenience stores, we also expanded the range of products and services our stores offer. In particular in 2015, we focussed on strengthening our food-to-go offer – notably by rolling out 148 new food-to-go modules across our stores and opening our first Subway franchise.
- We continued to build on our position as the UK's No.1 post office operator. We acquired 72 new post offices, taking our total to 520. We also continued our programme of modernising our post offices – around 90% are now in the new format.

Financial highlights

Revenue[1] (£million)

£932.2m

+3.1%[4] 2014

2015	932.2
2014 (52 weeks' trading)	904.4
2014	922.4
2013	869.4

Adjusted EBITDA[2] (£million)

£37.7m

+3.1%[4] 2014

2015	37.7
2014 (52 weeks' trading)	36.6
2014	37.3
2013	34.2

Underlying operating profit[3] (£million)

£24.0m

-0.4%[4] 2014

2015	24.0
2014 (52 weeks' trading)	24.1
2014	24.6
2013	22.4

Profit before tax (£million)

£21.1m

+70.3%[4] 2014

2015	21.1
2014 (52 weeks)	12.4
2014	12.6
2013	4.4

Net debt (£million)

£31.6m

-15.6% 2014

2015	31.6
2014	37.4
2013	86.2

1. Total sales for all stores – see note 2 on page 82 for the definition of revenue.
2. Details of adjusted EBITDA can be found on page 91.
3. Underlying operating profit is operating profit before exceptional items and property gains and losses.
4. Adjusted for the 53 weeks' trading in 2014.

Leading in neighbourhood convenience

Sharon Brown
Interim chairman and non-executive director

Sharon Brown

I am pleased to report another strong year, driven by our desire to bring ever-greater convenience to the UK's neighbourhoods.

Performing well

In 2015, our first full year as a public company, we continued to grow. Total sales increased by 3.1% and adjusted EBITDA[1] also grew by 3.1% (both adjusted for the 53rd week in 2014).

Further details of our trading performance are included in the financial review on page 23.

Making the most of our listing

We have continued to capitalise on our listing on the London Stock Exchange's main market in 2014. As planned, we have used funds to fuel and accelerate our performance in neighbourhood convenience, raising our profile and strengthening our brand by opening 60 new convenience stores in the year.

Development of our board and governance

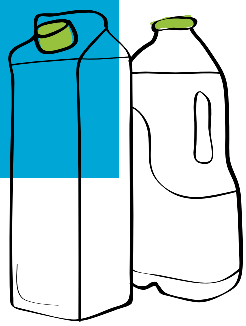
In October 2015 John Coleman stepped down as non-executive chairman in order to focus on new opportunities and I was appointed interim chairman. We would like to thank John for his hard work and everything he has done for McColl's during a time of great change and progress for the business.

In November 2015 we announced that, as stated at the time of the IPO, James Lancaster would step down as chief executive. We are currently looking to find his replacement. Once the new chief executive is identified, James will be appointed as non-executive chairman, until the annual general meeting (AGM) in 2017.

With a new chief executive and James as non-executive chairman we will have a strong succession. Building on the great growth and transformation achieved under the leadership of James and his experienced team, we will continue to take the business forward for future success.

1. Excluding exceptional items and property gains and losses.

We continue to extend the range of products we offer to our customers



As a listed company committed to delivering long-term shareholder value, we operate to high standards of corporate governance. This is implemented through our audit, remuneration and nomination committees and supported by our non-executive directors, myself included. Full details of the committees and their duties are contained in the governance section of this annual report and the reports from the nomination, audit and remuneration committees on pages 48, 49 and 52 respectively.

To support the ongoing growth of the business and in line with best practice, we are also seeking to appoint a further independent non-executive director, who will also serve on all three committees.

Making a great difference

I'd like to thank each and every one of our 18,956 colleagues for their outstanding contribution to the sustained success of our business. As a customer-focussed retail business, we are dedicated to providing a great, friendly service in local neighbourhood stores and our colleagues are the ones who make this happen.

Delivering dividend growth

The business continues to generate strong cash returns which we use to fund capital investment and a stated aim of progressive dividend payments to shareholders. The board is recommending a final dividend of 6.8 pence per share, making a total dividend for the period of 10.2 pence. This dividend will be paid on 31 May 2016, to shareholders on the register at the close of business on 29 April 2016, subject to approval at the forthcoming annual general meeting.

Looking forward

I believe we are on an exciting path at McColl's; a path that is seeing us strengthen our position as a leading UK neighbourhood convenience store business. The market remains competitive and fast-changing but we are confident that our position and chosen direction will continue to stand us in good stead. Looking forward, we will press on with our growth plans as we make the most of bringing convenience to the UK's neighbourhoods.

Sharon Brown
Interim chairman and non-executive director

Great neighbourhood stores across the UK

Through our network of 1,352 neighbourhood stores, our 18,956 dedicated colleagues serve 4.6m customers every week. We aim to continue to strengthen and grow our business by building on the key part our neighbourhood stores play in many people's daily lives.

McColl's RETAIL GROUP

McColl's Retail Group is the holding company for a portfolio of convenience store and newsagent brands.

Convenience

Our 893 convenience stores provide a great range of everyday products and services to local people living in neighbourhoods across the UK.

From a pint of milk in the morning to an evening meal, from an open-all-hours post office to a great selection of fresh fruit and vegetables and food-to-go, from the newspapers delivered to your door to internet collection and returns around the corner – our convenience stores are at the heart of the UK's neighbourhoods.

McColl's

Newsagents

With 459 newsagents across the country, we are the UK's No. 1 specialist confectioner, tobacconist and newsagent.

Our newsagents are not only a strong and established part of the business, but also provide a valuable foundation for our continued growth in convenience through our ongoing programme of conversions to convenience stores.

Martin's RS McColl

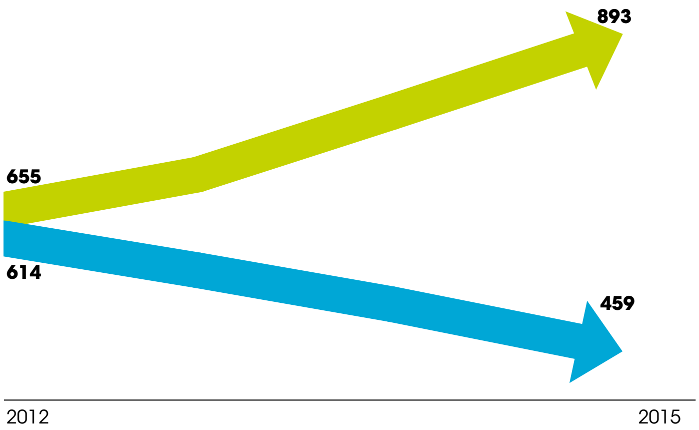
Our stores

893
Convenience

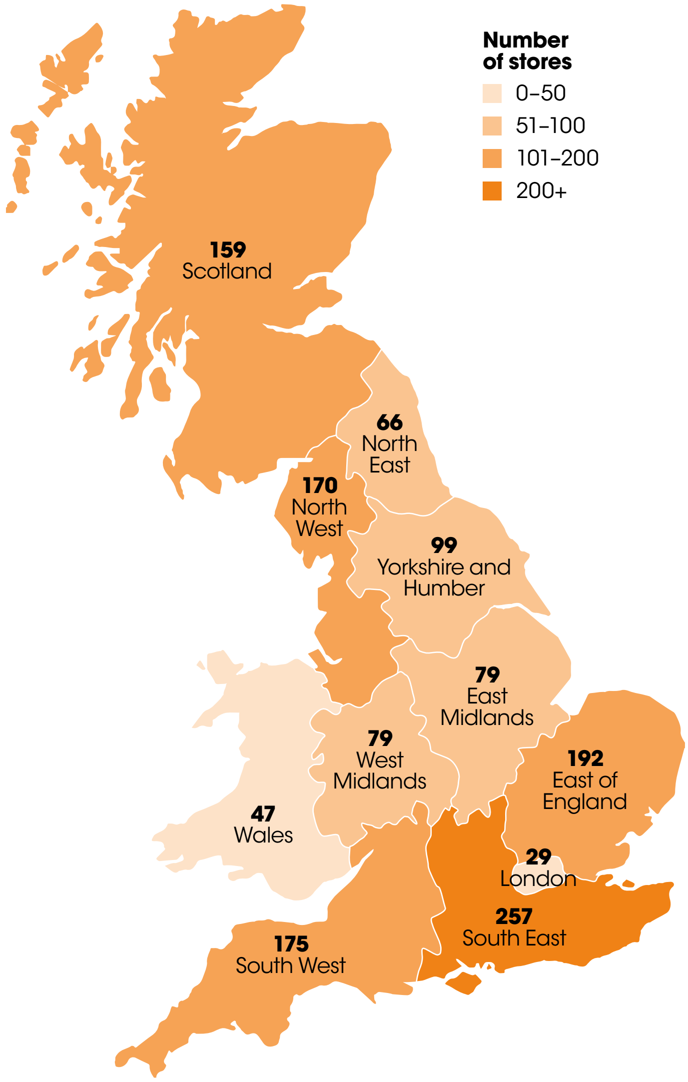
459
Newsagents

1,352
Total

Our change in focus – convenience is the future (store numbers 2012–2015)



Convenience stores
Newsagents stores



Serving our customers

We're deeply committed to serving our customers across the UK. Our long-standing link with the Basildon Triangle community is a great example – where a disaster proved to be the catalyst for a brand new store.

Page 14

Being there for neighbourhoods

We believe what's good for the neighbourhood is good for our business. At our recently acquired Malton store for example, offering more for the neighbourhood has led to a boost in sales.

Page 33

Making the most of food-to-go

We're putting a big emphasis on making the most of food-to-go, for our customers and our business. A key highlight here is the success of our first Subway franchise, in Tamworth.

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Forging ahead with neighbourhood convenience

James Lancaster
Chief executive

For us, 2015 was a year of continuing to focus on executing our strategy to maintain and enhance our position as a leading UK neighbourhood convenience business.

Meeting expectations
In terms of the numbers, we delivered in line with expectations, continuing to grow and improve on 2014. Total revenue, adjusted for the 53rd week in 2014, increased by 3.1%. Like-for-like sales decreased by 1.9% overall. Like-for-like sales in premium convenience (with a wider range of products) and food and wine decreased by just 0.6% – a strong performance in a challenging market and another confirmation of our strategic focus on neighbourhood convenience. Like-for-like sales in standard convenience and newsagents decreased by 4.0%.

We increased adjusted earnings before interest, tax, depreciation, amortisation, exceptional items and property gains and losses to £37.7m, up by 3.1% adjusted for the 53rd week in 2014. Operating profit before exceptional items decreased by £1.2m to £24.3m (2014: £25.5m); however, adjusting for the 53rd week and property gains and losses, underlying performance remained broadly flat.

Through continued cash generation, we reduced net debt by £5.8m. At the same time, we increased net capital expenditure to £22.7m compared to £19.3m in 2014.

We also took the opportunity in August 2015 to refinance our £85m revolving credit facility and £15m accordion facility on improved terms. We reduced interest costs and extended the period to August 2020 to give us even better medium-term funding security, which will help us execute our strategy with confidence. The results are covered in more detail in the financial review on pages 23 to 25.

Expanding the number and nature of our stores
We are well on our way to achieving our target of 1,000 convenience stores by the end of 2016. We acquired 60 new convenience stores and converted 45 newsagents to our food and wine format, bringing our total number of convenience stores to 893. With this 1,000 convenience stores target well within our reach, it's natural for our business to look to the next stage in our evolution. This will see us shifting our attention increasingly towards not only growing the number of convenience stores we have, but also expanding the range of products and services we offer in our stores. In 2015, for example, we put a targeted range of alcohol into 100 of our newsagents – a revenue-enhancing step with a high return on a small investment.

Evolving our stores
The way we are evolving our network of stores – to give our customers every kind of convenience they need on their doorstep – fits in well with the broader changes going on in the market. The buzz phrase is omni-channel shopping, where people are increasingly shopping in many different places and topping up more frequently, in person and online, rather than the old way of doing one bulk shop from one big store once a fortnight or so. This trend, as well as demographic changes, favours our focus on neighbourhood convenience. We want to be the store for everyone living within half a mile or so of our shopfront – the one our customers can come to for the things they need, and have the opportunity to work in too, if they like.

Bringing convenience and food-to-go together
In particular, we are moving on from a typical convenience store to one where the lines are blurred between convenience and food-to-go. We want to bring the two together in a new way for the UK's neighbourhoods. So of course we will continue to offer our customers milk, baked beans, newspapers and other everyday items, but we will also provide a great range of take-away food and drinks throughout the day – from morning coffees to late-night hot snacks.

Increasing our food-to-go offer
Coffee and sausage rolls in the morning, sandwiches and fruit pots at lunchtime, hot snacks and ready meals in the evening, fresh bread throughout the day are all available in our convenience stores – if you want food-to-go in your neighbourhood, we're there for you. This was a big focus for us in 2015. We now have a dedicated head of our food-to-go business, supported by trained teams and individuals across our stores. So we are putting a lot of effort behind the all-important people side of driving food-to-go sales. We are also investing in the necessary equipment. Through 2015, we rolled out 33 large format food-to-go modules across our stores and 115 smaller modules, which represents a big step forward for the group.

We are getting good growth from our food-to-go business – sales have significantly increased throughout the year – and we will continue to make this a key focus of our business into the future.

We are proud to be a leader in neighbourhood convenience

From a cup of coffee to a super Subway sandwich – food-to-go was a big part of our 2015 story

Total revenue growth

3.1%

4.1% 2014

2015	3.1%
2014 (52 weeks)	4.1%
2014	6.1%
2013	2.9%

Number of convenience stores

893

+11.8% 2014

Food-to-go growth up

£4.5m

+30.9% 2014

Partnering with Subway
We also opened a Subway franchise in one of our stores and as part of our strategy, we are running the franchise ourselves, enabling us to integrate it fully in the store and make the most of the enhanced food-to-go offer this popular brand brings. One particularly welcome advantage of partnering with Subway is that it helps to bring into our stores a younger group of customers. The launch of this addition to our food-to-go offer has been a great success and we plan to introduce more Subway franchises across our network.

Providing much-loved post office services
We acquired 72 new post offices in 2015 and now have 520 in our stores. We are the UK's No.1 post office operator – running more than the Post Office itself. Our modernisation programme continued, with a further 23 existing post offices being converted to the new format. Around 90% of our post offices have now been modernised. We always like to have a strong reason to be in a neighbourhood – to be more than just a great local shop. Often that means being the post office too; moreover, one which stays open as long as our stores do – so you can pop in late at night to post a package while topping up your shopping.

Offering a great range of neighbourhood services and opportunities
Post offices are just one example of our commitment to offering our customers an ever-greater range of neighbourhood services. We deliver newspapers to around 130,000 homes, for example. No other business makes as many paper deliveries, or creates as many opportunities for young people to earn some well-deserved pocket money. Moreover, with our commitment to offering local people great career opportunities, that first job delivering papers can turn into a part-time or permanent position in-store and onwards and upwards to management.

Alongside paper deliveries, we provide many other neighbourhood services such as lottery tickets, bill payment, cash machines and internet collection and return points – all just a short walk from where our customers live.

Continuing our loyalty scheme
Our dedicated *Plus* card loyalty scheme is proving to be a very successful way to thank our customers for shopping with us and strengthening our bond with them. To date we have nearly 450,000 loyalty card customers who now regularly use their card in store to access the great offers available to them.

Anticipating and responding
The market continues to be very competitive, with pressures for all players – from food price deflation to rising costs such as the increase in the National Minimum Wage and introduction of the Living Wage. But as a long established retail business with a very experienced leadership team we are used to anticipating and actively managing the challenges as well as seeing and capitalising on the opportunities – this is part of what makes retail so interesting and inspiring.

Our distinctive strengths

- **We focus on convenience stores within neighbourhoods**
- **We have a highly experienced management team**
- **Our 18,956 colleagues deliver high levels of friendly customer service**
- **We have national scale and brand awareness across the UK**
- **We offer a wide range of products and services to local customers**
- **We directly manage and develop our network of stores**
- **We invest in customer-facing information systems and ongoing improvements**

Average customers per week

4.6m

Average basket spend

£5.12

£4.97 2014

Number of colleagues

18,956

18,685 2014

Generating additional value from selling 100 newsagents
Although convenience is our focus, we have carried on continuously reviewing our portfolio of newsagents. As well as converting a further 45 newsagents to convenience stores, we also announced in October 2015 that after reviewing our portfolio we had decided to sell 100 newsagents (subsequently 3 have been withdrawn from sale). This sale will generate additional funds to reinvest in acquiring and enhancing convenience stores. This is an ongoing part of our neighbourhood convenience strategy.

Controlling costs
We kept a sharp eye on costs across the business and took a number of steps to control costs and improve efficiency. This included reducing headcount at our head office. We have industry-leading levels of stock loss. We also continually monitor all our running costs, achieving ongoing improvements in energy efficiency across our stores for example.

Streamlining our regional management
In 2015 we streamlined our regional management, so that we now have regional managers responsible for both the convenience stores and newsagents in their region. This was a natural change as the number of our convenience stores grows and the number of newsagents decreases progressively. It has helped us increase both efficiency and control.

Managing our trading times
As part of our ongoing efficiency drive, we have been managing our store trading times to make sure we stay open the optimum number of hours in each individual location. This store-by-store management is an example of our commitment to actively manage the business to achieve best results.

Looking ahead
As we look ahead to 2016 and beyond, for us it's essentially about continuing to execute our strategy with ever-greater intensity and success. More focus on neighbourhood convenience. More growth in our stores as we close in on our 1,000 convenience stores target. More expansion and enhancement of the products and services we offer to our local and loyal customers. More chilled, fresh and food-to-go options. More close cost control. More great jobs for our current and future colleagues. More positive impact on the neighbourhoods we live and work in. In short, more McColl's, as we continue to strive and excel at bringing the very best convenience stores to the UK's neighbourhoods.

Having led the business for over 40 years, I have seen it change and develop a long way from its earliest days to the strong and successful company it is today. As I prepare to step down as chief executive and take up the role as non-executive chairman, I am proud to say McColl's is in great shape and has an exciting future. I look forward to the company I know and love forging ahead in bringing ever-greater convenience to the UK's neighbourhoods.

James Lancaster
Chief executive

A great year for convenience

For a number of years now, our strategic focus has been on growing our neighbourhood convenience business. 2015 was a great year for us in this respect, as we closed in on our 1,000-stores target and advanced the range of products and services we offer through our stores.

February

We have had 11.5 million *Plus* card swipes since the scheme was launched

April

We rolled out our 100th new food-to-go module

Number of food-to-go modules rolled out

148

May

We converted our 150th newsagent to the food and wine format

June

We opened our 850th convenience store

Number of convenience stores open by the end of the year

893

August

We improved the terms of our existing borrowing facility – taking advantage of the opportunity to reduce the costs and extend the term

Reduction in interest rate

50 basis points

September

We opened our 500th post office

Number of post offices opened to date

520

October

We launched our first Subway franchise – an instant success

We raised £195,000 to help fund research into sudden death in young adults

We announced the sale of 100 newsagents to help fund further convenience store acquisitions and development

November

Re-opening of Basildon store after fire. Another example of delivering for a local community

There for the Triangle

We've been serving the Basildon Triangle community for many years – our original store was part of the parade of shops that opened there back in 1976. Over time, we've built up a lot of loyalty with local residents and we're proud to be a popular part of the neighbourhood.

But on 3 January 2013 disaster struck when a fire completely burned out the parade, forcing all the shops to close. We were very keen to open up for our customers as quickly as possible. Working closely with local residents and the council, we opened a temporary unit in September 2013 offering the majority of the products and services our neighbours had relied on us for.

Through 2015 we built the new permanent store, complete with a modernised post office and a great new range of chilled food and groceries. The Mayor of Basildon officially opened the new store on 20 November 2015 – a great start for the latest chapter in our Basildon Triangle story.

The development looks fantastic and is a vast improvement on the previous parade

Councillor Stuart Sullivan, the council's cabinet member for resources

Looking after our customers

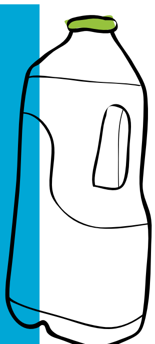
Making the most of our strength in convenience

We continue to focus ever more intently on the UK's growing convenience sector – providing access to great products and services to a growing number of neighbourhoods while capitalising on our position as the country's leading newsagent.

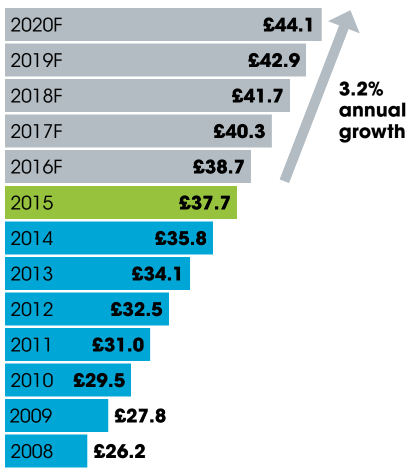
Convenience continues to grow

The convenience sector continues to grow. It accounts for an increasingly significant proportion of the UK grocery market, with sales of £37.7bn in 2015 comprising 21.2% of market share, compared to £26.2bn in 2008 (a 18.9% market share). This represents a compound annualised growth rate of 5.3%, compared to a 3.5% increase for the grocery market as a whole. In 2015 the convenience channel was over four times the size of online in the grocery market.

We are leading the way in bringing ever-greater convenience to the UK's neighbourhoods



Convenience sales value
(£billion) 2008–2020

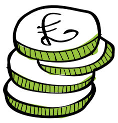


The convenience channel has seen another year of growth, up 5.1% year-on-year. This growth is in line with that of the previous year. Against a backdrop of a total grocery market which is growing at around +2%, the convenience channel continues to outperform.

Source: IGD research, years to April

Shoppers who do a top up every week

85%



+5% year on year

Source: him! research & consulting

Shoppers who don't do a 'main weekly or monthly shop'

30%

Source: him! research & consulting

Value of UK convenience

(£billion)

£37.7bn

+5.1% 2014

Source: IGD 2015 statistics

Modern shopper lifestyles are affecting the way we shop

Source: him! research & consulting

The Institute of Grocery Distribution (IGD) forecasts that the UK convenience sector will grow at an average of 3.2% per annum over the next five years, generating sales of £44bn and accounting for 22% of the grocery market by 2020.

Changing lifestyles favour convenience

The growth in convenience is driven by changing lifestyles, notably:

- people opting for less frequent big shops and more frequent small shops such as top-ups, meals-for-tonight, food-to-go and fresh food for the next few days;
- households as a whole wanting to shop for value and waste less food;
- the increasing number of single households in the UK;
- the ageing population;
- the growth in the female working population;
- increasing working hours resulting in less time to shop; and
- an improvement in convenience stores in terms of quality and new products and services such as internet collections and returns.

The convenience players

There are a number of different players in the convenience sector: multiples (owned and managed networks of convenience stores such as ours and those of the supermarket groups), symbols (networks of self-employed operators that share the same name above the door, such as Nisa or Spar), independents, petrol forecourts and co-operatives.

We are the second largest multiple convenience store operator in the UK, owning and managing a network of 893 convenience stores.

Greater competition and consolidation

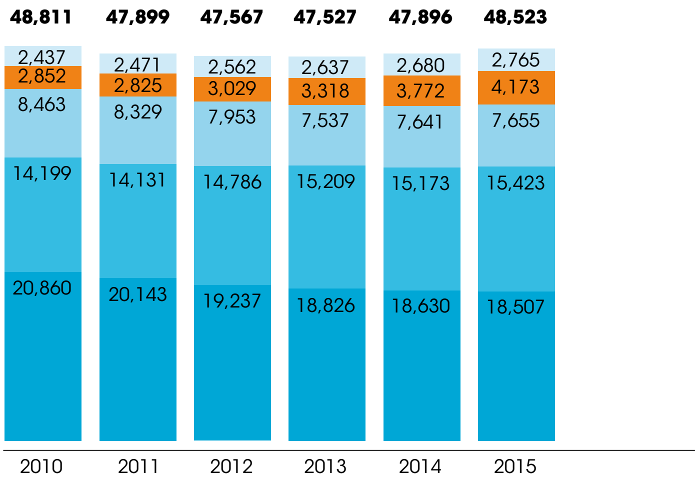
As the popularity of convenience stores increases so does the competition. As a result, the market is consolidating, with the number of symbols, multiples and co-operative stores increasing by 12.6% since 2009. In 2015 these groups accounted for 71.7% of convenience sector sales.

Multiples account for 21.8% of sector sales. According to the Institute for Grocery Distribution, the number of multiples increased from 2,812 to 4,173 between 2009 and 2015, the largest percentage increase of all the players over this period.

Market pressures

The market remains challenging for all players, with the broad trends of continued pressure on customers' disposable income, price-driven competition, decreasing food prices and rising costs, for example through increases in the National Minimum Wage. However, our focus on growing our premium convenience business – and the range of products and services we offer – provides the right response to these challenges.

Convenience stores by segment (2010–2015)



- **Independents**
- **Symbols**
- **Forecourts**
- **Multiples**
- **Co-ops**

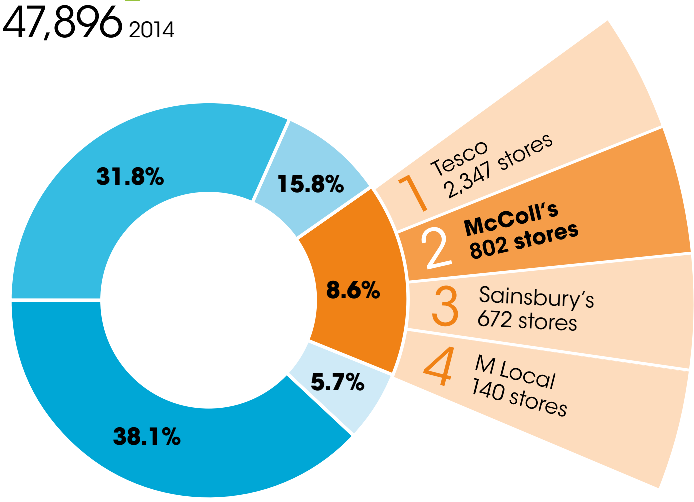
Multiples have experienced the fastest growth in store numbers over the last 12 months, increasing by 10.6% (+401 stores). Although representing the largest increase in store numbers, multiples still account for fewer than 1 in 10 stores. Co-operatives and symbol groups have grown store numbers by 3.2% and 1.6% respectively.

Source: IGD 2015 statistics

Number of UK convenience stores (2015)

48,523

47,896 2014



Non-affiliated independents – 18,507
Groups of 10 or fewer convenience stores under the same ownership

Symbol groups – 15,423
All independent and multiple retailers that are affiliated to a symbol group

Forecourts – 7,655
Forecourt multiples (company owned stores of 10 or more in number, which are operated by oil companies or supermarkets), Forecourt dealers (dealer-owned and operated stores which are filling station based, not operated by oil companies or supermarkets) and joint ventures between oil companies and supermarkets

Convenience multiples – 4,173
Retailers with 10+ convenience stores with no symbol group affiliation at retailer level (though some may be members of buying groups). May form part of wider multi-format retailers e.g. M&S, Sainsbury's, Tesco

Co-operatives – 2,765
Sales from convenience stores from the 19 active trading societies

Source: IGD 2015 statistics

Top-up shopping and food for now and later are big value generators

Shoppers topping up and people looking to buy food for now and later tend to spend more. They are also key in driving the value growth in our sector. That's good for our neighbourhood convenience-focussed business.

A valuable platform for growth

Our network of newsagents has provided us with a valuable platform for growth. The newsagent sector is highly fragmented, with a few large players such as ourselves and many smaller, independent operators.

We capitalise on our strength in newsagents to generate revenue and cash for the group, meet the needs of neighbourhoods across the UK and provide a great foundation for our focus on growth in convenience. Since 2011, we have been converting a number of our newsagents to food and wine convenience stores, enabling us to offer a wider range of products and services to neighbourhoods and, in turn, boosting our revenue and profit. In 2015, we converted a further 45 newsagents in this way, bringing the total number of conversions to date to 180.

Building on our distinctive neighbourhood convenience offer

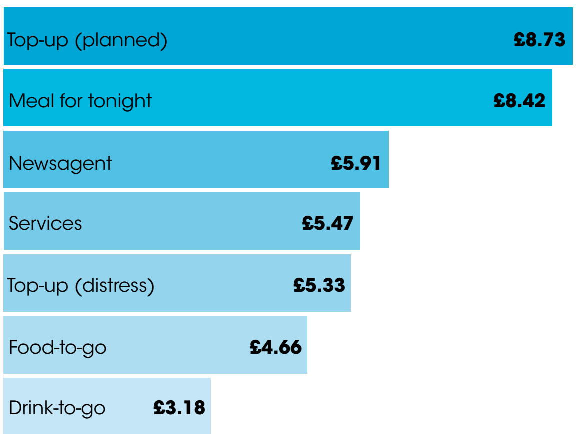
With our long-held focus on convenience and our experience in running and developing a strong network of neighbourhood stores, we are well placed to make the most of the growth opportunities in UK convenience.

Our network of managed convenience stores is unlike any other. We have neighbourhood stores at the heart of where people live, rather than on the high streets near where people work or with purely passing trade. Moreover, our stores offer local people excellent everyday products and services at great value provided by friendly staff who are always happy to help, and often live nearby themselves. So in terms of both where they are, what they offer and the part they play locally – our neighbourhood convenience stores stand out.

Building on this distinctive offer, we aim to continue increasing our convenience stores from 893 at the financial year end to 1,000 by the end of 2016 through acquisitions of new stores, mainly independents and symbols, and ongoing conversions of our newsagents. At the same time we will progressively expand the range and quality of products and services we offer neighbourhoods across the UK through our network of stores on their doorstep.

Top-up and evening meal shoppers have highest trip spend

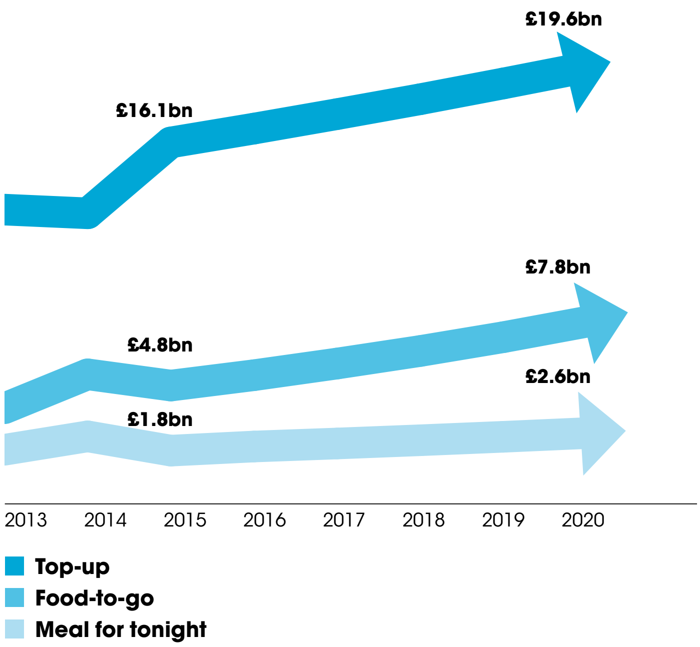
(Average spend on shop items (£))



Source: him! research & consulting

Food for now and food for later will continue to drive the value growth in our market

(Mission value to convenience sector)



Source: IGD 2015 statistics

Our business model

Our goal is to strengthen and extend our position as a leading UK neighbourhood retailer through our strategy focussed on growing our convenience store business.

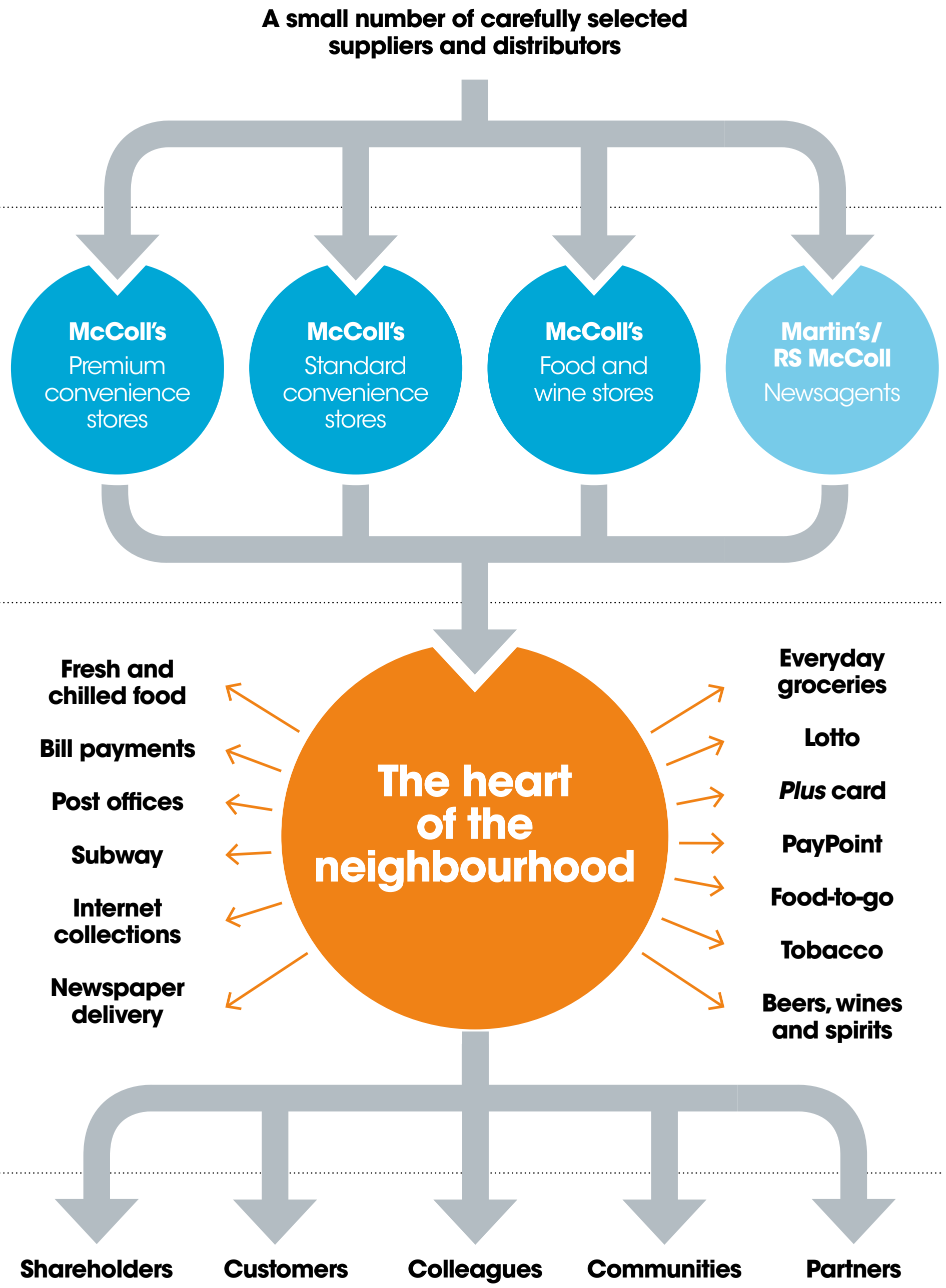
To implement our strategy we have a simple business model that puts the neighbourhood at the heart of everything we do:

A well-managed and efficient supply chain

Supplying our growing retail network across the UK

Delivering great products and services at the heart of the neighbourhood

Bringing value to all our stakeholders



Our progress against our strategy

We have five key strategic priorities:

Priority		Description	Progress in 2015	Risk factors
1	**Extend our network of convenience stores**	We acquire new stores and convert our newsagents to convenience stores by adding a range of groceries and alcohol and extending opening hours.	• We acquired 60 stores in 2015. • We converted 45 newsagents into food and wine stores. • We upgraded a further 100 stores to include a focussed alcohol offer.	• Business strategy • Finance and treasury
2	**Focus on our customers and brand**	We get close to our customers and do everything we can to understand and meet their everyday needs. We give our customers great, friendly service. We seek to build loyalty and the strength of our brands and reputation in the neighbourhoods we serve.	• We continued to build on our dedicated *Plus* card loyalty scheme for our customers and have nearly 450,000 customers actively using the scheme. • We upgraded a further 12 convenience stores to our bright, modern format as well as applying it to all acquisitions and food and wine conversions.	• Business strategy • Competition • Customer proposition • Economy • Regulation
3	**Expand our range of products and services**	We offer an ever-greater range of products and services to meet the everyday needs of neighbourhoods across the UK.	• We rolled out 33 large format food-to-go modules and 115 smaller modules. • We opened our first Subway franchise. • We modernised a further 23 of our post offices; over 90% of our 520 post offices are now in the modern format.	• Business strategy • Competition • Customer proposition • Economy • Regulation • Supply chain
4	**Ensure operational efficiency**	We focus on maximising operational efficiency across our network of directly owned and managed stores. We achieve this in a number of ways, including highly effective EPoS systems, close communication between head office, the stores and area and regional managers, strong relationships with suppliers and the dedication of our outstanding colleagues across the group.	• We streamlined our regional management. • We rationalised head office roles. • We continued to monitor and reduce energy costs.	• Business strategy • Information technology • Operational cost base • Supply chain
5	**Make the most of being at the heart of the neighbourhood**	We seek to play an ever-bigger and more positive role in the neighbourhoods we serve. From raising funds to support local good causes to employing local people and giving them rewarding career paths – we make the most of every opportunity to play a great long term role in the UK's neighbourhoods.	• In the period we had 175 active apprenticeships, delivered approximately 6,000 hours of new starter induction training and 413 colleagues completed the Managing Our Business programme to transition them to becoming store managers. • For the third year running, we raised money to help research into sudden death in young adults through our group-wide Halloween fundraising initiative, raising £195,000. We also raised money for good causes across our neighbourhoods through the Make A Difference Locally campaign and the now UK-wide 5p charge on plastic bags.	• Business strategy • Competition • Customer proposition • Regulation

Our key performance indicators

We use six key performance indicators (KPIs) to monitor the performance of the group. We will keep KPIs under review to ensure they remain appropriate and are linked to remuneration policy. We show how we performed against our current KPIs below:

Revenue[1]

£932.2m

+3.1% 2014

Total revenue grew by 3.1%, adjusted for the 53 week period in 2014, reflecting additional sales from our increasing number of stores and our increasing focus on convenience within those stores.

Like-for-like sales[2]

-1.9%

-2.6 ppts 2014

Like-for-like sales decreased by 1.9%, a combination of the relatively low decrease of 0.6% across our growing network of premium convenience stores and food and wine stores, and a 4.0% decrease across our standard convenience and newsagents.

Adjusted EBITDA[3]

£37.7m

+3.1% 2014

Adjusted EBITDA increased by 3.1%, adjusted for the 53 week period in 2014.

Convenience stores[4]

893

+11.8% 2014

The number of our convenience stores increased by 94 in 2015 (2014: 92) to 893 (2014: 799). This growth came from a combination of acquiring new stores and converting newsagents.

Earnings per share[5]

15.9p

+1.9% 2014

Earnings per share increased by 1.9%.

Underlying operating profit[6]

£24.0m

-0.4% 2014

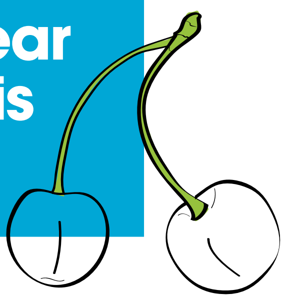
Underlying operating profit for the period decreased by 0.4%, adjusted for the 53 week period in 2014.

1. Total sales for all stores – see note 2 on page 82 for the definition of revenue.
2. Like-for-like sales from stores that have traded throughout the current and prior periods, and includes VAT but excludes sales of fuel, lottery, mobile phone top-up and gift cards.
3. Details of adjusted EBITDA can be found on page 91.
4. The number of convenience stores owned at the end of each financial period.
5. Earnings per share is stated before exceptional items. Details of the calculation of earnings per share can be found in note 11 on page 94.
6. Underlying operating profit is operating profit before exceptional items and property gains and losses.

A strong track record of sales and profit growth

Jonathan Miller FCA
Chief financial officer

Gross profit margins improved year on year by 20 basis points



In 2015 we delivered our fifth consecutive year of sales and adjusted EBITDA growth, capitalising on our convenience focussed strategy to generate returns for our shareholders.

Revenue

I am pleased to report that our full year revenue grew to £932.2m (2014: £922.4m), an increase of 3.1% having adjusted for the impact of the 53rd week in the prior period. This performance, supported by our acquisition and conversion programme, was achieved in spite of continuing strong headwinds in the retail sector in particular within food. Full year like-for-like (LFL) sales were down by 1.9%, however, in the final quarters of the year we delivered an improving LFL trend. Additionally, our premium convenience and food and wine stores, the prioritised focus of our recent investment, were only slightly down by 0.6% LFL.

Gross profit

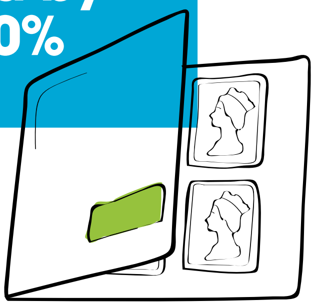
Gross profit margins improved year on year by 20 basis points, from 24.2% in 2014 to 24.4% in 2015. This increase reflects the more profitable mix of sales in convenience, as these stores become an increasing proportion of our portfolio. This improvement is set against a backdrop of competition in the sector and price deflation across a number of staple categories. Total gross profit grew to £227.5m (2014: £222.8m), an increase of 4.1%, adjusting for the 53rd week.

Operating profit

Operating profit increased by £1.6m, from £22.0m in 2014 to £23.6m in 2015. Operating profit before exceptional items decreased by £1.2m to £24.3m (2014: £25.5m); however, adjusting for the 53rd week and property gains and losses, underlying performance remained broadly flat. Although profit improvement was achieved through growing total revenues and improving gross margin, administrative expenses, before exceptional costs, increased as a percentage of revenue to 24.3% (2014: 24.2%). Whilst costs continue to be tightly managed across all business areas, the increase reflects the higher cost structure in convenience stores.

Other operating income before exceptional income reduced from £25.7m in 2014 to £23.6m in 2015, reflecting the additional week's trading in 2014 and £0.7m lower profit on asset disposals.

Profit on ordinary activities before taxation increased by almost 70%



Net finance costs

£2.5m

£6.2m 2014

Dividend

10.2p

8.5p 2014

Exceptional costs in the period were £0.6m, which related to a first half programme of restructuring, undertaken in order to reduce future administrative overheads.

Net finance costs

As previously reported, we were able to substantially reduce our finance costs following our IPO in February 2014. In 2015 we saw a full year of these benefits, with net finance costs reducing to £2.5m (2014: £6.2m). During the course of 2015 we also entered into an improved working capital facility, improving the margin paid by at least 50 basis points.

Profit before tax

Profit on ordinary activities before taxation increased to £21.1m (2014: £12.6m), reflecting the significant exceptional costs incurred in 2014 and reduced finance costs. Excluding exceptional items, profit before tax increased by £2.5m or 12.9% year on year.

Taxation

The tax charge for the period increased to £5.0m (2014: £2.7m), representing an effective tax rate of 23.7% (2014: 21.6%) compared to the statutory rate for the period of 20.3%. This included a £0.7m deferred tax adjustment in respect of prior periods, without which the effective tax rate is 20.4%.

Earnings per share

Basic earnings per share increased to 15.4 pence (2014: 10.2 pence). Adjusted earnings per share, stated before exceptional items and the prior year deferred tax adjustment, increased to 16.5 pence (2014: 15.6 pence).

Dividends

I am pleased to confirm that the board has recommended a final dividend of 6.8 pence per share (2014: 6.8 pence), in line with our dividend policy. The total dividend for the period will therefore be 10.2 pence per share (2014: 8.5 pence).

Balance sheet

Following another year of profitable growth, total shareholders' funds at the end of the period increased by £8.8m to £126.0m (2014: £117.2m).

The book value of goodwill and other intangibles, property, plant and equipment increased by £8.1m to £210.3m (2014: £202.2m), driven by our programme of capital investment.

Current assets at the end of the period increased to £99.9m (2014: £87.3m). This was principally due to increased stockholding as sales grew and mix changed, alongside increased cash balances and the reclassification of 97 newsagents as assets held for sale. The cash generated from the disposal of these newsagents will be used to further invest in new stores to support our growth in convenience.

Our current liabilities increased to £135.8m (2014: £116.9m), reflecting higher trade and other payables, due to the impact of the 53rd week in 2014 reducing the prior year-end position.

Non-current liabilities reduced to £58.3m (2014: £61.9m), as we continued to reduce our borrowings and improve our gearing post IPO.

Pensions

We continue to operate two defined benefit pension schemes, both of which are closed to future accrual. The combined surplus in the two schemes improved by £4.8m to £6.1m (2014: £1.3m combined surplus).

Following the latest actuarial valuation of the schemes in 2013, agreement was reached with the trustees as to the future contribution level, which was set at £1.5m per annum, increasing annually by inflation. The next actuarial review is due in 2016.

Cash flow and net debt

We continued to generate strong operational cash flows. Net cash provided by operating activities for the period increased by over 25% to £43.5m (2014: £34.6m). This improvement was driven by increased pre-tax profits and a net cash inflow from working capital.

Adjusted EBITDA increased by £0.4m to £37.7m (2014: £37.3m). There was a working capital inflow in the period of £10.5m (2014: £2.3m outflow), as we reversed the impacts of the 53rd week in the prior year. This meant that the prior period included additional cash outflows, for example, 13 monthly payroll payments. The combined impact of these effects on working capital in the prior year was an outflow of £11.7m.

Net capital expenditure increased by £3.4m to £22.7m (2014: £19.3m). This reflects our continued programme of investment, predominantly relating to acquisitions and store developments. In the period we added 60 premium convenience stores, completed 45 food and wine conversions and delivered approximately 150 store food-to-go upgrades.

Net finance expense of £2.5m was £1.7m lower than the prior year, due to the lower cost capital structure post IPO.

The interim and final dividends paid in the period totalled £10.7m.

Net debt at the end of the period improved to £31.6m (2014: £37.4m), representing 0.8 times adjusted EBITDA.

Debt refinancing

During the period, the group entered into an improved £85.0m working capital facility. This improved facility not only extended the term, which now runs through until August 2020, but it also saw a reduction in the cost of borrowing by at least 50 basis points. At the end of the period drawings against this facility were £44.5m (2014: £46.0m).

Overall, I remain confident that we are in a strong financial position and have sufficient funding in place to deliver our strategy to profitably grow our convenience business. We have a great track record of growing sales and profits and will continue to work hard to maintain this progression.

Jonathan Miller FCA
Chief financial officer

Combined pension surplus

£6.1m

£1.3m 2014

Net debt

£31.6m

£37.4m 2014

Being a good neighbour

We are at the heart of many different neighbourhoods across the UK and are committed to playing our part responsibly.

From providing everyday access to great products and services to offering flexible job opportunities, from doing the right thing for the environment to donating to local charities – we actively seek to make a real long-term difference to the people and communities we live and work with.

This is essentially about being a good neighbour – a neighbour you like having close by and can rely on to be there for you.

Communities

Raising money at Halloween

It's a tradition now at McColl's – every Halloween for the past three years the whole group gets into the spirit of raising money for a great cause: research into sudden death in young adults. Every week in the UK, 12 apparently fit and healthy young people die suddenly from undiagnosed heart conditions. In 80% of cases, there are no signs or symptoms. Colleagues and customers across the group took part in a range of fundraising events and made in-store donations over Halloween. This year we raised over £195,000 for St George's, University of London, to help fund research.

Making A Difference Locally

We continue to take part in the Making A Difference Locally (MADL) campaign. The money raised goes to local good causes chosen by each store's manager and their customers – so it stays in the neighbourhood.

Turning plastic bags into charity funds

We continue to raise charity funds through the mandatory 5p charge on plastic bags. Since the extension of this rule in October 2015 to include the whole of the UK, we have been able to raise even more money for good causes. We are currently set to raise around £600,000 a year in this way. So far, we have donated over £66,000 to St George's, University of London, and over £68,000 to various local causes.

We actively seek to make a real long-term difference

Environment
As part of our commitment to being a responsible neighbourhood business, we aim to act in a sustainable way, through efficiency, recycling and compliance.

Improving energy efficiency
We have an ongoing commitment to improving our energy efficiency. Take fridges, our biggest energy user. By fitting glass doors to our new refrigeration, we save about 30% of the energy costs – which is good both for our bottom line and the environment. In addition, all new stores have energy saving LED lighting. Other initiatives include removing surplus or particularly inefficient equipment from our stores; undertaking measures such as last man out switches; and photocells that switch lighting on and off when areas aren't used. Many of our stores have live energy monitors, so we can see how much energy each stores uses in real time and actively manage them accordingly.

In 2015 we reduced our like-for-like energy consumption by a further 1.1%, building on reductions of 1.6% in 2014 and 5.6% in 2013. This is all the more impressive given that we've increased our chilled space – all of which requires energy.

Recycling packaging
Through our arrangements with our two key distributors we recycle plastic and cardboard used in our business. The same lorries that arrive with products leave with plastic and cardboard, so no additional miles are involved – it's a neat energy-efficient way to recycle packaging. So far, we have recycled well over 1,500 tonnes of waste.

Colleagues
Making all the difference
Just as we are at the heart of the UK's neighbourhoods, so our colleagues are at the heart of our business. Their commitment, friendliness and professionalism make all the difference. We invest in recruiting, retaining and developing great people, many of them from the local communities we serve. For example, we delivered approximately 6,000 hours of new starter induction training in this year alone. Also, the vast majority of our colleagues live a short distance from the stores they work in, so we are all bound together in the same shared neighbourhood enterprise.

Colleagues (full-time)
6,356
6,690 2014

Total number of colleagues
18,956
18,685 2014

CO_2 emissions (tonnes)
54,609
56,131 2014

Developing people

We are committed to equal opportunities for colleagues at all levels.

To help embed and build on our friendly professional way of working, we have an induction programme for our store-based colleagues. It includes modules on, for example, fresh foods in response to the ongoing growth and developments in our convenience business.

We also run an academy for area managers and a vibrant apprenticeship programme. Currently we have 175 apprentices across the group and offer a range of retail-based qualifications to other colleagues.

We also run a very successful onwards and upwards development programme for our colleagues, focusing on some of the key roles within the business. Many of today's store managers started out with us on a paper round or as sales assistants, underlining the career opportunities we provide and the role we play for local people.

Rewarding people

We offer a range of benefits for colleagues as well as flexible working opportunities. Through our employee handbook for example, we ensure everyone across the group understands what's available to them as well as what is expected of them. It's all part of our desire to foster a strong and enjoyable high-performing retail business.

Store colleagues (gender)

Male	36%
Female	64%

Senior managers (gender)

Male	86%
Female	14%

Directors (gender)

Male	60%
Female	40%

Length of service (years)

0-5	70%
5-10	18%
10-20	9%
20+	3%

Our responsible approach has five pillars

1

We are a UK business

From our roots in the business established by our chief executive James Lancaster in 1973, we have grown to become one of the UK's largest neighbourhood retailers across the country.

2

We support good causes

We support a variety of local, regional and national good causes and charities – from raising money across the group for research into sudden death in young adults to donating to local football teams.

Recognising people

We like to recognise the outstanding contributions of our people. One of the ways we do this is through rewarding long service each year. Many of our colleagues have been with us for many years – we're proud to have such a high level of loyalty. In 2015 we gave our Lifetime Achievement Award to John Walter, who has worked for us for over 40 years, starting out as a paperboy back in 1975 and working his way up to senior management.

We also hold annual Store Of The Year Awards to recognise exceptional contributions from across our network. 2015's Overall Store of the Year Winner went to Michael Elliott's store in Birch Hill, Bracknell. The judges were impressed by how Michael led his store to a year of profitable, sustainable growth.

Reflecting our ever-more intensive focus on food-to-go across McColl's, in 2015 we introduced a 10-week incentive across 7 food-to-go categories, awarding prizes to the winning store managers.

Human rights

We treat people in line with internationally proclaimed human rights principles. The group does not have a specific human rights policy; however, a number of policies are in place that demonstrate effective management of human rights issues in the business.

Health and safety

We continue to demonstrate our commitment to health and safety across the group.

Through our health and safety committee, strategy and forums, we take a consistent and collaborative approach to creating a safe place for our employees and customers.

In 2015, staff safety was a key focus. We invested in staff safety technology across key locations. We also worked closely with insurers, brokers and local authorities to advance our risk management, for example by increasing proactive risk management in stores. By improving the level of compliance across our business we saw a downturn in employee liability claims. In addition, we began to use technology to record risk assessments and incidents, to improve due diligence and enable us to react to incidents quickly. All these initiatives are managed and monitored through a health and safety governance group of executives and senior management.

3

We are a sustainable retailer

We are committed to achieving good environmental practice and strive to make a positive impact. To this end we aim to use materials and energy efficiently, recycle wherever possible, minimise waste and ensure we comply with environmental legislation.

4

We offer local services

We offer a variety of essential everyday services to local communities – from post offices to internet collections and returns, from delivering newspapers to food-to-go.

5

We employ local people

We employ and seek to develop the skills and potential of local people.

How we identify, assess and manage risk

We are committed to good corporate governance. To this end, we follow a sound risk management process closely aligned to our strategy.

Principal risks	Risk	Mitigation	Link to strategy
Business strategy	If the board either adopts the wrong strategy or fails to communicate or implement its strategies effectively, our aims may not be met and the business may suffer.	• Strategic development is led by the chief executive and senior management and scrutinised by the board. • Strategy is communicated via numerous channels. • Implementation plans are aligned to our strategic targets and monitored closely by the board.	1. Extend our network of convenience stores 2. Focus on our customers and brand 3. Expand our range of products and services 4. Ensure operational efficiency 5. Make the most of being at the heart of the neighbourhood
Competition	We operate in a competitive and currently deflationary market and compete with a wide variety of retailers locally and nationally. Failure to maintain market share could affect our performance and profitability.	• Competition is monitored and our flexible model enables the business to be adapted accordingly. • Customer trends are continually reviewed. • We work closely with suppliers to develop and enhance our offering.	2. Focus on our customers and brand 3. Expand our range of products and services 5. Make the most of being at the heart of the neighbourhood
Customer proposition	Our customers' shopping habits are influenced by broader factors and if we fail to keep our proposition aligned with their expectations they may choose to shop elsewhere and our revenues could suffer.	• Regular product reviews ensure customer needs and wants are met. • We have a customer focussed loyalty scheme. • We have a promotional programme to deliver great value.	2. Focus on our customers and brand 3. Expand our range of products and services 5. Make the most of being at the heart of the neighbourhood
Economy	All our revenue is derived from the UK. The continued challenging economic environment could reduce our customers' income and therefore affect our revenues.	• We offer both value products and premium brands, which lowers our exposure to a reduction in discretionary spend. • Our wide range of locations means we do not rely on any one site or geographical area. • We have a broad product and services category offering.	2. Focus on our customers and brand 3. Expand our range of products and services

Risk change in year

Increased Maintained Decreased

Principal risks	Risk	Mitigation	Link to strategy
Financial and treasury	The main financial risks are the availability of short and long term funding to meet business needs and fluctuations in interest rates.	• We have a committed £85m working capital facility available until August 2020. • Our treasury department forecasts and manages funding requirements. • The board approves budgets and business plans. • Our risks associated with financial instruments are disclosed in note 25 on pages 102 to 105.	1. Extend our network of convenience stores
Information technology	We depend on the reliability and capability of key information systems and technology. A major incident or prolonged performance issues with store or head office systems could adversely affect the business.	• All business critical systems are well established and are supported by an appropriate disaster recovery strategy designed to ensure the continuity of the business. • Regular testing is performed to ensure data is well controlled and protected.	4. Ensure operational efficiency
Operational cost base	We have a relatively high cost base, consisting primarily of employee, property rental and energy costs. Increases in these costs without a corresponding increase in revenues could adversely impact our profitability.	• We operate a flexible staff model aligned to revenue levels. • Property management is a key function with regular review processes in place. • We minimise energy costs by combining energy efficiency initiatives and forward purchasing.	4. Ensure operational efficiency
Regulation	We operate in an environment governed by strict regulations to ensure the safety and protection of customers, colleagues, shareholders and other stakeholders. These regulations include alcohol licensing, employment, health and safety, data protection and the rules of the Stock Exchange.	• We have clear accountability for compliance with all areas of regulation. • Our policies and procedures are designed to meet all relevant laws and regulations. • We train colleagues to be able to do their job whilst complying with all relevant rules and regulations. • We have a health and safety compliance steering group.	2. Focus on our customers and brand 3. Expand our range of products and services 5. Make the most of being at the heart of the neighbourhood
Supply chain	We rely on a small number of key distributors and may be adversely affected by changes in supplier dynamics and interruptions in supply.	• Our distribution partners are carefully selected and maintain their own contingency planning. • We monitor supplier performance including service level agreements and hold regular reviews and discussions with key players.	3. Expand our range of products and services 4. Ensure operational efficiency

The strategic report set out on pages 1-33 has been approved by the board and signed on its behalf by

Jonathan Miller
Director and chief financial officer
1 March 2016

Making a difference in our neighbourhoods

It's important as a retailer to be at the heart of the neighbourhood, providing a great service to the community

David Thomas,
Chief operating officer

Good for Malton

On 26 May 2015 we acquired a store in Malton. It had been running for a number of years and was situated in what is, for us, a classic neighbourhood location – serving a mix of around 900 households and passing trade. We quickly set about improving the store for the local community. We extended trading by 30 hours a week.

We made the cash machine free for withdrawals. We began offering a broad range of fresh and chilled food. We modernised the store layout. In short, we transformed it into a great example of a McColl's neighbourhood convenience store. The response from the local community has been fantastic, and the increase in store sales has been great too. It's a fine example of a McColl's truth: what's good for the neighbourhood is good for our business.

Board of directors' biographies

The board of directors is currently comprised of a non-executive interim chairman, three executive directors and one independent non-executive director.

Sharon Brown
Interim chairman*•†

Current directorships: Sharon Brown was appointed as an independent non-executive director on 7 February 2014. Following the resignation of John Coleman as chairman of the board, Sharon was appointed as interim chairman on 2 October 2015. Sharon is a non-executive director and audit committee chairman of Fidelity Special Values PLC, F&C Capital and Income Investment Trust plc and a director of Farm Park Limited and Delight Delicatessen Limited.

Expertise and experience: Sharon is a management accountant and has extensive financial experience, gained whilst finance director and company secretary of Dobbies Garden Centres Limited between 1998 and 2013. She also held a senior financial position within the retail division of John Menzies plc from 1991 to 1998. She is and has been audit committee chairman of a number of companies.

James Lancaster
Chief executive†

Current appointment: James Lancaster established the group in 1973, becoming group managing director in 1984, chief executive officer in 1990 and then chairman and chief executive in 1995. He was appointed chairman and chief executive of the listed holding company on 3 February 2014. Post IPO, James stepped down as chairman on 22 July 2014 to focus on his role as chief executive. As stated at IPO, James plans to step down as chief executive in 2016, once a successor has been identified. Due to James' extensive experience and retail knowledge, the nomination committee, after consulting with significant shareholders, recommended to the board that James be appointed as non-executive company chairman upon his resignation as chief executive, which the board duly approved.

Expertise and experience: James has over 40 years' of experience in the business and under his direction McColl's has grown to be a leading neighbourhood retailer and a true convenience store business with a strong market position in the UK. James successfully co-led a management buyout of the business in 1995, a secondary buyout in 2005, numerous acquisitions and the IPO in 2014.

Jonathan Miller
Chief financial officer

Current appointment: Jonathan joined the group in 1991 working initially as financial director of vending operations and subsequently in group finance. He was appointed finance director of the group's retail businesses in 1998 and chief financial officer in 2004. Jonathan was appointed chief financial officer of the listed holding company on 3 February 2014. He is the board member responsible for environmental social governance issues as well as human resources, including health and safety.

Expertise and experience: Jonathan has extensive experience of financial operations in a retail environment, as well as a broad knowledge across the business having managed the store development, human resources and information technology teams for a number of years. He has significant corporate finance experience and has successfully co-led the group through a number of corporate transactions including the IPO in 2014. Jonathan qualified as a chartered accountant with Deloitte.

David Thomas
Chief operating officer

Current appointment: David Thomas joined the group in 1998, initially as regional manager for convenience. He was appointed operations general manager in 2000 and operations director in 2005. David was appointed chief operating officer of the listed holding company on 22 July 2014.

Expertise and experience: David has extensive retail experience and has spent most of his career in operational roles within the supermarket and convenience sector. His retail career began at Iceland Foods where he was instrumental in the company's new store opening programme and the conversion of Bejam stores to the Iceland trading format. He then progressed to Southern Co-operative as operations manager and was responsible for developing their supermarkets into a modern convenience format.

Georgina Harvey
Independent non-executive director *•†

Current directorships: Georgina Harvey was appointed as an independent non-executive director on 7 February 2014. Georgina is also an independent non-executive director of William Hill PLC and Big Yellow Group PLC.

Expertise and experience: Georgina started her media career at Express Newspapers plc where she was appointed advertising director in 1994. She joined IPC Media Limited in 1995 and went on to form IPC Advertising in 1998, where she was managing director. Between 2005 and 2012, Georgina was managing director, regionals division and a member of the executive committee of Trinity Mirror.

* Remuneration committee member
• Audit committee member
† Nomination committee member

Directors' report

The directors have pleasure in submitting their annual report and audited consolidated financial statements for the period ended 29 November 2015.

McColl's Retail Group plc (the "company" or "McColl's", or "group") is a public company limited by shares; it was incorporated in England and Wales. The company's registered number is 08783477. Its shares are listed within the premium sector of the main market of the London Stock Exchange. The McColl's group has been operating for over 40 years. The principal activities of the group are described in the strategic report on pages 1 to 33.

Directors
The directors who held office during the year are shown on pages 34 and 35 together with their biographies. In addition, John Coleman served as the chairman of the company and nomination committee and as a member of the audit and remuneration committee until 2 October 2015.

Share capital
Details of the share capital from 1 December 2014 to 29 November 2015 are shown in note 26 of the financial statements.

The nominal value of the total issued ordinary share capital of the company throughout the year was £104,712.04, being divided into 104,712,042 fully paid ordinary shares of £0.001 each.

The rights attached to the shares can be summarised as follows:

- The ordinary shares rank equally for voting purposes;
- On a show of hands each shareholder has one vote and on a poll each shareholder has one vote per ordinary share held;
- Each ordinary share ranks equally for any dividend declared;
- Each ordinary share ranks equally for any distributions made on a winding up of the company;
- Each ordinary share ranks equally in the right to receive a relative proportion of shares on the event of a capitalisation of reserves;
- The group has an Employee Benefit Trust (EBT) for the benefit of employees and former employees of the group. Currently the EBT holds no ordinary shares in the company.

Restrictions on transfers of securities
As at 29 November 2015, the ordinary shares are freely transferable with the following specific exception:

The directors and employee shareholders, in accordance with the underwriting agreement, are prohibited from selling their shares for 365 days after the date of admission and for the following 12 month period after the expiry of the prohibited period, only to dispose of their shares through the company's broker Numis so as to maintain an orderly market. As at 1 March 2016 the exemption disclosed has lapsed.

However, in compliance with the company's share dealing code, the directors, designated employees and their connected persons require approval to deal in the company's shares. There are no restrictions on the transfer, or limitations on the holding of ordinary shares.

The company is not aware of any other agreements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Amendment to the company's articles of association
The company may alter its articles of association ("articles") by special resolution passed at a general meeting of the company.

Substantial shareholdings
Information on major interests in shares provided to the company under the Disclosure and Transparency Rules (DTR) of the UK Listing Authority is published via a Regulatory Information Service and on the company's website at www.mccolls.co.uk.

As at year end and as of 1 March 2016 (being the last practical day before printing) the company has been notified of the interests given on page 37 which represented 3% or more of the ordinary shares of the company. This information was correct at the date of notification. It should be noted that these holdings may have changed since notified to the company. However, notification of any change is not required until the next applicable threshold is crossed.

Board balance and composition
At the beginning of the financial year, the board of directors was comprised of 6 board members. Excluding the chairman (who was independent on appointment), 2 were independent non-executives and 2 were female board members. As at 29 November 2015 the board has 5 members. Excluding the interim chairman (who was independent on appointment and female) 1 director is a female independent non-executive. Since the beginning of the financial year on 1 December 2014, the following changes have been made to the board:

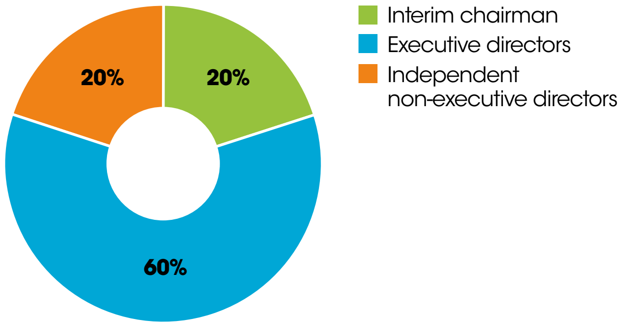
- On 2 October 2015, John Coleman resigned as an independent non-executive director and chairman of the board and Sharon Brown was appointed as interim chairman.
- In addition, on 2 October 2015, John Coleman resigned as the chairman of the nomination committee and was replaced by Sharon Brown on 6 October 2015. He also ceased being a member of the audit and remuneration committees.

Directors' interests
Although the directors are not required to hold shares in the company under the articles or under their letters of appointment or service agreements, all of the directors do hold shares in the company and details of their shareholdings can be found in the directors' remuneration report on page 67.

Directors' indemnities and insurance
As is standard practice for listed companies, the company has granted third party indemnity to each of its directors against any liability that attaches to them in defending proceedings brought against them to the fullest extent permitted under English law. In addition the company has in place directors' and officers' indemnity insurance and specific public offering and securities insurance, which commenced on 28 February 2014 with a 6 year run-off period.

Appointment and replacement of directors
The rules regarding the appointment and replacement of directors are contained in the company's articles. These state that any person willing to act as a director may be appointed by ordinary resolution of the company's shareholders. In addition, the board may appoint any person willing to act as a director, but they may hold office only until the next annual general meeting (AGM) and then shall be eligible for election. The company must have not less than two directors.

Board composition
(as at 29 November 2015)



Under the articles each director is required to retire from office at the third AGM after the AGM at which he or she was last elected or re-elected although he or she may be re-elected by ordinary resolution if eligible and willing. As the company is outside of the FTSE 350 the company is not obliged to comply with provision B.7 relating to the annual re-election of directors. However, the directors wish to be transparent in all their dealings and accordingly, all of the directors will submit themselves for annual re-election by the shareholders at the AGM. The company is therefore in complying with this provision of the code.

The company may by special resolution remove any director before the expiration of his or her period of office or may, by ordinary resolution, remove a director where special notice has been given and the necessary statutory procedures are complied with.

Details of the independent non-executive directors' letters of appointment are given on page 45 under Role of the independent non-executive directors. The executive directors have service contracts under which 12 months' notice is required from either party.

Substantial shareholdings
The substantial shareholdings in the table below represent those interests notified to the company in accordance with the DTR of the UK Listing Authority, which may have changed since notification to the company.

	As at 29 November 2015		As at 1 March 2016 (last practical printing date)	
Shareholder	Number of shares held	Percentage	Number of shares held	Percentage
James Lancaster[1]	11,399,500	10.9%	11,399,500	10.9%
Jonathan Miller[1]	11,399,500	10.9%	11,399,500	10.9%
FIL Limited[2]	10,467,853	10.0%	6,254,385	6.0%
Premier Fund Managers Limited[3]	6,127,500	5.9%	5,090,000	4.9%
Aberforth Partners LLP[2]	5,376,800	5.1%	5,376,800	5.1%
Miton Asset Management Limited[3]	4,852,592	4.7%	4,852,592	4.7%
Laxey Partners Limited[3]	3,900,000	3.7%	4,267,360	4.1%
Henderson Global Investors Limited[3]	3,297,718	3.2%	3,297,718	3.2%

1. The ordinary shares held by James Lancaster and Jonathan Miller include shares held beneficially via various individual holdings of connected persons (as defined in sections 252 to 255 of the Companies Act 2006).
2. Held indirectly.
3. Held directly.

Powers of directors
The general powers of the directors are set out in article 94 of the company's articles (the "articles"). This provides that the business of the company shall be managed by the board which may exercise all the powers of the company, subject to any limitations imposed by applicable legislation or the articles. The general powers of the directors are also limited by any directions given by special resolution of the shareholders of the company which are applicable on the date that any power is exercised.

Compensation for loss of office
The company does not have arrangements with any director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the directors' remuneration report on page 65.

Employee engagement
The group employs 18,956 employees and had 6,356 full time equivalents at the period end.

The group actively involves its employees in the business and ensures that they are engaged in matters impacting them. This includes consulting with employees or their representatives on a regular basis so that the views of employees are understood by the management and can be taken into account in making decisions which are likely to affect their interests. This is primarily achieved via senior management meetings and briefings.

Employees are also made aware of the financial and economic factors affecting the performance of the group via newsletters and briefings by management. The group encourages the involvement of employees in the group's performance through operation of a bonus scheme which applies to 133 employees and provides an incentive to the employees.

The group provides its employees with a variety of opportunities to learn new skills that will help them to develop and be successful in their careers. This includes using a combination of video learning, distance learning modules, on-the-job coaching and some classroom based workshops where applicable. In addition all employees receive induction training when they commence employment with the group.

For those employees wishing to progress, we operate the "Onward and Upward" development programme focussing on some of the key roles within the business. Each individual is provided with a tailored training plan based on their current job knowledge and skills set to help them achieve their career goals.

The group also works in partnership with Skillnet, a national provider of vocational qualifications, offering opportunities to all eligible colleagues to gain retail based qualifications whilst working in their current role.

The directors recognise the importance of ensuring the highest standards of health and safety are maintained for employees, customers and others who may be affected by the activities of the business.

The group is committed to being an equal opportunities employer and aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or on any other basis. The company's policy and procedures are designed to provide for full and fair consideration and selection, including disabled applicants, to ensure they are properly trained to perform safely and effectively and to provide career opportunities that allow them to fulfil their potential. Where an employee becomes disabled in the course of their employment the group will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

Directors' statement of disclosure of information to auditors
Having made the requisite enquiries, the directors in office at the date of this annual report and accounts have each confirmed that, so far as they are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each of the directors has taken all the steps he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the group's auditors are 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.

External auditors
Deloitte LLP have given their independent report on the financial statements to the shareholders of the company on pages 72 – 77.

Annual general meeting (AGM)
The board welcome the opportunity to meet with shareholders at the AGM which will be held on 19 April 2016 at 2.00pm at the registered office: McColl's House, Ashwells Road, Brentwood, Essex CM15 9ST.

Dividend
The board targets a progressive dividend policy to reflect the cash flow generation and earnings potential of the group. Assuming that there are sufficient distributable reserves available at the time, the board will normally distribute a dividend of approximately 60% of the group's annual reported profits before exceptional gains and after tax. The board intends that the company will pay an interim and a final dividend in the approximate proportions one-third and two-thirds respectively of the total expected annual dividend.

The directors have proposed a final dividend of 6.8 pence per share, amounting to £7.1m, which is subject to shareholder approval at the AGM. Provided shareholder approval is received the final dividend will be paid on 31 May 2016 to those shareholders on the register at the close of business on 29 April 2016.

Reappointment of auditors
The board confirms that Deloitte LLP was originally appointed to the group in 2006 (when it was a private limited group), and last rotated the audit partner during the year ended 30 November 2014. The board also recognises that under the terms of the Code, a FTSE 350 company should tender the external audit contract at least every 10 years.

As the company is outside of the FTSE 350 the company is not obliged to comply with provision C3.7 of the code, relating to the tendering of the external auditor every 10 years. The board also recognises the commercial advantages of tendering the audit regularly. However, the relevant audit period only commenced upon listing on the London Stock Exchange, which was in February 2014. Accordingly, the company has until 2024 to tender the external audit. The auditors Deloitte LLP have indicated their willingness to continue as the company's auditors and accordingly, a resolution to reappoint Deloitte LLP as auditors of the company and the group will be proposed at the 2016 AGM.

Authority to allot shares
The company was granted a general authority by its shareholders at the 2015 AGM to allot shares up to an aggregate nominal amount of £34,904. The company also received authority to allot shares for cash on a non pre-emptive basis up to a maximum nominal amount of £34,904. As at the date of this report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2016 AGM unless revoked, varied or renewed prior to that meeting. Resolutions will be proposed at the 2016 AGM to renew these authorities.

Authority for the company to purchase its own shares
The company was granted authority by its shareholders at the 2015 AGM to purchase up to 10,471,204 of its ordinary shares. As at the date of this report, no ordinary shares have been purchased under this authority and, therefore, the company may purchase up to 10,471,204 ordinary shares under its existing authority. This authority will expire at the conclusion of the 2016 AGM unless revoked, varied or renewed prior to that meeting. A resolution will be proposed at the 2016 AGM that the company be authorised to purchase up to approximately 10% of its ordinary shares at the directors' discretion. If the resolution is passed, the new authority will replace the existing authority and will lapse at the conclusion of the 2017 AGM.

Financial risk management
The group manages its risks to ensure that the group's performance is not adversely affected by its exposure to financial risks resulting from its operation and sources of finance. Financial risk management objectives and policies, including information on financial risks that materially impact the group can be found in note 25 of the group financial statements.

Going concern
In making their going concern assessment the directors have considered the group's business activities, its financial position, the market in which it operates and the factors likely to affect its future development. The financial position of the group, its cash flows and liquidity position are set out in the financial statements section on pages 78 to 113. Furthermore, note 25, page 102 to the consolidated financial statements includes the group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The directors have reviewed the group's forecasts, taking into account a range of sensitivities, and how they impact headroom against its bank facilities, and its ability to meet its capital investment and operational needs.

In August 2015, the company announced it had signed an amended £85.0m revolving credit facility plus a £15.0m accordion option expiring in August 2020. The group has net current liabilities of £35.8m at the period end. The directors have additionally considered this position to determine if it presents any going concern issues. The group is profitable and cash generative and is supported by the revolving credit facility. As at 29 November 2015 £44.5m was drawn against the facility, and therefore there is sufficient headroom to meet the group's debts as they fall due.

The directors believe the group is in a strong financial position due to its profitable operations and strong cash generation and that the group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The directors have made this assessment after consideration of the company's budgeted cash flows and related assumptions and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the UK Financial Reporting Council in September 2014.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, the directors have assessed the prospects of the group over a longer period than the 12 months required by the 'going concern' provision. The directors have assessed the viability of the group over a three year period through to 2018 which coincides with the group's strategic review period.

This assessment has considered the potential impact of the principal risks on the business model, future performance and liquidity over the period. In making this statement the directors have considered the resilience of the group under varying market conditions together with the effectiveness of any mitigating actions. As already described in the statement of going concern, as part of this assessment the directors have taken account of the group's revolving credit facility with accordion option which runs through to August 2020, strong track record of operational cash inflow and forward dividend cover. Additionally, the directors have reviewed the expected impact of government and legislative changes in particular the National Minimum and Living Wage, alongside the key financial ratios over the period e.g. EBITDA, operating profit, fixed charge cover and indebtedness. Finally it is noted that even in the event of a very severe impact on the business through continued food deflation and cost inflation, the business could reduce or suspend acquisitions activity, re-assess the dividend pay-outs and accelerate the newsagent disposal programme.

Based on this assessment, the directors have a reasonable expectation that the group will have sufficient resources to continue in operation and meet its liabilities as they fall due over the period to November 2018.

Post year-end events

Between 30 November 2015 and the date of this report there have been no material events.

Future developments within the group

The strategic report contains details of likely future developments within the group.

Political donations

The group did not make any political donations during the period (2014: £nil).

Charitable donations

The group donates 4p (net of VAT) from every carrier bag sale to specific charities in England, Scotland and Wales. In the period, the following donations were made:

Region	Charity name and number	Donation amount
England*	N/A	Nil
Scotland	Ronald McDonald House	£7,636.51
Wales	Hope House/Tyhafan	£3,857.09

* The scheme began on 5 October 2015. The group collected £66,496.12 from 5 October 2015 to 29 November 2015 and a donation was made in December 2015.

In total, the company raised £330,000 for local and national causes.

Listing rules

The following table provides cross-references to where the relevant required information by Listing Rule 9.8.4R for the period is disclosed.

Section	Listing rule requirement	Location
1	Interest capitalised	Not applicable
2	Publication of unaudited financial information	Not applicable
4	Details of long term incentive schemes	Directors' remuneration report on page 57
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participant in placing by a listed subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Agreements with controlling shareholder	Not applicable

Greenhouse gas emissions

The group is required to measure and report direct and indirect greenhouse gas (GHG) emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. This is the second GHG emissions report in line with UK mandatory reporting requirements set out by the Department for Environment, Food and Rural Affairs (DEFRA) and we have therefore expressed the report alongside the 'base year' of 2014 for comparison. The mandatory requirement is for the disclosure of the scope 1 and 2 emissions only. These are direct emissions such as heating, vehicle fuel and indirect emissions such as purchased electricity. The group's total GHG footprint in line with Section 7 at the Companies Act (Strategic Report and Directors' Report) Regulations 2013 is shown in the table below.

Emissions data for period 1 December 2014 to 29 November 2015

2014 (Base year)

Scope 1	**Tonnes CO_2(e)**
Fuel combustion (natural gas, vehicle fuels and other fuels)	2,125
Refrigerants	2,122
	4,247
Scope 2	
Purchased electricity	51,884
Total	56,131
Intensity – CO_2(e) tonnes per £100,000 of revenue	6.1

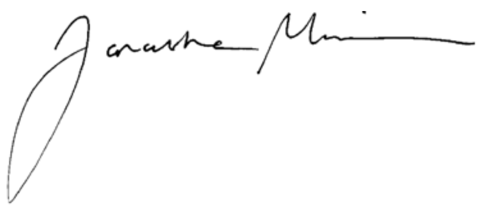
2015

Scope 1	**Tonnes CO_2(e)**
Fuel combustion (natural gas, vehicle fuels and other fuels)	1,931
Refrigerants	2,733
	4,664
Scope 2	
Purchased electricity	49,945
Total	54,609
Intensity – CO_2(e) tonnes per £100,000 of revenue	5.9

- The group has reported on all the measured emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013;
- The group has used the guidance as set out in DEFRA's Environmental Reporting Guidelines, including mandatory greenhouse gas emissions reporting guidance, dated June 2013;
- Emission factors are based upon UK Government conversion factors for Company Reporting 2015. The electricity emissions are based upon the reduced emission factor for electricity in 2015 reflecting the UK's increasing use of renewable energy in the overall electricity grid mix;
- The group has engaged a consultancy firm, BDO LLP, to oversee the collection of data and provide guidance on complying with appropriate regulations. The figures disclosed above for 2015 and the methodology used to collate the information have been reviewed and approved by BDO LLP;
- For electricity, gas and other fuels, consumption data has been extracted from billing information from 1 December 2014 to the date of the last bill received for each type of supply. Therefore some extrapolation has been required in order to calculate the full 52 week consumption figure;
- Petrol and fuel data has been collated from information received from the group's fleet management consultant;
- Refrigerant data has been calculated by reference to individual items of equipment and then extrapolating this based on an estimated level of equipment within each property used by the group; and
- An amendment has been made to the previously reported 2014 base figure to correct the inclusion of 237 tonnes CO_2(e) of gas emissions in the Scope 2 rather than Scope 1 emissions in 2014. This does not affect the overall reported CO_2(e) figure for 2014.

The strategic report, the directors' report and the directors' remuneration report were approved by the board.

Approved by the board and signed on its behalf:



Jonathan Miller
Director and chief financial officer
1 March 2016

Corporate governance report

Chairman's letter

Dear shareholder

Since the beginning of the company's financial year on 1 December 2014, the board has adopted compliance with the UK Corporate Governance Code 2014 (the "code") published by the Financial Reporting Council for reporting periods after October 2014.*

It is the opinion of the board that the company has been compliant with the provisions of the code throughout the year with the following exceptions:

- The code recommends that a chairman should be independent upon appointment and a chief executive should not go on to be chairman of the same company (code A.3.1). In the statement made on 26 November 2015, the board announced that once James Lancaster steps down as chief executive he will be appointed to the position of non-executive chairman of the company. Upon this appointment, the company will be in breach of this provision; however, in line with the code, major shareholders have been consulted and they are supportive of James' appointment as chairman until April 2017, given his extensive retail experience.
- The code recommends that the board should appoint one of the independent non-executive directors to the position of senior independent director (the "SID") (code A.4.1). During the 2014/15 period, the company did not appoint a SID. The board considered the role of the SID in light of the composition and requirements of the board and the needs of shareholders and decided that at this time such a position was unnecessary. The board will continue to consider whether the position of SID would benefit the board and shareholders and keep under review.

Following John Coleman's resignation on 2 October 2015 and the board's announcement on 26 November 2015 of James Lancaster's intention to step down as chief executive officer and to be appointed chairman until the AGM in 2017, the company is not currently in compliance with the following provisions:

- Code A.4.2 – The code recommends that the chairman should hold meetings with the non-executive directors without the executives present and the non-executive directors should meet without the chairman present at least annually to appraise the chairman's performance.
- Code B.1.2 – The code recommends that at least half the board, excluding the chairman, should comprise independent non-executive directors and that a smaller company should have at least two independent non-executive directors.
- Code B.2.1 – The code recommends that there should be a nomination committee which should lead the process for board appointments and make recommendations to the board regarding appointments and which comprises of a majority of independent non-executive directors.

* www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf

- Code B.6.3 – The code recommends that the non-executive directors should evaluate the performance of the chairman taking into account the views of the executive directors.
- Code C.3.1 – The code recommends that the board should form an audit committee of at least three, or in the case of smaller companies, two independent non-executive directors and that at least one member has recent relevant experience. In smaller companies the company chairman may be a member of, but not chair, the committee if he or she was considered independent on appointment as chairman.
- Code D.2.1 – The code also recommends that the board establish a remuneration committee of at least three, or in the case of smaller companies, two independent non-executive directors.

Accordingly, the company has commenced the recruitment of a new chief executive officer and independent non-executive director. It is the company's intention that during the current financial year this recruitment will be completed upon which the company will then comply with the above code provisions.

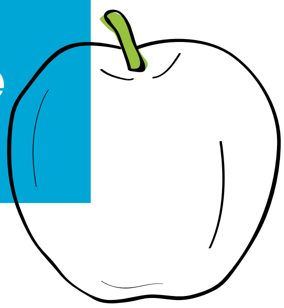
The board is committed to excellent corporate governance. The changes we are making to the board will enhance our compliance and, I believe, will help the company grow.

Yours sincerely

Sharon Brown

Sharon Brown
Interim chairman

The board is committed to excellent corporate governance



Role of the board

The board is responsible for the effective oversight of the company. It also agrees the strategic direction that will achieve the long term success of the company and deliver shareholder value. The board takes the lead in areas such as strategy, financial policy and making sure we maintain a robust system of internal controls.

Each year, the board meets to set annual objectives for the business in line with the current group strategy. The board monitors the achievement of the company's objectives through board reports which include updates from the group chief executive, chief financial officer, chief operating officer and other key personnel. The board has a rolling annual agenda of items that are to be considered by the board and this agenda is continually updated to include any topical matters that arise.

Matters reserved for the board

The board has approved matters reserved for its own consideration which details the board's role and purpose to ensure that it fully discharges its responsibilities. At least annually, the board undertakes a review of its matters reserved for the board to ensure it is in line with best practice, the code and other regulatory requirements. The board is responsible for a number of matters including: strategy; financial items; internal control; third party contracts; material legal and pension matters; shareholder communication; and senior group appointments.

Board committees

The board delegates specific responsibilities to committees so that the board can operate effectively and efficiently and give the right level of attention and consideration to relevant matters. The board has established the following committees: audit, nomination and remuneration. A report from each committee is set out on pages 48 to 69. The role and responsibilities of each board committee are set out in formal terms of reference which are determined by the board. The chair of each committee reports to the board after each committee meeting on the matters discussed and minutes of each meeting are provided to the board for information. The terms of reference of the committees are available at www.mccolls.co.uk/investor.aspx. Capita Company Secretarial Services Limited serves as secretary to these committees.

The board has also delegated to the chief executive officer the responsibility for implementing the group's business model and for the day-to-day operational management of the group. The chief executive officer is supported in carrying out his responsibilities by the chief financial officer, chief operating officer and the operations board.

The board meets at regular intervals and has met 5 times during the period since 1 December 2014. The directors' attendance at board and committee meetings during the period is given below. The board chairman and committee chairman are supported by the company secretary in running these meetings. The directors are

Board meetings and other activities

February 2015 – February 2016

17 December 2014
Remuneration committee

18 February 2015
Board meeting, nomination committee, remuneration committee, audit committee

2 March 2015
Sub board call

19 April 2015
Board meeting and AGM

23 July 2015
Board meeting, audit committee

6 October 2015
Board meeting

25 November 2015
Board meeting, nomination committee, remuneration committee, audit committee

	Main board	Audit committee	Nomination committee	Remuneration committee
Number of meetings held	5	3	2	3
James Lancaster	5	N/A	2	N/A
David Thomas	5	N/A	N/A	N/A
Jonathan Miller	5	N/A	N/A	N/A
Sharon Brown	5	3	2	3
Georgina Harvey	5	3	2	3
John Coleman*	3	2	1	2

* John Coleman resigned on 2 October 2015 and therefore was only entitled to attend 3 board meetings, 2 audit committees, 1 nomination committee and 2 remuneration committees.

encouraged to challenge and constructively comment on matters presented to the board. In addition the directors have ongoing dialogue on a variety of issues between board meetings.

The executive directors are invited to attend the relevant audit, nomination and remuneration committees although they do not have a vote with the exception of James Lancaster who is a member and can vote at the nomination committee.

Division of responsibilities

Role of the chairman and chief executive

Within McColl's there is a clear division between the respective responsibilities of the interim chairman of the board and the chief executive officer. The interim chairman is Sharon Brown who is responsible for setting the board agenda and leading the board's discussions and decision-making. The interim chairman promotes a culture of openness and debate by facilitating the effective contribution of the independent non-executive director in particular and ensuring constructive relations between executive directors and the independent non-executive director. The chief executive officer is James Lancaster who, through delegation from the board, is responsible for leading the group's operating performance and day-to-day management. This separation of responsibilities between the chairman and the chief executive officer, coupled with the schedule of reserved matters described above, ensures that no individual has unfettered powers of decision-making.

Role of the non-executive directors

The interim chairman and independent non-executive director have a broad range of skills and experience which assists both in formulating the company's strategy and in providing constructive challenge and support to the executive directors. Both the interim chairman and independent non-executive director are regarded by the company as independent within the meaning defined in the code and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The interim chairman and the independent non-executive director have letters of appointment setting out their duties and the level of commitment expected. The interim chairman and independent non-executive director were appointed for an initial 3 year term with typical tenure expected to be 2 x 3 year terms but they may be invited by the board to serve an additional term, subject to re-election by shareholders. They are expected to commit approximately 15-20 days per annum to their role.

Directors' induction and professional development

The company has in place an induction programme for new directors to provide them with a full, formal and tailored introduction on joining the board, which ensures that they attain sufficient knowledge of the company to discharge their responsibilities effectively. The programme includes meeting with senior management and advisers. The board calendar is planned to ensure that directors are briefed on a wide range of topics, including updates on financial and corporate governance and regulatory matters.

All directors are also given the opportunity to visit the group's stores and discuss aspects of the business with employees as well as internal briefings.

All directors have access to the advice and services of the company secretary who is responsible to the board for ensuring the board procedures are complied with and that directors have access to independent and professional advice at the company's expense, where they judge this to be necessary to discharge their responsibilities as directors.

Conflicts of interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the company, unless that conflict is first authorised by the directors. This includes potential conflicts that may arise when a director takes up a position with another company. The company's articles allow the board to authorise such potential conflicts, and there is in place a procedure to deal with any actual or potential conflict of interest. Should a director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the company, they should notify the board. The board deals with each appointment on its individual merit and takes into consideration all the relevant circumstances.

Board evaluation

The effectiveness and performance of the board is vital to the company's continuing success. An internal evaluation of the performance of the board and its committees was carried out during the year. An evaluation of the interim chairman's performance was considered unnecessary as Sharon Brown only took up the position of interim chairman in October 2015. The process of evaluating the performance was led by the interim chairman. A tailored, high-level questionnaire was distributed for the directors and feedback was given to the interim chairman. This was structured to provide directors with an opportunity to consider and express their views about:

- The performance of the board and its committees, including how the directors work together as a whole; and
- The balance of skills, experience, independence and knowledge of the directors.

The responses to the evaluation of the board and its committees were assessed by the interim chairman and then considered by the board. The results of the evaluation indicated that the board is working coherently and that there are no significant concerns among the present directors about its effectiveness.

Some actions were agreed as a result of the exercise and these will be progressed over the coming year. These included:

- Focus on strategic issues;
- Providing independent non-executive directors with the opportunity to have more direct contact with the senior management team through, for example, organised site visits in order to deepen their knowledge of the group's business and culture; and
- Having further industry presentations to the board from external sources in order to enable directors to gain a broader perspective on the market.

The performance of individual directors was evaluated by the interim chairman, with input from the other directors and no material issues were identified.

Effectiveness of internal controls and risk management

The board has responsibility for establishing and maintaining the group's system of risk management and internal control to safeguard shareholders' investments and the group's assets and for reviewing the effectiveness of this system. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

An ongoing process has been established for identifying, evaluating and managing risks faced by the group, which enable the board to make a robust assessment of the principal risk facing the business. This process, which complies with the requirements of the code, has been in place for the full financial year and up to the date the financial statements were approved and accords with the guidance issued by the Financial Reporting Council in September 2014 on "Risk Management, Internal Control and Related Financial and Business Reporting". The board acknowledges that it is responsible for the company's systems of internal control and risk management and for reviewing their effectiveness. Internal controls are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The board confirms that, through the activities of the audit committee, it has monitored the effectiveness of the company's systems of internal control and risk management to ensure corrective action is taken when appropriate. During the year, the board considered the nature and extent of the risks it was willing to take to achieve its strategic goals and reviewed the existing internal statement of risk appetite.

The board recognises that effective risk management is essential to the long term success of the business and it requires an appropriate risk governance structure, together with the appropriate culture to facilitate the desired values and behaviours being embedded at all levels within the business.

The operations board has established a risk register which is reviewed regularly by the audit committee. The risk register enables the operations board to identify, evaluate and manage risks faced by the group on an ongoing basis, both at an operational and strategic level. The risk identification and mitigation processes have been designed to be responsive to likelihood of occurrence. Appropriate action is taken to manage and mitigate risks identified and is reported to the board via the audit committee and the chief financial officer.

The directors have identified the principal risks and uncertainties facing the group, many of which are considered key to the successful implementation of strategy and long term growth. The key risks, and how they are mitigated, are described on pages 30 and 31.

Financial and business reporting process

The board recognises its duty to ensure that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, strategy and business model of the company. In addition to the annual report the company also ensures that other price-sensitive reports and other information is published externally.

The group has a thorough assurance process in place in respect of the preparation, verification and approval of periodic financial reports.

This process includes:

- the involvement of qualified, professional employees with an appropriate level of experience (both in group finance and throughout the business);
- formal sign-offs from appropriate business segment senior executives;
- comprehensive review and, where appropriate, challenge from appropriate group senior executives and executive directors;
- a transparent process to ensure full disclosure of information to the external auditors;
- oversight by the group's audit committee, involving (amongst other duties):
  - a detailed review of key financial reporting judgements which have been discussed by management;
  - review and, where appropriate, challenge on matters including:
    - the consistency of, and any changes to, significant accounting policies and practices during the year;
    - significant adjustments resulting from an external audit;
    - the viability statement assumptions; and
    - the going concern assumption.
- The above process, and the review by the audit committee of a comprehensive note that sets out the details of the preparation, internal verification and approval process for the annual report and accounts, provides comfort to the board that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

Anti-fraud, bribery and corruption

The group aims to promote honest and ethical conduct. To support this, it has in place an anti-bribery policy, which applies to all employees and prohibits:

- the offering, promising or giving of an advantage, and
- the requesting, agreeing to receive or accepting of an advantage in any form to any person or company by anyone acting on its behalf.

Whistleblowing

Details of the company's whistleblowing policy can be found on page 51 of the audit committee report.

Relations with shareholders

Responsibility for shareholder relations rests with the interim chairman and chief executive officer. They ensure that there is effective communication with shareholders on matters such as governance and strategy, and are responsible for ensuring that the board understands the views of major shareholders.

The board aims to present a balanced and clear view of the group's performance in its communications with shareholders and believes that being transparent in describing how we see the market and the prospects for the business to be extremely important. We communicate with shareholders in a number of different ways. The formal reporting of our full and half year results together with the related presentations, is accompanied by group calls and one-to-one meetings with institutional investors. The full and half-year reporting are followed by investor meetings in a variety of locations where we have institutional shareholders. We also regularly meet with existing and prospective shareholders to update them on our latest performance or to introduce them to the company and where appropriate arrange a visit to the business to give analysts and major shareholders a better understanding of how we manage our business. These visits and meetings are principally undertaken by the chief executive officer, chief financial officer and chief operating officer with any relevant material being uploaded to the corporate website, so being available to all shareholders.

The board receives regular updates on the views of its shareholders through regular reporting based on information from the registrar and its brokers, which is an agenda item for all board meetings. In addition, the independent non-executives are available to meet shareholders if they wish to raise issues separately from the arrangements as described above.

The group's website (www.mccolls.co.uk/investor.aspx) contains all the latest announcements, press releases and published financial information including the annual report. The notice of the AGM will be distributed to shareholders at least 20 working days before the meeting and is also available from the website.

The company will propose all resolutions on a poll, as this allows for the vote of shareholders not present in person or by proxy to be counted and therefore provide more accurate representation of shareholders' votes.

Approved by the board and signed on its behalf:

Jonathan Miller
Director and chief financial officer

Nomination committee report

Composition of the committee

The members of the committee during the financial year were:

John Coleman as chairman until 2 October 2015; Sharon Brown who succeeded John Coleman as nomination committee chairman from 2 October 2015; James Lancaster; and Georgina Harvey.

There have been no further changes in the membership of the committee since the year end.

Under the committee's terms of reference the committee will normally meet not less than twice a year when appropriate. After each committee meeting, the chairman reports to the board on the main items discussed.

The role and duties of the nomination committee

The nomination committee's main responsibilities are to evaluate the structure, size and composition (including the skills, knowledge, experience and diversity) required of the board and the committees; to give full consideration to succession planning of directors and other senior executives and to assist with the selection process of new executive and non-executive directors including the chairman. The committee's terms of reference explains the committee's role and responsibilities and can be found on the company's website at www.mccolls.co.uk/investor.aspx

Main activities during 2015

At the nomination committee in February the committee principally considered the draft nomination committee report within the company's first annual report and accounts, and the nomination of the directors for election at the company's first AGM. Consideration was given to the skills, experience and added value each director contributed to the business. Accordingly, all directors were recommended to the board for election by the shareholders.

In October the board considered the role of chairman following the resignation of John Coleman, and agreed to appoint Sharon Brown as interim chairman.

In November the committee met to discuss and consider the following vacancies:

- Chairman – following John Coleman's resignation, Sharon Brown having been appointed interim chairman;
- CEO – the recruitment of a new CEO given James Lancaster's intention to step down as CEO as disclosed at Initial Public Offering; and
- Non-executive director – the desire to recruit an additional independent non-executive director.

The committee debated the skills and experience required to fulfil these roles and the additional areas of knowledge or experience which would be advantageous to the business going forward.

As indicated at IPO and given James' extensive retail knowledge, the committee, following consultation with key shareholders, recommended to the board that James be appointed non-executive chairman once his CEO successor is appointed. It was agreed that James would not stand for re-election at the AGM in 2017. The committee approved the appointment of executive search consultant the Miles Partnership to identify candidates to fill the CEO vacancy and the Inzito Partnership (which has no connection to the company) to identify candidates for the independent non-executive director vacancy.

The committee also reviewed the time spent of the independent directors and the committee's terms of reference.

The committee concluded that the independent non-executive directors were expected to spend around 20 days on company business and that the updated terms of reference accurately reflect the processes of the committee.

Committee evaluation

The committee members undertook a committee evaluation led by the chairman and concluded that the committee had performed its role effectively.

Board diversity

The committee supports diversity, accepting the advantages that come from having diverse viewpoints and the influence in decision-making. It is the aim of the committee to always consider the benefits that arise from a diverse board when making board appointments. The committee does not judge it appropriate to introduce a quota system to enhance diversity in all of its forms to the board; the company's recruitment and appointment strategy is based on the merits of the candidates. Currently 40% of the board is comprised of female directors.

Diversity, including gender diversity, is practised throughout the business and the committee continues to follow a policy of appointing talented people at every level to enhance the business' performance. This will enable the business to achieve the group's own strategic objectives.

Approved by the nomination committee and signed on its behalf:

Sharon Brown

Sharon Brown
Interim chairman and nomination committee chairman

Audit committee report

Chairman's introduction

I am pleased to present the formal report of the audit committee to shareholders.

The primary responsibilities of the committee are to ensure the integrity of the company's financial reporting and the appropriateness of the risk management processes and internal controls. This report details how we carry out this role and the key areas of focus since my last report to you.

The work of the committee is supported by information provided by senior management, the external auditors and advisors and, on behalf of the committee, I would like to thank them for their ongoing support and commitment.

Sharon Brown

Sharon Brown
Interim chairman and audit committee chairman

Committee composition and meetings
The members of the committee during the period were: Sharon Brown, as chairman, and Georgina Harvey. John Coleman was a member of the committee until 2 October 2015.

All members of the committee are considered independent by the board. The committee considers that collectively the members have appropriate recent and relevant financial experience to fully discharge their responsibilities, with Sharon Brown being a member of the Chartered Institute of Management Accountants. There have been no changes in the membership of the committee since the period end.

In accordance with the committee's terms of reference, the committee has met 3 times during the year, at the appropriate times in the financial reporting and audit cycle. After each committee meeting, the chairman reports to the board on the main items discussed. The committee chairman has also met privately with the external auditor to provide them with an opportunity to discuss any issues without management present. The executive directors, other senior managers and the audit partner from the external auditor attend committee meetings by invitation.

The performance of the committee was evaluated as part of the board evaluation process.

Role and responsibilities of the audit committee
The committee's terms of reference explains the committee's role and responsibilities and can be found on the company website at www.mccolls.co.uk/investor.aspx.

The principal activities carried out during the year were:

- Financial reporting – the committee reviewed and assessed the company's financial reports to ensure they were fair, balanced and understandable. The committee also considered the implications of new accounting standards, regulatory changes, significant accounting issues and the appropriateness of the accounting policies adopted.

- Internal and external audits – the committee evaluated the scope of the external audit plan and the subsequent outcome of this work. The committee also assessed whether an internal audit function was necessary. The internal control framework to be followed by employees is communicated by line management, training and manuals, and the routine internal control activities are performed by the finance team. The retail support centre includes a team of stock compliance auditors, who conduct visits at least once a year to each store to analyse the stock and review the compliance with company policies and practices. The committee concluded that an internal audit function was not currently appropriate but this would be kept under review.
- Risk and internal control – the committee evaluated the key risks facing the company and the adequacy and effectiveness of mitigating internal controls and risk management processes. A number of policies and procedures were reviewed and strengthened during the year.
- External auditor – The committee considered the performance, independence (in particular when considering provision of additional services by the auditor), fees and suitability of re-election of Deloitte LLP as auditor.

Management have confirmed that they were not aware of any material misstatements within the annual report and the external auditors have reported that they found no material misstatements in the course of their work.

Main activities

February	Reviewed the company's annual report and preliminary announcement for the period ended 30 November 2014 and going concern statement; Reviewed the auditor's fees for the period ended 30 November 2014; Assessed compliance with the code; Recommended a potential final dividend; Recommended the auditor's re-election at the 2015 AGM; and Reviewed the committee's constitution and terms of reference.
July	Reviewed the company's half year report, including interim dividend and going concern statement; Reviewed the risk register; and Reviewed the following company policies and handbooks: • Whistleblowing policy • Health and safety policy • Colleague handbook • 'Trading legally and ethically' workbook • Human resources policies.
November	Reviewed the company's internal annual report planning document and the auditor's planning report including areas of significant risk; Approved the audit fees; Reviewed the following company policies: • the company's accounting policies • employment of former employees of the external auditor • supply of non-audit services by the external auditor Reviewed internal financial controls, internal control and risk management systems and consideration of the need for internal control function; Assessed the company's compliance with whistleblowing and anti-bribery and corruption regulations; and Reviewed the committee's constitution and terms of reference.

Significant accounting judgements and uncertainties considered by the committee during the year

Summarised below are the most significant issues considered by the committee in respect of these financial statements and how these issues were addressed.

Significant audit risk	Action taken by committee
Supplier income	The committee received a report from the company on the process of calculating supplier income, the controls in place in this area and the level of income which required some estimation. The external auditors reported on their testing of the income and the appropriateness of the assumptions made. The committee concurred with management's assessment and judgements in establishing the level of income for the year.
Goodwill impairment	The committee received a report from the company which detailed the key judgements in the process for assessing goodwill impairment across the 3 cash-generating units. This included forecasts of future cash flows. The committee also received a report from the external auditors of their testing of the calculations. The committee considered the calculation process and the reasonableness of the assumptions made, and concluded that the cash flows supported the level of goodwill reflected in the financial statements.
Property provisions	The committee assessed the reasonableness of the property provisions in respect of closed branches, onerous leases and future dilapidations expenses. Property provisions were also tested and reported on by the external auditors. The committee agreed with the judgements made in establishing the level of property provisions required.
Revenue recognition	The committee reviewed the methodology and controls relating to revenue recognition, including an external report from the auditors. They were satisfied that the correct accounting treatment has been adopted and consistently applied in the financial statements.

Relationship with the independent auditor

Deloitte LLP has been the group's auditor since 2006 and Sukie Kooner has been the audit partner since 2014. In line with professional guidelines, each partner can serve for up to 5 years. Under new UK Competition and Market Authority regulations, companies within the FTSE 350 for accounting periods beginning on 1 January 2015, must after 5 years of appointing the auditors advise (a) when they intend to undertake a competitive tender process and (b) why this period is the best interests of the shareholders. Furthermore the external audit must be tendered at least every ten years and it is anticipated that the auditor will change every 20 years. The rules mean that the company, having been listed on the London Stock Exchange from 28 February 2014, will need to retender the external audit before 2024. Although the company is outside the FTSE 350, it will comply with the Competition Market Authority regulations for the accounting period commencing on or after 30 November 2015.

The continued appointment of Deloitte LLP is considered by the audit committee each year, taking into account relevant guidance and best practice and considering the independence and effectiveness of the external audit process.

As part of the review of auditor independence and effectiveness, Deloitte LLP have confirmed to the committee that they are independent of the company and have complied with relevant auditing standards.

The company has a policy relating to the Supply of Non-Audit Services by the external auditor to ensure that the auditor's independence is not impaired. The policy prohibits certain services and limits the level of non-audit services payable to the auditors. Any services in excess of this limit require prior approval from the audit committee. For the current year the other non-audit services amounted to £178,000 which included £150,000 relating to the debt refinancing. The debt refinancing work was put out to tender and the audit committee is satisfied that it was appropriate for Deloitte LLP to be appointed and that, given it was performed by a functionally separate team, it did not impair their independence or objectivity.

In assessing Deloitte's performance and the effectiveness of the audit process, the committee took into account:

- The fulfilment by the auditor of the agreed audit plan;
- The report issued by the auditor on the audit of the annual report and financial statements;
- The robustness of the audit process; and
- The quality of people and service provided by Deloitte.

The committee is therefore satisfied with the independence and performance of Deloitte LLP and has recommended their reappointment for a further year.

Whistleblowing

In compliance with the Public Interest Disclosure Act 1998, the group has a policy and formal procedures to ensure that colleagues can confidentially raise concerns about possible improprieties by others. The purpose of the whistleblowing policy is to protect employees who make disclosures about certain matters of concern, provided these disclosures are made in accordance with the provisions of the act. The committee is responsible for ensuring that employees are able to raise any concerns, in confidence, regarding any possible improprieties in financial reporting or other matters. The committee reviewed the company's formal whistleblowing policy (which was revised during the year) and how this operated in practice.

During the year under review the company received 10 notifications from the whistleblowing telephone line. All issues were investigated and resolved by senior management and reported to the committee.

Approved by the audit committee and signed on its behalf:

Sharon Brown

Sharon Brown
Interim chairman and audit committee chairman

Remuneration report

The information provided in this part of the directors' remuneration report is not subject to audit.

Dear shareholder

I am pleased to present the second directors' remuneration report since the company's incorporation and listing on the London Stock Exchange, for the financial period ended 29 November 2015. This report has been prepared in accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2013, as amended and the principles of the UK Corporate Governance Code.

In 2015 we continued to grow and perform well with revenue growing by 3.1% to £932.2m. Our focus on neighbourhood convenience gained momentum as we moved closer to reaching our target of 1,000 convenience stores by the end of 2016. To this end, we acquired an additional 60 convenience stores and converted a further 45 of our newsagents to food and wine stores – bringing the period-end number of convenience stores to 893. As well as increasing our number of convenience stores, we also expanded the range of products and services our stores offer. In particular, we focussed on strengthening our food-to-go offer – notably by rolling out 148 new food-to-go modules across our stores and opening our first Subway franchise.

However, despite good performance in 2015, operating profit did not meet the stretching targets set by the committee for the annual bonus. Therefore no annual bonus awards have been earned for the period under review.

During the year, John Coleman stepped down from his position as chairman, in order to focus on new opportunities. Sharon Brown, independent non-executive director, was appointed interim chairman. The fee for the interim chairman was set at £115,000 from October 2015, in line with the previous chairman's fee.

In November 2015 the company announced that, as planned, James Lancaster would step down from his position as chief executive once a successor has been identified. James will take over as non-executive chairman until the AGM in April 2017. The search for a chief executive is in progress, as is a search to appoint a further independent non-executive director, to support the growth of the business and in line with best practice.

During 2015, the committee implemented the remuneration policy approved by shareholders at our AGM on 17 April 2015. Executive directors will receive no salary increase for 2016, whilst increases will be made across the wider employee population to reflect statutory increases to the National Minimum Wage, and the introduction of the National Living Wage. The committee continues to set stretching annual operating profit targets and strategic objectives linked to the priorities of the business which include growing basket spend in

The committee continues to set stretching targets and objectives linked to the priorities of the business

convenience and increasing the number of convenience stores to 1,000 in operation by 31 December 2016. No element of the bonus will be awarded unless at least threshold operating profit is achieved.

During 2016 we will make a second grant under the LTIP, which was introduced and approved by shareholders at the 2015 AGM. The LTIP will continue to vest based 70% on EPS and 30% on TSR, measured on a relative basis against the combined constituents of the FTSE All Share General Retailers Index and the FTSE All Share Food & Drug Retailers Index. The committee continues to believe that this combination of measures will help reinforce delivery of the company's growth plans. For the EPS element of the 2016 LTIP awards, 25% will vest for 3-year cumulative EPS of 52.5p and will vest in full for EPS of 60.1p. The committee considers that this will provide executives with an appropriately challenging and meaningful incentive to drive performance which, at the same time, delivers a level of financial performance which supports internal and external expectations. The LTIP has a 3-year performance period; and an additional 2-year holding period for executive directors only will then apply to any shares that vest.

The committee has presented the remuneration report in line with 2013 regulations governing the disclosure and approval of directors' remuneration. At our annual general meeting, which will be held on 19 April 2016, the second section of this report, the annual report on remuneration, which details the implementation of our policy, will be subject to an advisory vote. The first section, the policy report, is unchanged (other than minor changes to improve clarity), is not due to be submitted for a vote, having already been approved by shareholders at the 17 April 2015 AGM.

Finally, I would like to thank my colleagues on the committee for their support during 2015 and to all employees for their hard work. I would also like to thank shareholders for their support at the AGM in 2015 on the resolution to approve the remuneration policy and annual report on remuneration.

Yours sincerely

Georgina Harvey
Chairman of the remuneration committee

Remuneration at a glance

The following is a summary of the key components of executive directors' remuneration and their single figure total remuneration.

Key components of executive directors' remuneration

Fixed pay

Base salary
To attract and retain talent of the right calibre and with the ability to contribute to strategy, by ensuring base salaries are competitive in the relevant talent market.

Pension
Provide post-retirement benefits for participants in a cost-efficient manner.

Benefits
To provide competitive benefits for each role.

Variable pay

Annual bonus
Aims to focus executives on achieving stretching profit targets and delivering the strategic business priorities for the financial period.

Long term incentive plan (LTIP)
Aligns the interests of executives with shareholders in growing the value of the business over the long term.

Other arrangements

Shareholding guidelines
To align directors' interests with the long term interests of shareholders.

Non-executive directors' fees
To reflect the time commitment in preparing for and attending meetings, the duties and responsibilities of the role and the contribution expected from the non-executive directors.

Single figure for total remuneration of executive directors

	Salary		Pension benefit		Taxable benefits		Single-year variable		Multiple-year variable		Total	
£000	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
James Lancaster	**594**	594	**188**	188	**58**	56	**–**	–	**–**	2,361	**840**	3,199
Jonathan Miller	**321**	315	**99**	98	**45**	36	**–**	–	**–**	2,173	**465**	2,622
David Thomas	**276**	168	**41**	25	**23**	19	**–**	–	**–**	225	**340**	437

These figures are described in more detail on page 63.

Directors' remuneration policy

This section describes the group's remuneration policy for directors which was approved at the AGM on 17 April 2015 and applies for up to 3 years from that date.

The policy for executive director remuneration is to provide a competitive package of fixed and variable pay that will enable the group to attract, motivate and retain executives with the right skills and experience, and will link executive pay to shareholder interests and the company's long term success.

The fixed component of each executive's remuneration package comprises salary, pension and benefits. The variable component may comprise an annual bonus and eligibility to participate in a long term incentive plan (LTIP).

The majority of the bonus is linked to annual profit performance, although an element may be linked to strategic performance measures that will help drive the group's growth. The group adopted an LTIP when the company listed on 28 February 2014 that provides the opportunity to earn shares based on 3-year performance. Each element of remuneration is designed to target a specific aim of the remuneration policy and to help further align the interests of executives with those of shareholders.

Policy table

The key components of executive directors' remuneration are as follows:

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Fixed pay **Base salary**			
To attract and retain talent of the right calibre and with the ability to contribute to strategy, by ensuring base salaries are competitive in the relevant talent market.	Base salaries are reviewed annually, with reference to individual performance, experience, market competitiveness, salary increases across the group and the position holder's experience, competence and criticality to the performance of the business. Any increases are generally effective from 1 December.	Executive directors' salary increases will normally be in line with those for the wider employee population. However, larger changes to salary may be made where there is a change in role or responsibilities or a significant market misalignment.	Individual and group performance is taken into account when determining appropriate salaries.
Fixed pay **Pension**			
Provide post-retirement benefits for participants in a cost-efficient manner.	The current chief executive and chief financial officer receive a salary supplement in lieu of pension. The chief operating officer is, and any new appointee would be, eligible to participate in the group's defined contribution scheme (or any replacement scheme) or to receive a salary supplement in lieu of pension provision.	Pension contributions vary based on individual circumstances. Pension benefits will be capped at 20% of salary, excluding legacy arrangements for the current chief executive and chief financial officer. Further details are set out on page 65.	None.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Fixed pay continued			
Benefits			
To provide competitive benefits for each role.	Benefits currently include the provision of car or car allowance, fuel, private medical insurance and life assurance. Reasonable relocation, travel and subsistence allowances and other benefits may be provided based on individual circumstances.	There is no overall maximum value set on benefits. They are set at a level that is comparable to market practice. The committee retains the discretion to amend benefits in exceptional circumstances or in circumstances where factors outside of the group's control have materially changed (e.g. increases in insurance premiums).	None.
Variable pay			
Annual bonus			
Aims to focus executives on achieving stretching profit targets and delivering the strategic business priorities for the financial period.	Performance measures and targets are set prior to or shortly after the start of the financial period. At the end of the financial period, the remuneration committee will determine the extent to which the targets have been achieved. Awards are delivered in cash. The committee has discretion to reduce the bonus in the event of serious financial misstatement or gross misconduct. In extreme cases of gross misconduct, the committee may claw back annual bonus payments previously made.	The maximum bonus opportunity for executive directors will be up to 100% of salary. For the 2016 financial period the maximum bonus opportunity will be set at 75% of salary. Up to 40% of maximum will vest for target performance. The committee may award up to 10% of maximum for threshold performance. 80% of the award for 2016 will be based on achievement of group operating profit, of which none will vest below threshold. 20% of the award for 2016 will be based on achievement of strategic performance measures, of which none will vest until the operating profit threshold is achieved.	The majority of the annual bonus will be based on achievement of a stretching profit target. The remainder will be based on strategic performance measures, selected annually by the remuneration committee to reflect other key performance indicators for the year ahead. Details on the measures used during the period under review are set out on page 64. The committee has discretion to adjust the formulaic bonus outcome downwards (or upwards with shareholder consultation) within the limits of the plan, to ensure alignment of pay with the underlying performance of the business.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Long-term incentive plan (LTIP) Aligns the interests of executives with shareholders in growing the value of the business over the long term.	The plan provides for annual awards of performance shares to eligible participants. Vesting is based on 3-year performance. Executive directors' vested shares will be subject to an additional 2-year holding period before being released to participants. The committee has discretion to reduce any unvested long-term incentive awards (including those in a holding period), or to vary the opportunities for future awards, in case of serious financial misstatement or gross misconduct. In extreme cases of gross misconduct, the committee may claw back vested long-term incentive awards. Participants are eligible to receive cash or shares equal to the value of dividends that would have been paid over the vesting period on shares that vest.	Awards may be made up to a maximum of 150% of salary in normal circumstances and up to 250% in exceptional circumstances. For the 2016 financial period executive directors' awards will be up to 50% of salary. The award size is reviewed in advance of grant.	Awards will vest on achievement of financial performance measures, measured over a 3-year performance period, to include both EPS and TSR. EPS will receive a weighting in the LTIP of at least 50%. For the 2016 financial period the weightings on EPS and TSR will be 70% and 30% respectively. TSR will be measured on a relative basis against a relevant peer group. Other measures may be considered in future years to help capture the strategic goals of the business and may be used in conjunction with these metrics. Nothing will vest below threshold. 25% of each element will vest for achievement of threshold performance under each metric, then increase on a straight-line basis to full vesting for achieving stretch performance. The committee has discretion to adjust the formulaic LTIP award downwards (or upwards with shareholder consultation), within the limits of the plan, to ensure alignment of pay with the underlying performance of the business. Further details of awards to be made during the upcoming financial period are set out on pages 64 and 65.
Other arrangements **Shareholding guidelines** To align directors' interests with the long-term interests of shareholders.	Executive directors are required to build up and retain a minimum shareholding in the company at least equal to base salary, and are required to retain at least 50% of shares vesting (after tax) under the LTIP until the shareholding guideline has been met.	n/a	n/a

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Other arrangements continued			
Non-executive directors' fees To reflect the time commitment in preparing for and attending meetings, the duties and responsibilities of the role and the contribution expected from the non-executive directors.	All-inclusive annual fee for chairman. Annual base fee for non-executive directors. Additional fees paid to the chairmen of board committees. Non-executive directors do not participate in any incentive schemes, nor do they receive any pension or benefits (other than nominal travel expenses).	Any increases to non-executive director fees will be considered as a result of the outcome of a review process and taking into account wider market factors, e.g. inflation. There is no prescribed individual maximum fee. Further details are set out on page 65.	None.

This policy is unchanged in substance since approval at the AGM on 17 April 2015. Other than minor text changes to ensure this policy remains clear for the reader, a few other minor changes have been made to provide additional clarity. These include:

- an updated statement on page 62 regarding the committee's approach to shareholder consultation;
- updated scenario charts on page 59; and
- additional clarity on the treatment of incentives on a change of control on page 61.

Performance measure selection and approach to target setting

Profit is considered to be the best measure of the group's annual performance and will continue to determine the majority of the annual bonus. This will be supplemented by an element based on strategic performance measures, selected annually to reflect the group's key strategic priorities for the financial period ahead.

EPS is considered to be the best measure of the group's bottom line financial performance over the longer term and will determine the vesting for at least 50% of the overall LTIP award. TSR will also be captured to further align the interests of LTIP participants with those of shareholders.

Annual bonus targets will be selected prior to or shortly after the start of the financial period. Profit targets will be calibrated with reference to the group's budget for the upcoming financial period and the group's profit for the prior financial period. No element of the strategic performance measures will begin to pay out until the profit element starts to vest. Strategic performance measures will be selected to reflect the most important strategic goals for the upcoming financial period.

Threshold and stretch performance levels under the EPS element of the LTIP will be set prior to the start of the 3-year performance period. The remuneration committee aims to set stretching but achievable targets, taking account of a range of reference points, including broker forecasts and the group's strategic plan. Performance targets for 2016 awards are detailed on page 64. The element linked to TSR will vest based on 3-year TSR compared to a peer group comprising the constituents of the FTSE All Share General Retailers Index and the FTSE All Share Food & Drug Retailers Index. Threshold vesting for the TSR element will be set at median ranking and stretch will be set at upper quartile. This range is in line with market practice for other listed companies and is expected to capture the range of good to excellent performance for the group.

Differences in remuneration policy operated for other employees

Senior management's remuneration has the same components as set out in the policy, being base salary, annual bonus, pension, life assurance and benefit provision. They may also be invited to participate in the LTIP or alternatively the company's share option plan. Annual bonus arrangements have the same structure and pay-out arrangements but are based on specific key performance indicators relevant to each job function. The maximum award varies according to seniority.

All employees receive a basic salary and all eligible employees are automatically enrolled into a pension scheme. Store managers participate in a bonus scheme that targets specific key performance indicators for their store.

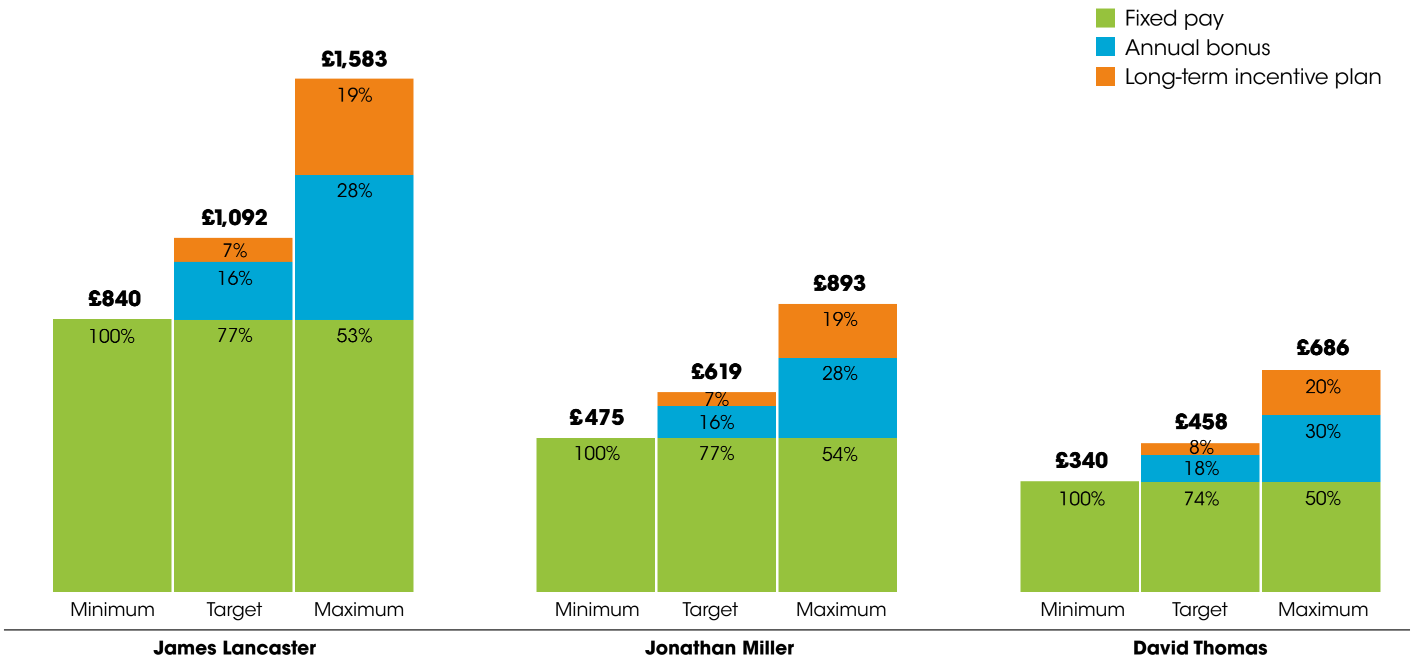
Other

In addition to the above elements of remuneration, any commitment made prior to, but due to be fulfilled after, the approval and implementation of the policy detailed in this report will be honoured.

Performance scenarios

The graphs below provide estimates of the potential future reward opportunities for executive directors, and the potential split between the different elements of remuneration under three different performance scenarios; 'Minimum', 'Target' and 'Maximum'.

Executive director remuneration (£000s)



As announced in November 2015, James Lancaster will step down from his position as chief executive in 2016, and take over as non-executive chairman until the AGM in April 2017, after which his remuneration will be set to be appropriate for this position. The illustration for James Lancaster is provided on the basis of a full year as CEO, and does not reflect the actual remuneration he will receive in 2016. The potential reward opportunities illustrated are based on the policy approved at the annual general meeting on 17 April 2015, applied to the base salaries in force at 1 December 2015. The projected value of LTIP amounts excludes the impact of share price movement or dividend accrual. The assumptions made in illustrating potential reward opportunities are shown in the table below:

Performance scenario	Fixed pay	Annual bonus	LTIP
Minimum	Salary as at most recent review date. Salary supplements in lieu of pension contributions of 31.6% and 31% of salary for the chief executive and chief financial officer respectively, and a pension contribution of 15% of salary for the chief operating officer. Benefits as for the most recent financial period.	No annual bonus payable.	Threshold not achieved (0%).
Target		On target annual bonus payable (40% of maximum).	Performance warrants threshold vesting for 2015 (25% of maximum).
Maximum		Maximum annual bonus payable for 2016 (75% of salary).	Performance warrants full vesting for 2016 (50% of salary).

Approach to remuneration for new director appointments

In the cases of hiring or appointing a new executive director, the remuneration committee may make use of all the existing components of remuneration, as follows:

Component	Approach	Maximum opportunity
Base salary	The base salaries of new appointees will be determined based on the experience and skills of the individual, relevant market data and their current basic salary.	
Pension	New appointees will be entitled to participate in the group's defined contribution scheme (or any replacement scheme) or to receive a salary supplement in lieu of pension contributions.	20% of base salary.
Benefits	New appointees will be eligible to receive benefits in line with the policy which may include (but are not limited to) the provision of a company car or car allowance, fuel, private medical insurance and life assurance.	
Annual bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year.	100% of base salary.
LTIP	New appointees will be granted awards under the LTIP on similar terms as other executives, as described in the policy table.	150% of base salary (250% in exceptional circumstances).

In determining appropriate remuneration for a new director, the committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of the group and its shareholders. The committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, using Listing Rule 9.4.2 R if necessary. In doing so, the committee will take account of relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining. The fair value of any buyout will not exceed that of the award being forgone.

In cases of appointing a new executive director by way of internal promotion, the approach will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to executive director level, the group will continue to honour these arrangements. Incentive opportunities for below board employees are no higher than for executive directors, but measures may vary.

In recruiting a new non-executive director, the remuneration committee will use the policy as set out in the table on page 58.

Service contracts and exit payment policy

Non-executive directors

The current chairman and non-executive directors were appointed as directors on 7 February 2014. Their letters of appointment set out the terms of their appointment and are available for inspection at the company's registered office and at the annual general meeting. They are not eligible to participate in the annual bonus or any equity schemes, nor do they receive any additional pension or benefits (other than travel expenses directly incurred in the performance of their role) on top of the fees disclosed on page 65. Non-executive directors have a notice period of one month and receive no compensation on termination.

Executive directors

On 24 February 2014, each of the executive directors, James Lancaster, Jonathan Miller and David Thomas entered into a service agreement with the company. Each of the agreements are terminable by the relevant executive directors or the company on not less than 12 months' prior written notice. The executive directors may be put on garden leave during their notice period, and the company can elect to terminate their employment by making a payment in lieu of notice equivalent to up to 12 months' basic salary and benefits (although it should be noted that each of the executive directors can terminate their respective service agreements by giving 12 months' prior written notice to the company). Executive director service contracts are available for inspection at the registered office and at the annual general meeting.

James Lancaster and Jonathan Miller's pension arrangements were reviewed in 2008 upon closure of the group's defined benefit pension schemes to future accrual. They now receive a salary supplement in lieu of their previous defined benefit arrangements representing the actuarial valuation of the defined benefit forgone. This is kept under review by the committee. Pension arrangements for other executives are in line with the remuneration policy set out on page 55.

The committee acknowledges that executive directors may be invited to become independent non-executive directors of other quoted companies which have no business relationship with the company and that these duties can broaden their experience and knowledge to the benefit of the company.

Executive directors are permitted to accept such appointments with the prior approval of the chairman. Approval will only be given where the appointment does not present a conflict of interest with the group's activities and the wider exposure gained will be beneficial to the development of the individual. Where fees are payable in respect of such appointments, these would be retained by the executive director.

The employment of each executive director is terminable with immediate effect without notice in certain circumstances, including where such executive director commits any act of serious misconduct, commits any material or persistent breach of any of the terms or conditions of his service agreement, has a bankruptcy order made against him, is convicted of any criminal offence, commits any act which constitutes an offence under the Bribery Act 2010, is disqualified from acting as a director, acts in any way which may bring the company or any member of the group into disrepute or discredit, fails to comply with any policy of the company or any member of the group which has been communicated to him, enters into any transaction which constitutes an offence for the purposes of Part V of the Criminal Justice Act 1993 or which constitutes market abuse for the purposes of Part VIII of the Financial Services and Markets Act, or commits any material breach of his duties as a director.

The company's policy on termination payments is to consider the circumstances on a case-by-case basis, taking into account the executive's contractual terms, the circumstances of termination and any duty to mitigate. The table below summarises how incentives are typically treated in different circumstances:

Reason for leaving	Timing of vesting	Calculation of vesting/payment
Bonus		
Summary dismissal, resignation	Awards lapse.	Not applicable.[1]
Good leaver[2]	Normally at year end.	The annual bonus plan for the period under review would normally have performance measured to the end of the financial period. In exceptional circumstances, the committee may bring forward the date of award to the termination date and base it on performance over the period to termination. Awards will normally be pro-rated for time unless the committee determines otherwise.
Change of control	On change of control, or shortly thereafter.	The annual bonus plan for the period under review would normally be paid immediately and be based on pro-rata performance to date, with committee discretion to treat otherwise.
LTIP		
Summary dismissal, resignation	Awards lapse.	Not applicable.
Good leaver[2]	In line with the vesting schedule at grant.	Unvested LTIP shares are normally prorated for performance to the end of the performance period. In exceptional circumstances, the committee may bring forward the vesting date to the termination date and vest on performance over the period to termination. Awards will normally be pro-rated for time unless the committee determines otherwise.
Change of control	On change of control.	Unvested LTIP shares are normally prorated for performance to the date of change of control and paid immediately. Awards will normally be pro-rated for time unless the committee determines otherwise.

1. Under the current chief executive and chief financial officer contracts, they are eligible to receive a pro-rata bonus payment upon termination of employment for any reason excluding summary dismissal. The current chief operating officer's contract and any future executive director contracts will be operated in line with the above policy.
2. Under the 2014 LTIP, 'good leaver' is defined as a participant ceasing to be employed by the group by reason of death, injury, ill health, redundancy, retirement with the consent of the group, the company of employment ceasing to be a member of the group or any other reason that the committee determines in its absolute discretion (excluding summary dismissal or resignation to join a competitor).

Consideration of employment conditions elsewhere in group

The committee takes into account the general basic salary increase being offered to employees elsewhere in the group when annually reviewing the salary increases and remuneration for the executive directors. Employees have not been consulted in respect of the design of the group's senior executive remuneration policy.

Consideration of shareholder views

The committee considers shareholder feedback carefully when reviewing remuneration and regularly reviews the remuneration policy in the context of key institutional shareholder guidelines and best practice. It is the committee's policy to consult with significant major shareholders prior to making any major changes to its executive remuneration structure. Details of shareholder consultations carried out during the year are included on page 67.

Annual report on remuneration

Remuneration committee membership and advisers

The remuneration committee was established as part of the governance processes adopted by the company, following admission to the London Stock Exchange on 28 February 2014. The remuneration committee consists of two independent non-executive directors, Georgina Harvey (committee chair) and Sharon Brown (interim company chairman from 2 October 2015). John Coleman was also a member of the committee until he stepped down from the board on 2 October 2015. The remuneration committee meets not less than twice a year and at such other times as required. During the 2015 financial year, the remuneration committee held 5 scheduled meetings. The chief executive and chief financial officer, and the committee's independent advisers, Kepler, a brand of Mercer (Kepler), attend committee meetings by invitation. After committee meetings, the chairman reports to the board.

The remuneration committee has responsibility for the determination of the terms and conditions of employment, remuneration and benefits of the chairman and members of the board, including pension rights and any compensation payments, and recommending and monitoring the level and structure of remuneration for senior managers and the implementation of share option or other performance-related schemes.

The committee's principal external advisers are Kepler, who were appointed by the committee and attend committee meetings from time to time, and who also provide remuneration advice to the group. Kepler were appointed independent advisers to the remuneration committee through a competitive tender process in 2014 and fees for advice provided to the remuneration committee were £36,229 for the financial period under review. Fees covered support in drafting the directors' remuneration report, benchmarking of senior management team remuneration and of chairman fees, attendance at remuneration committee meetings including advice on remuneration policy, shareholder consultation, long term incentive target-setting and trends in executive remuneration, and TSR performance reporting. Kepler do not provide any other services to the group and the committee is satisfied that they provide independent and objective remuneration advice to the company. Kepler is a signatory to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consultants Group's website at www.remunerationconsultantsgroup.com.

Committee activities

During 2015, the committee met to consider the following remuneration matters:

- Latest developments in corporate governance of relevance to the committee;
- Review and approval of the remuneration report;
- Shareholder consultation on remuneration proposals in advance of the annual general meeting;
- Review of performance and adjudicating annual bonus payments for 2014;
- Final review and approval of the remuneration policy that was put to vote at the 2015 annual general meeting;
- Setting of incentive targets for both the 2015 annual bonus and 2015 LTIP awards, and approving LTIP and CSOP award allocations by participant;
- Oversight of group-wide remuneration and wage increases, including the impact of implementing the National Living Wage and gender pay reporting proposals;
- Review of executive director salary levels;
- Review of EPS targets for 2016 LTIP awards;
- Review of policy for directors' expenses; and
- Review of remuneration committee performance, constitution and terms of reference.

The information provided in this part of the directors' remuneration report is subject to audit.

Single figure for total remuneration of executive directors

The table below sets out a single figure for the total remuneration received by each executive director employed by the company for the period ended 29 November 2015 and the prior period:

	Salary		Pension benefit		Taxable benefits[1]		Single-year variable[2]		Multiple-year variable[3]		Total	
£000	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
James Lancaster	594	594	188	188	58	56	–	–	–	2,361	840	3,199
Jonathan Miller	321	315	99	98	45	36	–	–	–	2,173	465	2,622
David Thomas[4]	276	168	41	25	23	19	–	–	–	225	340	437

1. Taxable benefits include car or car allowance, of £36k, £30k, and £10k to James Lancaster, Jonathan Miller, and David Thomas respectively for 2015 (£34k, £22k, and £9k for 2014), fuel allowance of £7k, £7k, and £5k for 2015 (£7k, £7k, and £5k for 2014), healthcare of £13k, £8k,and £9k for 2015 (£12k, £7k, and £5k for 2014), and other benefits of £2k for James Lancaster in 2015 and 2014.
2. Annual bonus paid for performance over the relevant financial period. Annual bonus payable in cash.
3. The LTIP was introduced in 2015 under which awards will begin to vest, subject to achievement of stretching performance conditions, in 2018. No long term incentives were due to vest during 2015. As disclosed in last year's report, a share-based payment arose in 2014 relating to shares allocated prior to the IPO for nil consideration, in which unallocated employee shares held in an employee benefit trust were allocated to employee shareholders pro rata to their existing holdings. Awards of 1,132,299, 1,132,299, and 117,584 shares were made to James Lancaster, Jonathan Miller, and David Thomas respectively at the share price of £1.91 upon IPO. A further 104,050 and 5,339 shares were allocated to James Lancaster and Jonathan Miller prior to the IPO at nil cost in connection with the conversion of preference shares held by them into ordinary shares. The company met employer's national insurance contributions on the value of such shares at the IPO offer price.
4. David Thomas changed role on 22 July 2014.

Single figure for total remuneration for non-executive directors

The table below sets out a single figure for the total remuneration received by each non-executive director for the period ended 29 November 2015. All the current non-executive directors were appointed by the company on 7 February 2014.

	Total fee		Taxable benefits		Total	
£000	2015	2014	2015	2014	2015	2014
John Coleman[1]	106	50	0	0	106	50
Sharon Brown[2]	61	42	2	0	63	42
Georgina Harvey	50	38	0	0	50	38

1. John Coleman stepped down from the Board on 2 October 2015 and, as such, fees for 2015 cover the financial year to this date.
2. Sharon Brown was appointed as interim chairman on 2 October 2015. Taxable benefits include nominal travel expenses to and from company meetings.

Basic annual salary

Base salaries are reviewed annually, with any changes normally effective from 1 December, with reference to individual performance, experience, market competitiveness and salary increases across the group.

Salaries paid to the executive directors and senior executives were reviewed by the committee, taking into account the competitiveness of total remuneration in comparison to comparable roles at listed retail companies of a broadly similar size and other listed organisations of a similar size.

Following the review for 2016, the committee determined that the executives' salaries would be unchanged at £594,224, £331,207 and £276,000 for the chief executive, chief financial officer and chief operating officer, respectively. The average salary increase awarded across the wider employee population was c.3.5% for the 2015 financial period.

Executive director	1 December 2015	29 November 2015	1 December 2014	% change for 2016
James Lancaster	£594,224	£594,224	£594,224	0%
Jonathan Miller	£331,207	£331,207[1]	£315,381	0%
David Thomas	£276,000	£276,000	£276,000	0%

1. Jonathan Miller's salary was increased to £331,207 on 1 August 2015 at the same time as the general pay review at the group's head office.

Annual bonus

The group operates an annual performance related bonus scheme for a number of senior executives including executive directors.

For the 2015 financial period, annual bonuses for the executive directors were based 80% on operating profit and 20% on 3 key strategic performance measures being: like-for-like sales, the number of convenience stores, and expanding the range of products and services. For the operating profit element of the 2015 annual bonus no vesting will occur below target. At target 40% of the profit element of the bonus will be awarded. Annual bonus payments will then increase on a straight-line basis between 40% of maximum and full vesting for achievement of 110% of target. For the strategic performance element of the bonus, no awards will vest prior to the attainment of target operating profit. The targets, and achievement against them, were as follows:

Measure	Weighting	Target	Stretch	Achievement	Vesting (% of maximum)
Operating profit before bonus, profit on asset disposals and exceptional items	80%	£25.0m	£27.4m	£24.0m	0%
Like-for-like sales	20%	Positive		-1.9%	0%
Number of convenience stores		900 by 31 December 2015		893	0%
Expanding range of products and services		'Food-to-go' roll-out		Achieved	100%
				Total	**0%** (profit target not met)

As a result of the operating profit target not being achieved, the whole of the annual bonus lapsed in 2015. The 2016 annual bonus will be based on the same structure as in 2015, with 80% based on operating profit and 20% on strategic performance measures including 1,000 convenience stores by 31 December 2016 and growing basket spend in convenience. The targets for the other performance metrics are not being disclosed at present for reasons of commercial sensitivity, but will be disclosed retrospectively in the next annual report on remuneration, subject to the information no longer being commercially sensitive.

For the operating profit element of the 2016 annual bonus, no vesting will occur below threshold being 95% of target. Annual bonus payments will then increase on a straight-line basis to target when 40% of the profit element of the bonus will be awarded. Annual bonus payments will then increase on a straight-line basis between 40% of maximum and full vesting for achievement of 110% of target. For the strategic performance element of the bonus, no awards will vest prior to the attainment of threshold operating profit.

The committee has discretion to adjust the formulaic bonus outcome downwards, or upwards with shareholder consultation, within the plan limits, to ensure alignment of pay with the underlying performance of the business. The committee may also reduce future annual bonus opportunities in light of material misstatement or gross misconduct. In extreme cases of gross misconduct, the committee may claw back annual bonus payments previously made.

Long term incentive plan (LTIP)

Prior to approval of the LTIP outlined in the director's remuneration policy above, no long-term incentive plan had been in operation. In 2016, it is expected that executive directors will be granted shares equivalent to 50% of salary under the LTIP. These shares will vest on EPS and TSR performance over a 3-year period, as follows:

70% based on cumulative earnings per share, measured over 3 financial years:

Cumulative earnings per share for financial years 2016/2017/2018	% of the EPS element of the award which can be exercised
60.1p or above	100%
Between 52.5p and 60.1p	Straight-line vesting between 25% and 100%
Below 52.5p	0%

30% based on relative total shareholder return relative to the constituents of the FTSE All Share General Retailers Index and the FTSE All Share Food & Drugs Retailers Index, measured over 3 financial years.

Relative TSR ranking	% of the TSR element of the award which can be exercised
Upper quartile or above	100%
Between median and upper quartile	Straight-line vesting between 25% and 100%
Below median	0%

In addition, for LTIP awards to become exercisable the committee must be satisfied that the formulaic LTIP outcome is a genuine reflection of the underlying performance of the business. The committee has discretion to adjust the formulaic LTIP outcome downwards, or upwards with shareholder consultation, within the plan limits.

An additional holding period of 2 years will apply to vested shares from the end of the performance period.

The committee has discretion to claw back any unvested long term incentive awards, or to vary the opportunities for future awards, in case of serious financial misstatement or gross misconduct. In extreme cases of gross misconduct, the committee may claw back vested long term incentive awards. The group has undertaken a fair valuation of its share-based payment transactions, specifically the LTIP and CSOP, using IFRS 2. The results of the valuation were deemed to be immaterial and therefore the IFRS 2 disclosures have been omitted.

Awards made under the LTIP and any other share-based schemes (the CSOP) will not exceed the Investment Association's guideline on dilution of 10% in aggregate over a 10-year rolling period.

The 2015 LTIP grants to executive directors are outlined below:

Executive director	Date of grant	Number of shares	Face value (£000)	Face value (% salary)	Vesting for minimum performance (% of maximum)	End of performance period
James Lancaster	17 August 2015	200,751	£297[1]	50%[1]	25%[2]	26 November 2017
Jonathan Miller	17 August 2015	111,894	£166[1]	50%[1]	25%[2]	26 November 2017
David Thomas	17 August 2015	93,243	£138[1]	50%[1]	25%[2]	26 November 2017

1. Based on grant date share price of 149.25 pence.

2. 2015 LTIP performance conditions are as outlined above for 2016 awards, except EPS performance range is 55.9 pence to 61.5 pence.

Executive directors' pension arrangements

The current chief executive and the chief financial officer receive a salary supplement in lieu of pension. For the period ending 29 November 2015, this salary supplement was equal to 31.6% of salary for James Lancaster, and 31% for Jonathan Miller. The current chief operating officer participates in the group's defined contribution scheme for which the company contributes 15% of salary. For the period ending 27 November 2016, executive directors' pensions will be unchanged.

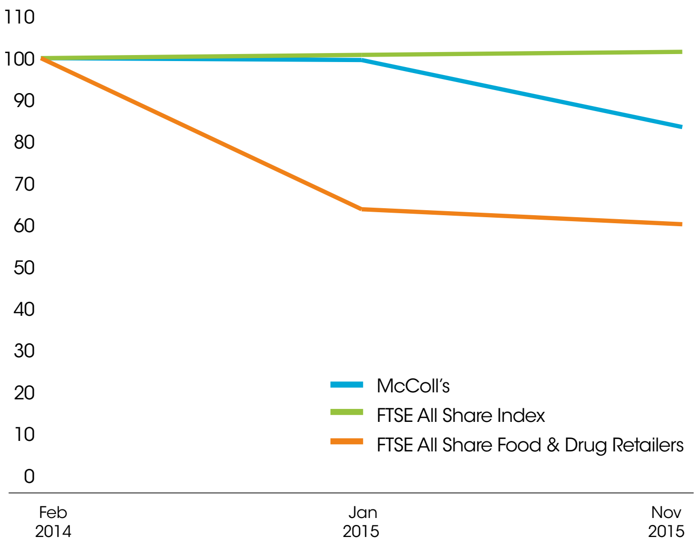
Non-executive director fees

For the 2016 financial period, the base fee for non-executive directors will remain at £45,000 p.a., with an additional fee of £5,000 p.a. paid to the chairmen of the remuneration and audit committees. Following the appointment of Sharon Brown as interim chairman on 2 October 2015, the committee agreed a temporary additional fee of £65,000 p.a. from 2 October 2015 for the period she serves as interim chairman (actual amount to be pro-rated).

Payments for loss of office

Martyn Aguss resigned from the company on 22 July 2014 and ceased to be an executive director effective 30 July 2014. In light of this, he was contractually entitled to receive salary and benefits for the period of 12 months' notice, for which he has been on garden leave, as disclosed in last year's remuneration report. This totalled £259,263 in 2015, including £198,975 in lieu of salary, £33,568 pension and £26,721 benefits (comprising car allowance of £11,612, fuel allowance of £5,425 and healthcare of £9,684).

Historical performance graph – Value of £100 invested at listing (£)



Payments to previous directors

Except for the above payments for loss of office, no further payments were made to previous directors during the financial period under review.

The information in this part of the annual report on remuneration is not subject to audit.

Historical performance graph and chief executive single figure of remuneration

The graph above shows the total shareholder return of the group and the FTSE All Share Index and the FTSE All Share Food & Drug Retailers Index since listing. The FTSE All Share Index is chosen as it is a broad market index of which the group is a member, and the FTSE All Share Food and Drug Retailers Index is chosen to illustrate performance relative to sector comparators.

James Lancaster	2013	2014	2015
Single figure of remuneration (£000)	834	3,199	840
Annual bonus outcome (% of max)	0%	0%	0%
LTIP vesting (% of max)	n/a	n/a	n/a

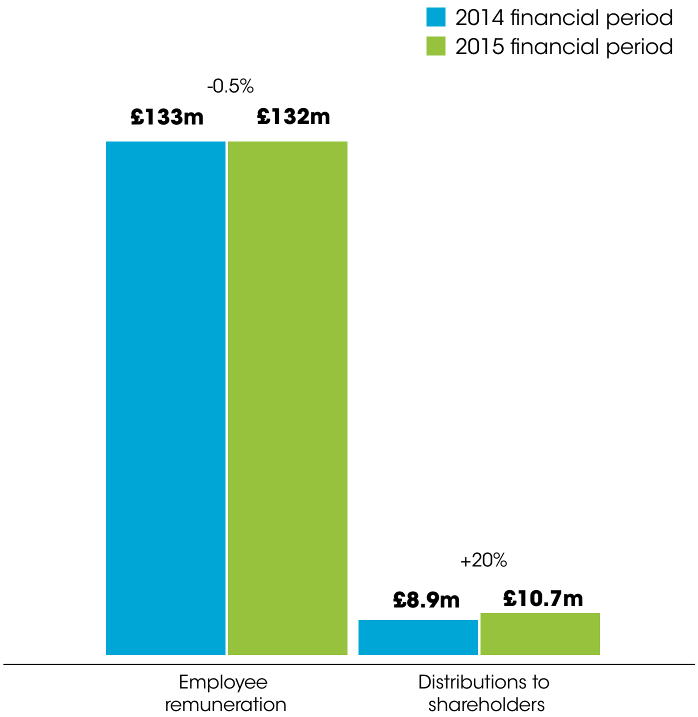
Increase in chief executive's remuneration

The table below sets out the percentage increase in the remuneration of the chief executive and the average increase across all employees excluding the board between the years 2014 and 2015.

	Chief executive annual cash			Average increase across all employees
	2015	2014	Increase	
Salary	£594,224	£594,224	0.0%	3.5%
Pension benefit	£187,776	£187,776	0.0%	0%
Taxable benefits	£57,872	£55,635	4.0%	2.4%
Annual variable	Nil	Nil	0.0%	0%

Distribution statement

The following chart shows for the current and preceding financial period the actual expenditure and percentage change in total remuneration paid to or receivable by employees and distributions to shareholders.



The group paid an interim dividend of 3.4 pence per share and the board has recommended a final dividend of 6.8 pence per share subject to approval by shareholders at the annual general meeting, representing a total payment of £10.7m for 2015. Distributions to shareholders for 2014 reflect the part-year from listing to 30 November 2014.

Statement of shareholder voting

The following table shows the results of the binding vote on the remuneration policy and advisory vote on the 2014 annual report on remuneration at the 17 April 2015 annual general meeting.

	For		Against		Withheld
	Number	%	Number	%	Number
Remuneration policy	83.9m	98.2%	1.5m	1.8%	0.24m
2014 annual report on remuneration	83.9m	98.0%	1.7m	2.0%	0.01m

Shareholder consultation

Given the strong support at the 2015 annual general meeting, and as no significant changes to the executive director remuneration structure were considered for 2016, there was no formal consultation with shareholders. Whilst we received strong support at the 2015 annual general meeting and no significant changes to the remuneration structure were considered for 2016, we wrote to our top shareholders in early 2016 advising them how we intend to implement our remuneration policy for the year ahead. As disclosed in last year's report the committee also consulted with shareholders in advance of the 2015 annual general meeting regarding the proposed remuneration policy for executive directors, and the majority of shareholders consulted were broadly supportive of the proposals, as reflected in the voting outcome above.

Directors' shareholdings and interest in shares

The executive directors each own significant shareholdings in the company. The committee sets shareholding guidelines which require executive directors to maintain, over time, a personal shareholding in the company of at least equivalent to one times salary.

	Shares held			Options held				
Director	Owned outright	Unvested and subject to deferral	Unvested and subject to performance	Vested but not exercised	Unvested and subject to continued employment	Current shareholding (% of salary /fee[1])	Shareholding requirement (% of salary /fee)	Guideline met?
Executive directors								
James Lancaster[2]	11,399,500	–	200,751	–	–	2,724%	100%	Yes
Jonathan Miller[2]	11,399,500	–	111,894	–	–	5,048%	100%	Yes
David Thomas	1,183,792	–	93,243	–	–	609%	100%	Yes
Non-executive directors								
John Coleman[3]	31,413	n/a	n/a	n/a	n/a	42%	n/a	n/a
Sharon Brown	17,471	n/a	n/a	n/a	n/a	22%	n/a	n/a
Georgina Harvey	10,471	n/a	n/a	n/a	n/a	30%	n/a	n/a

1. Based on closing share price of £1.42 and prevailing salary or fees (including committee fees) on 29 November 2015.
2. The ordinary shares held by James Lancaster and Jonathan Miller include shares held beneficially via various individual holdings and holdings of connected persons.
3. John Coleman stepped down from the board on 2 October 2015. Shareholding and fees are as at this date.

There have been no changes in the directors' interests in the shares issued or options granted by the company between the end of the period and the date of this report.

Approved by the remuneration committee and signed on its behalf:

Georgina Harvey

Georgina Harvey
Chairman of the remuneration committee

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent company 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 accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

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

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

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

By order of the board

James Lancaster
Chief executive
1 March 2016

Jonathan Miller
Chief financial officer
1 March 2016

Success with Subway

On 28 October 2015 our increasing focus on food-to-go took a new turn with the opening of our first Subway franchise in our Tamworth petrol forecourt store. We integrated it neatly into our existing store and are running it directly ourselves, like every aspect of all our stores. It proved to be an instant hit, generating strong sales in its first week of operation.

Good news for our partner Subway, and good news for us – so much so, we are planning to introduce more Subways into our stores over the next few years. A great brand that appeals to our neighbourhood customers, particularly the 18-25 year olds we are keen to encourage into our stores – Subway is an exciting addition to our fast-growing food-to-go offer.

It's a complementary offer to what we have in store. Food-to-go is the right way for the future

James Lancaster,
Chief Executive

Delivering the best

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

Opinion on financial statements of McColl's Retail Group plc	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 29 November 2015 and of the group's profit for the 52 week period then ended; • the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; • the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and • the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes 1 to 31 for the consolidated financial statements and the related notes 1c to 9c in the parent company financial statements. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
Separate opinion in relation to IFRSs as issued by the IASB	As explained in note 1 to the group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the group has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group	As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer term viability of the group contained within the directors' report on page 40. We have nothing material to add or draw attention to in relation to: • the directors' confirmation on page 68 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures on pages 30 – 31 that describe those risks and explain how they are being managed or mitigated; • the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; • the directors' explanation on page 40 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.
Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our group audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Independent auditor's report to the members of McColl's Retail Group plc continued

Risk	How the scope of our audit responded to the risk
Supplier income Supplier income is generated from a number of commercial agreements with suppliers including incentives, rebates and discounts. This represents a deduction to cost of sales which in the current year was material to the group financial statements. There are a large number of individual arrangements which can be complex in nature. Contracts span the end of the reporting period meaning that estimates and judgements are necessary to calculate the amounts receivable under the terms of the contracts. See cost of sales accounting policy in note 2 to the financial statements.	Our audit procedures included, but were not limited to: • Evaluating the design and implementation of controls in place over supplier income and understanding of the commercial process via meetings with the finance and trading teams and reviewing for new or unusual agreements. • For a statistical sample of supplier income agreements we understood the contract terms and recalculated the expected supplier income by comparing the amounts used in the calculations to actual purchases in the year taken from system-generated reports for which we gained assurance over their validity and completeness through IT controls testing. • Performing analytical work on supplier income trends across suppliers and product categories investigating any unexpected variances. • Assessing the recoverability of a sample of accrued supplier income which was evaluated by agreement to subsequent invoicing and cash receipts, or in the cases where these have yet to be settled, performing alternative procedures such as tracing to third party documentation. • Inspecting a sample of post year-end credit notes for evidence of refunds or of invoiced amounts not being valid.
Property provisions The group has an extensive and diverse property portfolio, including both leasehold and freehold property across the UK. As a result, there are several technically complex areas and judgemental aspects to consider when accounting for property and leases across the group, including: • provisions for closed branches and onerous leases on vacant or part vacant properties. These represent future expenditure comprising of the rental payable under the lease agreement which is not recoverable from sub-letting the property and an estimate of ongoing service costs; and • provisions for dilapidations expenses. These provisions are £2.9m and £1.5m respectively and they include judgements around future cash flows related to the properties and the completeness of the related provisions. See provisions accounting policy in note 2 to the financial statements.	For each of the property provisions: • We evaluated the design and implementation of controls in place over the provision calculations. • We obtained management's calculations and selected statistical samples of individual properties where we recalculated the provision by testing and challenging the inputs, assumptions and discount rate used and corroborated to supporting external evidence including, but not limited to, lease contracts and dilapidation schedules issued by landlords. • We performed sensitivity analysis on the key inputs applied to assess whether a reasonable fluctuation in these would change the provision by a material level. • We reviewed the list of branches that had been closed during the period to assess the completeness of the provision.

Risk	How the scope of our audit responded to the risk
Goodwill impairment The goodwill value of £144m is supported by forecasts of future cash flows of the businesses. There are inherent risks within these cash flow forecasts due to the uncertainties as a result of changing industry and economic conditions and the resulting judgements required. The group holds a significant value of goodwill which has been generated through acquisitions of businesses, individual and groups of stores. See goodwill impairment accounting policy in note 2 and note 12 to the financial statements.	We evaluated management's goodwill impairment calculations and have challenged their calculations by: • Recalculating the discount rates applied to future cash flows, working with our internal valuation specialists to assess the appropriateness of the underlying calculations and assumptions; we have benchmarked the resulting discount rates against other companies operating in the retail sector. • Comparing the assumed growth rates and forecasted cash flows against recent trading activity, historic trends and our understanding of the future prospects of the business to identify whether these scenarios could give rise to further impairment, including challenging the completeness of costs in forecasted cash flows. • Performing sensitivity analysis on the inputs applied (including discount rates and growth rates) to assess whether a reasonably possible change in assumptions could result in an impairment.
Revenue recognition Revenue is generated through transactions via the EPoS system which are settled in cash or by credit card. Results for each store are reported weekly through branch weekly returns. There are significant manual adjustments between these branch weekly returns and the financial statements which could be vulnerable to manipulation. See revenue accounting policy in note 2 to the financial statements.	For revenue recognition we: • Have evaluated the design and implementation of controls around the revenue cycle including using our IT specialist team to test the automated controls over the EPoS system. • Understood the nature of the adjustments between the branch weekly returns and the financial statements and investigated and challenged a sample of these, agreeing these back to appropriate supporting evidence.

Last year our report included stock provisioning which is not included in our report this year on the basis that we no longer assess this as having a significant risk of material misstatement.

The description of risks above should be read in conjunction with the significant issues considered by the audit committee discussed on pages 49 to 51.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of McColl's Retail Group plc continued

Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the group to be £1,100,000 (2014: £994,870), which is approximately 5.1% (2014: 5.2%) of adjusted profit before tax, and 0.9% (2014: 0.9%) of equity. Profit before tax has been normalised by adjusting for exceptional items (relating to restructuring costs of £625,000 as described in note 5 to the financial statements). We believe this is an appropriate basis for materiality as it reflects recurring performance. We agreed with the audit committee that we would report to the committee all audit differences in excess of £50,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.
An overview of the scope of our audit	The group's business consists of a collection of retail stores and operates as a single operating segment, entirely within the UK, as defined in note 4 to the financial statements. The financial results of the group are aggregated at a consolidated level without the need for consolidation adjustments to account for eliminations between group statutory companies. Therefore we identify only one reporting component being the group itself, which includes the parent company audit (which we audit to a lower materiality level), on which we perform our audit using a single audit team.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion: • the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and • the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the 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. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate governance statement	Under the Listing Rules we are also required to review the part of the corporate governance statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Matters on which we are required to report by exception (continued)

Our duty to read other information in the annual report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor	As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews. 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.
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 acquired 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.

Sukhbinder Kooner (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
1 March 2016

Consolidated income statement

52 week period ended 29 November 2015

	Notes	52 weeks ended 29 November 2015 Before exceptional items £'000	52 weeks ended 29 November 2015 Exceptional items (note 5) £'000	52 weeks ended 29 November 2015 After exceptional items £'000	53 weeks ended 30 November 2014 Before exceptional items £'000	53 weeks ended 30 November 2014 Exceptional items (note 5) £'000	53 weeks ended 30 November 2014 After exceptional items £'000
Revenue	4	**932,227**	**-**	**932,227**	922,420	–	922,420
Cost of sales		**(704,693)**	**-**	**(704,693)**	(699,647)	–	(699,647)
Gross profit		**227,534**	**-**	**227,534**	222,773	–	222,773
Administrative expenses		**(226,882)**	**(625)**	**(227,507)**	(223,045)	(10,187)	(233,232)
Other operating income	6	**23,619**	**-**	**23,619**	25,749	6,743	32,492
Operating profit	6	**24,271**	**(625)**	**23,646**	25,477	(3,444)	22,033
Finance expense		**(2,700)**	**-**	**(2,700)**	(6,351)	(3,166)	(9,517)
Finance income		**165**	**-**	**165**	121	–	121
Net finance costs	8	**(2,535)**	**-**	**(2,535)**	(6,230)	(3,166)	(9,396)
Profit on ordinary activities before taxation		**21,736**	**(625)**	**21,111**	19,247	(6,610)	12,637
Tax on profit on ordinary activities	9	**(5,141)**	**127**	**(5,014)**	(4,018)	1,288	(2,730)
Profit on ordinary activities after taxation		**16,595**	**(498)**	**16,097**	15,229	(5,322)	9,907
Earnings per share	11	**15.9p**		**15.4p**	15.6p		10.2p

Consolidated statement of comprehensive income

52 week period ended 29 November 2015

	Notes	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Profit for the period		**16,097**	9,907
Items of other comprehensive income that will not be reclassified to profit or loss:			
Actuarial gain recognised on pension scheme	30	**4,000**	631
UK deferred tax attributed to actuarial gain:			
Arising from the origination of and reversal of current and deferred tax differences	9	**(720)**	(138)
Arising from changes in the tax rate	9	**26**	–
Other comprehensive income for the period		**3,306**	493
Total comprehensive income for the period		**19,403**	10,400

Consolidated balance sheet

29 November 2015

	Notes	29 November 2015 £'000	30 November 2014 £'000
Non-current assets			
Goodwill	12	**144,013**	137,112
Other intangible assets	12	**1,903**	2,039
Property, plant and equipment	13	**64,361**	63,063
Investments	14	**18**	18
Pension scheme surplus	30	**9,806**	6,504
Total non-current assets		**220,101**	208,736
Current assets			
Inventories	16	**51,311**	45,757
Trade and other receivables	17	**28,538**	30,117
Cash and cash equivalents	18	**14,531**	11,396
Assets held for sale	13	**5,550**	–
Total current assets		**99,930**	87,270
Total assets		**320,031**	296,006
Current liabilities			
Trade and other payables	19	**(125,371)**	(112,586)
Provisions	23	**(2,210)**	(2,285)
Corporation tax		**(2,519)**	(2,023)
Liabilities associated with assets held for sale	13	**(5,662)**	–
Total current liabilities		**(135,762)**	(116,894)
Net current liabilities		**(35,832)**	(29,624)
Non-current liabilities			
Borrowings	21	**(43,212)**	(44,852)
Other payables	20	**(3,139)**	(3,922)
Provisions	23	**(2,238)**	(3,194)
Deferred tax liabilities	24	**(6,031)**	(4,701)
Net pension liability	30	**(3,684)**	(5,200)
Total non-current liabilities		**(58,304)**	(61,869)
Total liabilities		**(194,066)**	(178,763)
Net assets		**125,965**	117,243
Shareholders' equity			
Equity share capital	26	**105**	105
Share premium account	26	**47,836**	47,836
Retained earnings		**78,024**	69,302
		125,965	117,243

These financial statements of McColl's Retail Group plc, registered number 08783477, were approved and authorised for issue by the board of directors on 1 March 2016.

Signed on behalf of the board of directors

Jonathan Miller
Director

Consolidated statement of changes in equity

52 week period ended 29 November 2015

	Called up share capital £'000	Share premium £'000	Own shares £'000	Retained earnings £'000	Total £'000
Balance at 24 November 2013	75	734	(45)	55,150	55,914
Profit for the period	–	–	–	9,907	9,907
Credit for share-based payments	–	–	–	5,532	5,532
Dividends paid	–	–	–	(1,780)	(1,780)
Issue of share capital	30	47,102	45	–	47,177
Actuarial gain recognised in the pension scheme	–	–	–	493	493
Balance at 30 November 2014	105	47,836	–	69,302	117,243
Profit for the period	–	–	–	16,097	16,097
Actuarial gain recognised on pension scheme	–	–	–	3,306	3,306
Total comprehensive income for the period	–	–	–	19,403	19,403
Dividends paid	–	–	–	(10,681)	(10,681)
Balance at 29 November 2015	**105**	**47,836**	**–**	**78,024**	**125,965**

Consolidated cash flow statement

52 week period ended 29 November 2015

	Notes	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Net cash provided by operating activities	28	**43,522**	34,615
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(17,593)**	(15,188)
Proceeds from sale of property, plant and equipment		**7,940**	11,317
Acquisition of businesses, net of cash acquired	15	**(14,239)**	(16,827)
Finance income		**165**	121
Net cash used in investing activities		**(23,727)**	(20,577)
Cash flows from financing activities			
Repayment of loans	28	**(1,500)**	(109,414)
Repayment of hire purchase loans		**(1,658)**	(2,276)
New loans received		**–**	46,000
Issue costs		**(140)**	(4,099)
Proceeds on issue of shares		**–**	49,802
Dividends paid	10	**(10,681)**	(1,780)
Finance expense		**(2,503)**	(4,186)
Hire purchase interest paid	8	**(178)**	(177)
Net cash used in financing activities		**(16,660)**	(26,130)
Increase/(decrease) in cash and cash equivalents		**3,135**	(12,092)
Cash and cash equivalents at beginning of period		**11,396**	23,488
Cash and cash equivalents at end of period		**14,531**	11,396

Notes to the financial statements

52 week period ended 29 November 2015

1. Basis of preparation

The group financial statements for 2015 consolidate the financial statements of McColl's Retail Group plc (the "company") and all its subsidiary undertakings (together, "the group") drawn up to 29 November 2015. The group's accounting period covers the 52 weeks ended 29 November 2015. The comparative period covered the 53 weeks ended 30 November 2014. Acquisitions are accounted for under the acquisition method of accounting.

The group financial statements have been prepared on the going concern basis and in accordance with IFRS and IFRS Interpretations Committee (IFRIC) interpretations, as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reported under IFRS. The group's going concern position is set out in the directors' report section on page 39.

The consolidated financial information is presented in sterling, the group's functional currency, and has been rounded to the nearest thousand (£'000).

The preparation of financial information in compliance with adopted IFRS requires the use of certain critical judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. It also requires group management to exercise judgement in applying the group's accounting policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in note 3.

Basis of measurement

The consolidated financial information has been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Derivative financial instruments – fair value through profit or loss; and
- Net defined benefit pension asset or liability – actuarial basis.

Basis of consolidation

The group financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 29 November 2015. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated Income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired, including separately identifiable intangible assets, is recognised as goodwill. Any discount on acquisition, i.e., where the cost of acquisition is below the fair values of the identifiable net assets acquired, is credited to the income statement in the period of acquisition.

Adoption of new and revised standards

In the current financial period, the group has applied for the first time:

IFRS 2 'Share-based Payment'

IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. (See note 13 on pages 96 and 97 for full details.)

IFRS 10 'Consolidated Financial Statements',

IFRS 11 'Joint Arrangements'

IFRS 12 'Disclosure of Interests in Other Entities'

IAS 27 (2011) 'Separate Financial Statements'

IAS 28 (2011) 'Investments in Associates and Joint Ventures'; and

Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities'

Notes to the financial statements continued
52 week period ended 29 November 2015

1. Basis of preparation (continued)

New standards in issue but not yet effective

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

IFRS 9 'Financial Instruments'

IFRS 15 'Revenue'

IFRS 16 'Leases'

Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'

Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'

Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'

IFRIC Interpretation 21 'Levies'

With the exception of IFRS 16, which is under review, the directors anticipate that the adoption of these standards and interpretations in future periods will have no significant impact of the group's financial statements when the relevant standards come into effect.

In addition to the above new standards or amendments, there are additional new standards and amendments which will not be applicable to the group and as such have not been listed.

2. Significant accounting policies

Revenue

Revenue represents the amounts receivable for goods and services sold through retail outlets in the period which fall within the group's principal activities, stated net of value added tax. Revenue is shown net of returns. Revenue is recognised when the significant risks and rewards of goods and services have been passed to the buyer and can be measured reliably.

Commission from the sale of lottery tickets and electronic phone top-ups is recognised net within turnover, when transactions deriving commissions are completed, as the group 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.

Cost of sales

Cost of sales consists of all direct costs to the point of sale including warehouse and transportation costs. Supplier incentives, rebates and discounts are recognised as a credit to cost of sales in the period in which the stock to which the discounts apply is sold. The accrued value at the reporting date is included in prepayments and accrued income.

Other operating income

Post Office, rental income and ATM commissions are recognised in the consolidated income statement when the services to which they relate are earned.

Goodwill

Goodwill represents the excess of the fair value of the consideration of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is recognised as an asset on the group's balance sheet in the year in which it arises. Goodwill is not amortised but is tested for impairment at least annually and is stated at cost less any provision for impairment. Any impairment is recognised in the income statement and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units (CGU) to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

See note 12 on pages 94 to 95 for further details of cash-generating units and impairment testing.

Computer software within intangible assets
Computer software is stated at cost less accumulated amortisation and any provision for impairment. Externally acquired computer software and software licences are capitalised and amortised on a straight-line basis over their useful economic lives of 5 to 8 years and are included within other intangible assets. Costs relating to development of computer software for internal use do not meet the recognition criteria of IAS 38 Intangible Assets and are recognised as an expense as incurred.

Property, plant and equipment
Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs incurred attributable to bringing the asset to its working condition for intended use.

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
Depreciation of land and buildings is charged as follows:

Freehold (including land where it is not separately identifiable)	– 50 years
Long leaseholds improvements	– 50 years
Land (if separately identifiable)	– nil
Short leaseholds improvements:	
– Shops	– 10 years or remaining lease term if less
– Other	– term of the lease
Leasehold premiums	– the unexpired portion of the lease

Motor vehicles, fixtures and equipment
Depreciation of motor vehicles, fixtures and equipment is charged as follows:

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

Gains and losses on disposal of any fixed assets are determined by comparing proceeds with the asset's carrying amount and are recognised within operating profit.

Fixed asset impairments
At each reporting date, the group reviews the carrying amounts of its property, plant and equipment and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. 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 (CGU) to which the asset belongs. For property, plant and equipment and intangible assets excluding goodwill, the CGU is deemed to be each trading store. Any resulting impairment is charged to administrative expenses.

Assets classified as held for sale
Non-current assets are classified as held for sale only if available for immediate sale in their present condition, a sale is highly probable and expected to be completed within one period from the date of classification. Such assets are measured at the lower of the carrying amount and fair value less costs to sell and are not depreciated or amortised.

Leased assets
Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the group. All other leases are classified as operating leases. For property leases, the land and building elements are treated separately to determine the appropriate lease classification.

Notes to the financial statements continued
52 week period ended 29 November 2015

2. Significant accounting policies (continued)

Finance leases/hire purchase contracts
Assets funded through finance leases or hire purchase contracts are capitalised as property, plant and equipment and depreciated over their estimated useful lives or the lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the asset or the present value of the minimum lease payments during the lease term at the inception of the lease. The resulting lease obligations are included in liabilities net of finance charges. Finance costs on finance leases are charged directly to the income statement so as to produce a constant periodic rate of interest.

Operating leases
Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement on a straight-line basis over the lease term.

Sale and leaseback
A sale and leaseback transaction is one where a vendor sells an asset and immediately reacquires the use of that asset by entering into a lease with the buyer. The accounting treatment of the sale and leaseback depends upon the substance of the transaction and whether or not the sale was made at the asset's fair value. For sale and operating leasebacks, generally the assets are sold at fair value, and accordingly the profit or loss from the sale is recognised immediately in the income statement.

Following initial recognition, the lease treatment is consistent with those principles described above.

Lease incentives
Lease incentives primarily include up-front cash payments or rent-free periods. Lease incentives are capitalised and spread over the period of the lease term.

Leases with predetermined fixed rental increases
Where a lease has predetermined fixed rental increases, these rental increases are accounted for on a straight-line basis over the term of the lease.

Operating lease income
Operating lease income consists of rentals from sub-tenant agreements and is recognised as earned.

Inventories
Inventories consist of goods for resale and are stated at the lower of cost and net realisable value. Cost is calculated using a retail method which for each category of stock reduces 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 business, net of selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments
Financial assets
The group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The group has not classified any of its financial assets as held to maturity.

Receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally from the group's trading operations (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The group's receivables comprise trade and other receivables and cash and cash equivalents in the group balance sheet.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts. When drawn, bank overdrafts are shown within borrowings in current liabilities in the group balance sheet.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership.

Financial liabilities
The group classifies its financial liabilities into one category:

Other financial liabilities
Other financial liabilities include:

- Interest-bearing bank loans and overdrafts – these are recorded initially at fair value, which is generally the proceeds received, net of direct issue costs. Subsequently, these liabilities are held at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accrual basis in the income statement 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. Where existing debt is refinanced with the same lender it is treated as an extinguishment of the original debt and a new financial liability if the modified terms are substantially different from the previous terms.
- Trade payables and other short term monetary liabilities which are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Fair value estimation
The methods and assumptions applied in determining the fair values of financial assets and financial liabilities are disclosed in note 25.

Derivative financial instruments
The only derivative financial instruments that the group enters into are interest rate swaps. The purpose of these transactions is to manage the interest rate risk arising from the group's operations and sources of finance.

The group does not hold derivative financial instruments for speculative purposes.

All derivative financial instruments are initially measured at fair value on the contract date and are also measured at fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments, including interest rate swaps (unless qualifying as cash flow hedge accounting) are recognised in the income statement as finance income or costs as they arise.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share-based payment arrangements
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss account.

Notes to the financial statements continued
52 week period ended 29 November 2015

2. Significant accounting policies (continued)

Taxation
Current 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. Current tax is charged or credited to the income statement, except when it relates to items charged to equity or other comprehensive income, in which case the current tax is also dealt with in equity or other comprehensive income respectively.

Deferred taxation
Deferred tax is accounted for on the basis of temporary differences arising from differences between the tax base and accounting base of assets and liabilities.

Deferred tax is recognised for all temporary differences, except to the extent where a deferred tax liability arises from the initial recognition of goodwill or from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit. It is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that the directors consider that, on the basis of all available evidence, it is probable that there will be suitable future taxable profits from which the future reversal of the underlying differences can be deducted.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income respectively.

Provisions
The group recognises provisions for liabilities of uncertain timing or amounts, including those for onerous leases, leasehold dilapidations and legal disputes. Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the best estimate of 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 interest expense.

Onerous contracts/leases
Provisions for onerous leases, measured net of expected sub-let rental income, are recognised when the leased property becomes vacant and is no longer used in the operations of the business.

Dilapidations
Provisions for dilapidations and similar contractual property costs are recognised on a lease-by-lease basis when the need for expenditure has been identified, being the point at which the likely expenditure can be reliably estimated.

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.

Defined contribution schemes
Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

Defined benefit schemes

Defined benefit scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Scheme liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- Unrecognised past service costs; less
- The effect of minimum funding requirements agreed with scheme trustees.

A surplus is recognised where the group has an unconditional right to the economic benefits in the form of future contribution reductions or refunds.

Any difference between the expected return on assets and that actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognised in other comprehensive income in the period in which they arise.

Costs are recognised separately as operating and finance costs in the income statement. Operating costs comprise the current service cost, any income or expense on settlements or curtailments and past service costs where the benefits have vested.

Past service costs are recognised directly in income unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Finance items comprise the interest on scheme liabilities and the expected return on scheme assets.

Further information on pensions is disclosed in note 30.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Supplier income

Supplier income is generated from commercial agreements with suppliers including incentives, rebates and discounts. Agreements are typically for the calendar year so are not concurrent with the financial reporting period. Judgement is required as to the level of income which should be accrued for in relation to achieving pre-set trading targets in the final month of the calendar year. Changes in the assumptions used would not have a significant effect on the group statement of comprehensive income.

Cash-generating units (CGUs)

The group determines CGUs for the purpose of goodwill impairment based on the way it manages the business. Judgement is required to ensure this assessment is appropriate and in line with IAS 36. This is expanded on in note 12 on pages 94 and 95.

Key sources of estimation uncertainty

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

Notes to the financial statements continued
52 week period ended 29 November 2015

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

Goodwill impairment
The group is required to test, on an annual basis, whether goodwill has suffered any impairment based on the recoverable amount of its cash-generating units (CGUs). The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a pre-tax discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in note 12 on pages 94 to 95.

Impairment of tangible and intangible assets
Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value.

Recoverable amount is based on the higher of the value in use and fair value less costs to sell. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance. Fair values for individual trading stores are based on a multiple of its average weekly sales performance.

Details of the accounting policy on the impairment of tangible and intangible assets, excluding goodwill, are provided in note 2 on page 83.

Pensions
The costs, assets and liabilities of the defined benefit pension schemes operated by the group are determined using methods relying on actuarial estimates and assumptions, including rates of increase in pensionable salaries and pensions, expected returns on scheme assets, life expectancies and discount rates. Details of the key assumptions are set out in note 30. The group takes advice from independent actuaries relating to the appropriateness of the assumptions and the recognition of any surplus. Changes in the assumptions used may have a significant effect on the group statement of comprehensive income and the group balance sheet.

Provisions
Provisions have been made for onerous leases and dilapidations. These provisions are estimates, in particular the assumptions relating to market rents and vacant periods, and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Details of provisions are set out in note 23.

4. Segmental analysis and revenue
In accordance with IFRS 8 'Operating segments' an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker and for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, as required by IFRS 8. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors. The principal activities of the group are currently managed as one segment. Consequently all activities relate to this segment, being the operation of convenience and newsagent stores in the UK.

An analysis of the group's revenue is as follows (all continuing operations):

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Sale of goods	**932,227**	922,420
Property rental income (note 6)	**2,693**	3,253
Other operating income (note 6)	**20,926**	29,239
	23,619	32,492
Investment revenue (note 8)	**165**	121
Total revenue as defined in IAS 18	**956,011**	955,033

5. Exceptional items

Due to their significance or one-off nature, certain items have been classified as exceptional as follows:

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Redundancy and restructuring costs[1]	625	–
Costs associated with IPO included within administrative expenses[2]	-	1,823
Share-based payments included within administrative expenses[3]	-	5,532
Property related costs included within administrative expenses[4]	-	2,440
Post office costs included within administrative expenses[5]	-	392
Post office income included within other operating income[5]	-	(6,743)
	-	3,444
Unamortised financing costs included in finance expense[6]	-	3,166
	625	6,610
Tax effect[7]	(127)	(1,288)
	498	5,322

1 Redundancy and restructuring costs

During the 52 weeks ended 29 November 2015 one-off employee related costs associated with the field operations and head office re-structure totalled £625,000.

2 Costs associated with IPO

During the 53 weeks ended 30 November 2014 one-off IPO costs of £4,539,000 were incurred of which £1,823,000 was charged to the income statement and £2,716,000 was charged to the share premium account as being directly related to the issue of new shares.

3 Share-based payments

During the 53 weeks ended 30 November 2014 share-based payments totalling £5,532,000 were made by way of an allocation of shares to employees prior to the IPO for nil consideration.

4 Property related costs

During the 53 week period ended 30 November 2014 a provision of £2,440,000 was made for the onerous lease relating to the group's former head office. The provision was made to recognise an expected shortfall in rental income compared with rent payable and other property related costs.

5 Post office income

During the 53 weeks ended 30 November 2014 the group received £6,743,000 income from the Post Office in relation to an agreement to convert 191 of the group's existing post offices to a new local format. The group incurred costs of £392,000 associated with the conversions.

6 Unamoritised financing costs included in finance expenses

On 4 March 2014 the group completed an early debt refinancing which resulted in the write-off of £3,166,000 of unamortised financing costs.

7 Tax effect of exceptional items

The tax effect of the exceptional items is a credit of £127,000 (2014: credit £1,288,000).

Notes to the financial statements continued

52 week period ended 29 November 2015

6. Operating profit

a) Operating profit is stated after charging/(crediting):

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Depreciation of property, plant and equipment (note 13)	**12,922**	11,989
Amortisation of software (note 12)	**756**	687
Impairment of property, plant and equipment/(reversal of impairment losses) (note 13)	**180**	519
Goodwill impairment (gain)/losses (note 12)	**(322)**	382
Goodwill impairment correction to prior period (note 12)	**–**	(631)
Cost of inventories recognised as an expense	**723,489**	721,432
Write-downs of inventories recognised as an expense	**7,810**	6,624
Operating lease payments		
– property	**31,206**	30,642
– plant and machinery	**–**	9

The analysis of the auditors remuneration is as follows:

Audit of company	**20**	20
Audit of subsidiaries	**154**	154
Total audit	**174**	174
Audit related assurance services (including interim review)	**37**	48
Other assurance services	**–**	–
Total assurance services	**37**	48
Tax compliance services	**59**	50
Tax advisory services	**–**	51
Total services relating to taxation	**59**	101
Services related to corporate finance transactions not covered above[1]	**150**	175
Other non-audit services not covered above	**28**	36
Total other non-audit services	**178**	211
Total non-audit services	**274**	360
Total fees	**448**	534

1. Corporate finance transactions were one-off and subject to a tendering process.

b) Other operating income:

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Other operating income	**20,489**	28,074
Rental income	**2,693**	3,253
Profit on disposal of fixed assets	**437**	1,099
Negative goodwill on acquisitions	**-**	66
Total other operating income	**23,619**	32,492

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

c) Adjusted EBITDA

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Operating profit before exceptional items	**24,271**	25,477
Depreciation and amortisation	**13,678**	12,676
Impairment of property, plant and equipment (note 13)	**180**	519
Goodwill impairment losses (note 12)	**-**	382
Goodwill impairment correction to prior period (note 12)	**-**	(631)
Profit on disposal of fixed assets	**(437)**	(1,099)
Negative goodwill on acquisitions	**-**	(66)
	37,692	37,258

7. Employee benefits

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Wages and salaries	**122,144**	117,753
Social security costs	**5,461**	5,196
Other pension costs	**1,028**	1,001
	128,633	123,950

The employee benefits cost excludes directors' emoluments.

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Average number of employees:		
Retailing	**18,638**	18,360
Central administration	**318**	325
	18,956	18,685

Notes to the financial statements continued

52 week period ended 29 November 2015

8. Net finance costs

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Finance expense		
Bank loans and overdrafts	(2,192)	(5,280)
Hire purchase interest	(178)	(177)
Unwinding of the discount included in provisions	(19)	(187)
Amortisation of issue costs	(296)	(3,820)
Loss on fair value movement on interest rate swap	–	(34)
Other	(15)	(19)
Total finance expense	(2,700)	(9,517)
Finance income		
Interest receivable	165	112
Other	–	9
Total finance income	165	121
Net finance costs	(2,535)	(9,396)

9. Taxation

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Income statement		
Current tax:		
Current tax on profit for the period	4,556	3,400
Adjustments in respect of prior periods	10	(59)
	4,566	3,341
Deferred tax:		
Origination and reversal of temporary differences	(13)	(715)
Associated with pension deficit	163	178
Arising from change in tax rate	(444)	–
Adjustments in respect of prior periods	742	(74)
	448	(611)
Income tax expense for the period	5,014	2,730
Other comprehensive income		
Deferred tax in respect of actuarial valuation of retirement benefits	720	138
Arising from change in rate of tax	(26)	–
	694	138

The tax charge for the period can be reconciled to accounting profit as follows:

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Profit before tax	**21,111**	12,637
Profit before tax multiplied by the blended applicable corporation tax rate for 2015 of 20.34% (2014: 21.67%)	**4,294**	2,738
Disallowed expenses and non-taxable income	**412**	125
Adjustments in respect of prior years	**752**	(133)
Arising from change in rate of tax	**(444)**	–
Total tax expense	**5,014**	2,730

Included within the adjustments in respect of prior periods is a one-off prior period adjustment for deferred tax of £712,000. Excluding the one-off adjustment the effective tax rate is 20.4%.

Changes in tax rates and factors affecting the future tax charge

In July 2015, the UK Government announced its intention to reduce the corporation tax rate to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. These changes were substantively enacted at the balance sheet date and therefore have been reflected in the deferred tax provisions.

10. Dividends

The board has recommended a final dividend of 6.8 pence per share (2014: 6.8 pence), totalling £7,120,000 (2014: £7,120,000), subject to shareholder approval at the annual general meeting to be held on 19 April 2016. The final dividend will be paid on 31 May 2016 to those shareholders on the register at the close of business on 29 April 2016. The payment of this dividend will not have any tax consequences for the group. The interim dividend, declared and paid, was 3.4 pence per share (2014: 1.7 pence), totalling £3,560,000 (2014: £1,780,000).

Notes to the financial statements continued

52 week period ended 29 November 2015

11. Earnings per share

	52 weeks ended 29 November 2015	53 weeks ended 30 November 2014
Basic weighted average number of shares	**104,712,042**	97,432,203
Dilutive effect of warrant shares issued	**–**	356,129
Diluted weighted average number of shares	**104,712,042**	97,788,332
Profit attributable to ordinary shareholders (£'000)	**16,097**	9,907
Basic earnings per share	**15.4p**	10.2p
Diluted earnings per share	**15.4p**	10.1p
Adjusted earnings per share:		
Profit attributable to ordinary shareholders	**16,097**	9,907
Exceptional items (note 5)	**625**	6,610
Tax effect of adjustments (note 5)	**(127)**	(1,288)
Profit after tax and before exceptional items	**16,595**	15,229
Prior year deferred tax adjustment (note 9)	**712**	–
Adjusted profit after tax and before exceptional items	**17,307**	15,229
Adjusted earnings per share (pre tax adjustment)	**15.9p**	15.6p
Adjusted earnings per share (post tax adjustment)	**16.5p**	–

12. Intangible assets

	Other intangible assets £'000	Goodwill £'000	Total £'000
Cost			
At 24 November 2013	4,502	135,935	140,437
Additions	585	6,235	6,820
Deferred tax asset movement	–	56	56
Disposals	(1)	(558)	(559)
At 30 November 2014	5,086	141,668	146,754
Additions	620	8,711	9,331
Fair value adjustment to goodwill	–	(1,276)	(1,276)
Disposals	–	(349)	(349)
Transferred to assets held for sale	–	(1,223)	(1,223)
At 29 November 2015	**5,706**	**147,531**	**153,237**
Accumulated amortisation and impairment			
At 24 November 2013	2,361	5,582	7,943
Provision	687	–	687
Impairment losses	–	382	382
Correction to prior year impairment charge	–	(631)	(631)
Disposals	(1)	(777)	(778)
At 30 November 2014	3,047	4,556	7,603
Provision	756	–	756
Impairment of disposals	–	(322)	(322)
Transferred to assets held for sale	–	(716)	(716)
At 29 November 2015	**3,803**	**3,518**	**7,321**
Net book value			
As of 30 November 2014	2,039	137,112	139,151
As of 29 November 2015	**1,903**	**144,013**	**145,916**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	29 November 2015 £'000	30 November 2014 £'000	24 November 2013 £'000
CGU1	**95,628**	95,476	94,725
CGU2	**6,500**	6,525	6,369
CGU3	**42,392**	35,111	29,259
Transferred to assets held for sale	**(507)**	–	–
	144,013	137,112	130,353

The three groups are as follows:

CGU1 – Goodwill which arose from a management buy-out in 2005, including all goodwill held at that time;

CGU2 – Goodwill generated on a significant acquisition in 2008;

CGU3 – Goodwill acquired on all other acquisitions after the management buy-out in 2005.

The recoverable amounts of all three CGUs are determined from value in use calculations with a discounted cash flow model used to calculate this amount. The key assumptions for the value in use calculation include the discount rate and long-term growth rates. The value in use calculations use cash flows based on the detailed financial budget for 2016 covering a 12 month period. The budget has regard to historical performance and knowledge of the current market, together with management's view on the future achievable growth. Cash flows beyond this period are extrapolated using a long-term growth rate of nil and discounted with a WACC of 11.9% (2014: 10.0%).

Management consider a long-term growth rate of zero to be a prudent basis to extrapolate cash flows. The pre-tax discount rate is based on the group's weighted average cost of capital, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made.

The group has conducted sensitivity analysis on the impairment testing for goodwill. With reasonable possible changes in key assumptions, management have concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of goodwill to exceed the value in use.

Notes to the financial statements continued

52 week period ended 29 November 2015

13. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 24 November 2013	20,386	66,203	86,589
Acquisitions	8,100	1,146	9,246
Additions	6,625	8,760	15,385
Disposals	(10,186)	(895)	(11,081)
At 30 November 2014	24,925	75,214	100,139
Acquisitions	4,731	936	5,667
Additions	5,699	9,970	15,669
Transferred to assets held for sale	(3,655)	–	(3,655)
Disposals	(5,285)	(1,591)	(6,876)
At 29 November 2015	**26,415**	**84,529**	**110,944**
Accumulated depreciation			
At 24 November 2013	3,973	21,239	25,212
Charge	2,553	9,436	11,989
Impairment losses	–	519	519
Disposals	(44)	(600)	(644)
At 30 November 2014	6,482	30,594	37,076
Charge	3,162	9,760	12,922
Impairment losses	–	180	180
Transferred to assets held for sale	(2,277)	–	(2,277)
Disposals	(52)	(1,266)	(1,318)
At 29 November 2015	**7,315**	**39,268**	**46,583**
Net book value			
As of 30 November 2014	18,443	44,620	63,063
As of 29 November 2015	**19,100**	**45,261**	**64,361**

The net book value of tangible fixed assets includes an amount of £3,421,000 (2014: £3,947,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the period was £1,668,000 (2014: £1,726,000). They all relate to plant and machinery. See note 2 on page 83 for details of impairment review and assumptions.

Assets held for sale

Following a review of its portfolio of stores, the group has decided to sell 100 of its newsagents (subsequently 3 have been withdrawn from sale). We continue to focus on the strategy of developing and expanding the convenience business and have identified these stores as not being part of our long term planning.

There are now 97 stores involved which are being marketed individually to purchasers with the fair value of the stores ranging between £10,000 and £80,000. It is expected that in total these stores will be sold for no less than their net asset value and their closure is expected to be earnings neutral in 2016.

The group have treated this disposal under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

IFRS 5 requires that the group must not offset the gains and losses compared to fair value of the individual stores. However, on the basis that it is not practical to disclose 97 individual assets held for sale, these have been disclosed in aggregate.

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Assets relating to the properties for sale	**5,550**	–
Liabilities associated with assets held for sale	**(5,662)**	–

	52 weeks ended 29 November 2015 £'000
Goodwill (note 12)	**507**
Tangible fixed assets (note 13)	**1,378**
Inventory (note 16)	**2,192**
Trade and other receivables (note 17)	**1,473**
Assets of the businesses classified as held for sale	**5,550**
Trade and other payables (note 19)	**5,662**
Net assets of the businesses classified as held for sale	**(112)**

Notes to the financial statements continued

52 week period ended 29 November 2015

14. Investments

	29 November 2015 £'000	30 November 2014 £'000
Investments at cost	**18**	18

The following information relates to all subsidiary undertakings of the group during the period.

*100% held by a subsidiary undertaking shown below.

Name of company	Country of registration (or incorporation) and operation	Holding	Proportion of voting rights and shares held	Nature of business
A Harris Limited *	Scotland	Ordinary shares	100%	Dormant
Birrell Limited *	Scotland	Ordinary shares	100%	Dormant
Bracklands Limited *	England and Wales	Ordinary shares	100%	Property Co
Charnwait Management Limited *	England and Wales	Ordinary shares	100%	Retailing
Clark Retail Limited*	Scotland	Ordinary shares	100%	Retailing
Dillons Stores Limited *	England and Wales	Ordinary shares	100%	Retailing
Farthingmist Limited *	England and Wales	Ordinary shares	100%	Dormant
Forbouys Limited *	England and Wales	Ordinary shares	100%	Dormant
Forbouys Services Limited*	England and Wales	Ordinary shares	100%	Dormant
Hargreaves Vending Limited *	England and Wales	Ordinary shares	100%	Corporate activities
ISS Limited *	England and Wales	Ordinary shares	100%	Dormant
Key Food Stores Limited *	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Lavells Limited *	England and Wales	Ordinary shares	100%	Dormant
Lewis Meeson Limited *	England and Wales	Ordinary shares	100%	Dormant
Marshell Group Limited *	England and Wales	Ordinary shares	100%	Corporate activities
Martin CTN Group Limited *	England and Wales	Ordinary shares	100%	Dormant
Martin McColl Limited *	England and Wales	Ordinary shares	100%	Retailing
Martin McColl Group Limited *	England and Wales	Ordinary shares	100%	Dormant
Martin McColl Retail Group Limited	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Martin Retail Group Limited *	Scotland	Ordinary shares	100%	Retailing
Martin the Newsagent Limited *	England and Wales	Ordinary shares	100%	Dormant
NSS Newsagents Limited *	England and Wales	Ordinary shares	100%	Dormant
NSS Newsagents Retail Limited *	England and Wales	Ordinary shares	100%	Dormant
Price Smasher Limited *	England and Wales	Ordinary shares	100%	Intermediate Holding Co
RS McColl (UK) Limited *	England and Wales	Ordinary shares	100%	Dormant
Smile Holdings Limited *	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Smile Property Limited *	England and Wales	Ordinary shares	100%	Dormant
Smile Stores Limited *	England and Wales	Ordinary shares	100%	Retailing
Thistledove Limited *	England and Wales	Ordinary shares	100%	Intermediate Holding Co
TM Coffee Limited *	England and Wales	Ordinary shares	100%	Dormant
TM Group Limited *	England and Wales	Ordinary shares	100%	Dormant
TM Group Holdings Limited *	England and Wales	Ordinary shares	100%	Predecessor Holding Co
TM Pension Trustees Limited *	England and Wales	Ordinary shares	100%	Dormant
TM Retail Limited *	England and Wales	Ordinary shares	100%	Dormant
TM Vending Limited *	England and Wales	Ordinary shares	100%	Corporate Activities
Tog Limited *	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Trent Leisure Limited *	England and Wales	Ordinary shares	100%	Dormant
Trimley Stores Limited *	England and Wales	Ordinary shares	100%	Dormant

15. Business combinations

During the period, the group made 60 acquisitions, none of which was individually considered material to the group. The cash consideration for these acquisitions and the assets acquired are summarised as follows:

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Tangible fixed assets (note 13)	5,667	9,246
Inventory	1,169	1,412
Goodwill (net of negative goodwill) (note 12)	7,591	6,225
Deferred tax liability	(260)	(557)
Deferred tax asset	72	501
Cash consideration	14,239	16,827

16. Inventories

	29 November 2015 £'000	30 November 2014 £'000
Goods for resale	53,503	45,757
Transferred to assets held for sale (note 13)	(2,192)	–
	51,311	45,757

17. Trade and other receivables

	29 November 2015 £'000	30 November 2014 £'000
Trade receivables	2,971	3,060
Supplier rebates	17,148	16,705
Prepayments and accrued income	5,207	5,561
Other receivables	4,685	4,791
Transferred to assets held for sale (note 13)	(1,473)	–
	28,538	30,117

Ageing of past due but not impaired receivables

	29 November 2015 £'000	30 November 2014 £'000
Trade receivables		
31 – 60 days	392	424
61 – 90 days	151	142
91 – 120 days	397	323
	940	889
Supplier rebates receivable		
31 – 60 days	1,444	1,483
61 – 90 days	150	231
91 – 120 days	19	186
	1,613	1,900

Notes to the financial statements continued

52 week period ended 29 November 2015

18. Cash and cash equivalents

	29 November 2015 £'000	30 November 2014 £'000
Cash and cash equivalents	**14,531**	11,396

19. Trade and other payables

	29 November 2015 £'000	30 November 2014 £'000
Trade payables	**99,206**	85,348
Other taxation and social security	**4,888**	3,494
Other payables	**2,417**	3,125
Amounts due under hire purchase obligations	**1,137**	2,185
Accrued interest	**193**	213
Accruals	**19,894**	14,323
Deferred income	**2,368**	2,987
Holiday pay accrual	**930**	911
Transferred to assets held for sale (note 13)	**(5,662)**	–
	125,371	112,586

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

20. Non-current liabilities – other payables

	29 November 2015 £'000	30 November 2014 £'000
Other payables	**1,382**	2,198
Amounts due under hire purchase obligations	**1,757**	1,724
	3,139	3,922

21. Borrowings

Details of loans and credit facilities are as follows:

	29 November 2015 £'000	30 November 2014 £'000
Amounts falling due:		
In more than two years but not more than five years	**44,500**	46,000
Total borrowings	**44,500**	46,000
Less: unamortised issue costs	**(1,288)**	(1,148)
	43,212	44,852
Less: current borrowings (net of amortised issue costs)	**–**	–
Non-current borrowings	**43,212**	44,852

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.

On 15 August 2015 the group completed and signed an amended £85m revolving credit facility and a £15m accordion facility for the group. This facility amends the group's existing £85m plus £15m accordion facilities which were due to expire in July 2018. The new facility will be in place until August 2020 at margins of 1.5% above LIBOR. The current facility drawn as at 29 November 2015 is £44,500,000.

Details of loans and hire purchase obligations repayable within 2 to 5 years are as follows:

	29 November 2015 £'000	30 November 2014 £'000
Revolving facility available until 31 August 2020 at 1.5% above LIBOR	**44,500**	46,000
Hire purchase obligations	**1,127**	836
	45,627	46,836

22. Net debt

	29 November 2015 £'000	30 November 2014 £'000
Cash at bank and in hand	**14,531**	11,396
Loans due:		
In more than two years but not more than five years	**(44,500)**	(46,000)
Total borrowings	**(44,500)**	(46,000)
Less: unamortised issue costs	**1,288**	1,148
	(43,212)	(44,852)
Amounts due under hire purchase obligations	**(2,894)**	(3,909)
	(46,106)	(48,761)
Net debt	**(31,575)**	(37,365)

23. Provisions

	Dilapidations £'000	Onerous contracts £'000	Total £'000
At 30 November 2014	1,474	4,005	5,479
Utilised during the period	(348)	(511)	(859)
Unwinding of the discount included in provisions	5	14	19
Additional provision	792	145	937
Released	(410)	(718)	(1,128)
At 29 November 2015	**1,513**	**2,935**	**4,448**
Included in current liabilities	1,513	697	2,210
Included in non-current liabilities	–	2,238	2,238
	1,513	2,935	4,448

Dilapidations

The provision includes estimates for certain properties for which the extent of the dilapidation has not been established. It is expected that most of these costs will be incurred in the next 5 years.

Onerous contracts

A provision is recognised for the rent due less estimated rent receivable until the anticipated disposal of a vacant property. The periods of vacant property commitments range from 1 to 10 years. In addition, provision has been made for excess rent over market rent on one leasehold property as part of fair value assessments made on acquisition. Judgement is used for certain properties in respect of how long the property will remain vacant. The level of uncertainty associated with the use of estimates is not considered to be significant.

Notes to the financial statements continued

52 week period ended 29 November 2015

24. Deferred tax liabilities

Deferred tax movements are as follows:

	Pension deficit/ surplus £'000	Fixed assets £'000	Rolled-over capital gains £'000	Goodwill £'000	Freehold property £'000	Other temporary differences £'000	Total £'000
At 24 November 2013	(54)	1,709	4,600	(832)	–	(306)	5,117
Arising on acquisition	–	–	–	(501)	557	–	56
Charge/(credit) to income statement (note 9)	178	(355)	16	86	(557)	22	(610)
Charge/(credit) to other comprehensive income (note 9)	138	–	–	–	–	–	138
At 30 November 2014	262	1,354	4,616	(1,247)	–	(284)	4,701
Arising on acquisition (note 15)	–	–	–	(72)	260	–	188
Charge/(credit) to income statement (note 9)	163	(527)	(428)	1,410	(260)	90	448
Charge/(credit) to other comprehensive income (note 9)	694	–	–	–	–	–	694
At 29 November 2015	**1,119**	**827**	**4,188**	**91**	**-**	**(194)**	**6,031**

Deferred tax has arisen owing to accelerated capital allowances, business combinations, pension deficit/surplus and other temporary differences and also in respect of the taxable gains arising on the disposal of intangible fixed assets where the gains have been rolled into replacement assets.

Deferred tax at 29 November 2015 has been measured at 18% (2014: 20%) being the tax rate substantively enacted at the balance sheet date expected to be effective for future periods.

25. Financial instruments and risk management

Derivatives and other financial instruments

The group's principal financial instruments comprise loans, cash and short term deposits together with interest rate derivatives. 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 and other receivables and trade and other payables 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. There have been no substantive changes in the group's exposure to financial instrument risks or its objectives, policies and processes for managing and measuring those risks during the periods in this report unless otherwise stated.

On 15 August 2015 the group completed and signed an amended £85m revolving credit facility and a £15m accordion facility for the group. This facility amends the group's existing £85m plus £15m accordion facilities which were due to expire in July 2018. The new facility will be in place until August 2020 at margins of 1.5% above LIBOR. The current facility drawn as at 29 November 2015 is £44,500,000.

Interest rate risk

The group is exposed to interest rate risk from its use of interest bearing financial instruments. This is a market risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. There are no financial instruments held at level 1, 2 or 3 fair value.

Floating rate financial liabilities on which interest is paid bear interest at rates based on 1 month LIBOR. It is the group's policy to consider the need for interest rate hedging on an ongoing basis. No interest rate hedging is currently in place.

Interest rate risk profile of financial liabilities and assets

The interest rate profile of the financial liabilities of the group as at 29 November 2015 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	**2,628**	**44,766**	**126,584**	**173,978**

The floating rate financial liabilities comprise a sterling denominated working capital facility and hire purchase borrowings.

The interest rate profile of the financial liabilities of the group as at 30 November 2014 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	2,405	47,504	109,105	159,014

The interest rate profile of the financial assets of the group as at 29 November 2015 was as follows:

	Floating rate financial assets £'000	Financial assets on which no interest is paid £'000	Total £'000
Financial assets	**–**	**38,641**	**38,641**

The interest rate profile of the financial assets of the group as at 30 November 2014 was as follows:

	Floating rate financial assets £'000	Financial assets on which no interest is paid £'000	Total £'000
Financial assets	–	35,970	35,970

If interest rates had been 0.5% higher during the period ended 29 November 2015, with all other variables held constant, the post tax profit for the period would have been approximately £237,000 lower (2014: £282,000 lower) as a result of higher interest expense.

Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges on its debt instruments and repayments of principal. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and credit facilities to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

Notes to the financial statements continued
52 week period ended 29 November 2015

25. Financial instruments and risk management (continued)

Maturity of financial liabilities
The maturity profile of the group's financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date, was as follows:

	29 November 2015 £'000	30 November 2014 £'000
Up to 3 months or on demand	125,486	107,485
In 3 – 12 months	852	1,607
In more than one year but not more than two years	1,289	1,591
In more than two years but not more than five years	46,351	48,331
In more than five years	–	–
	173,978	159,014

The disclosures above are the contractual undiscounted cash flows and exclude unamortised finance costs.

Borrowing facilities
The group had certain borrowing facilities available to it for general working capital requirements of which £44,500,000 had been drawn at 29 November 2015 (30 November 2014: £46,000,000).

Credit risk
Given the nature of the group's operations, credit risk is not considered significant and arises mainly from cash deposits held with banks and financial institutions which have a good credit rating. Credit risk also arises from trade and other receivables which comprise amounts due from credit card institutions and rebates due from suppliers.

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

	At 29 November 2015		At 30 November 2014	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial liabilities				
At amortised cost				
Trade and other short term payables	(125,202)	(125,202)	(106,907)	(106,907)
Hire purchase borrowings	(2,894)	(2,894)	(3,909)	(3,909)
Long term borrowings	(44,500)	(44,500)	(46,000)	(46,000)
Long term payables	(1,382)	(1,382)	(2,198)	(2,198)
	(173,978)	(173,978)	(159,014)	(159,014)
Financial assets				
Other investments carried at cost	18	18	18	18
Classified as loans and receivables				
Short term receivables	24,092	24,092	24,556	24,556
Cash and short term deposits	14,531	14,531	11,396	11,396
	38,641	38,641	35,970	35,970

Capital disclosures

The group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern and to provide an adequate return to shareholders. Capital comprises the group's equity i.e. share capital including share premium and retained earnings, excluding pension asset and liability.

The group's net debt to capital ratio is as follows:

	29 November 2015 £'000	30 November 2014 £'000
Net debt (as per note 22)	**31,575**	37,365
Total equity (as defined above)	**120,486**	115,939
Debt to capital ratio	**0.3**	0.3

26. Authorised, issued and fully paid share capital

	Number of shares	Share capital £'000	Share premium £'000
Issued ordinary shares of £0.001 at 30 November 2014	104,712,042	105	47,836
Issued ordinary shares of £0.001 at 29 November 2015	**104,712,042**	**105**	**47,836**

Voting rights

The ordinary shares rank equally for voting purposes. On a show of hands each shareholder has one vote and on a poll each shareholder has one vote per ordinary share held. Each ordinary share ranks equally for any dividend declared. Each ordinary share ranks equally for any distributions made on a winding up of the group. Each ordinary share ranks equally in the right to receive a relative proportion of shares in the event of a capitalisation of reserves.

27. Leases and commitments

Operating leases

The group leases various properties and equipment under non-cancellable operating leases. The terms of the property leases vary, although they tend to be with rent reviews every 3 to 5 years and many have break clauses.

The total future value of minimum lease rentals payable is as follows:

	29 November 2015 £'000	30 November 2014 £'000
Land and buildings		
Within 1 year	**25,633**	26,154
Within 1 to 5 years	**67,513**	69,019
After 5 years	**66,537**	60,937
	159,683	156,110

As set out in note 6 property rental income earned during the year was £2,693,000 (2014: £3,253,000). All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the balance sheet date, the group had contracted with tenants for the following future minimum lease payments:

	29 November 2015 £'000	30 November 2014 £'000
Within 1 year	**442**	631
Within 1 to 5 years	**994**	1,238
After 5 years	**339**	518
	1,775	2,387

Notes to the financial statements continued
52 week period ended 29 November 2015

27. Leases and commitments (continued)

Finance leases

The group acquires the majority of its motor vehicles and computer equipment under hire purchase agreements and such assets are generally classified as finance leases.

Future lease payments are due as follows:

	29 November 2015 £'000	30 November 2014 £'000
Minimum lease payments payable		
Not later than one year	**1,293**	2,320
Later than one year and not later than five years	**1,888**	1,814
	3,181	4,134
Less future interest	**(287)**	(225)
	2,894	3,909

Capital commitments

The group has capital commitments of £275,000 as at 29 November 2015 (30 November 2014: £235,000).

28. Notes to the cash flow statement

	52 weeks ended 29 November 2015 £'000	53 weeks ended 30 November 2014 £'000
Profit for the period	**16,097**	9,907
Income and expenses not affecting operating cash flows		
Depreciation and amortisation	**13,678**	12,676
Impairment losses	**180**	270
Income tax	**5,014**	2,730
Finance expense	**2,700**	9,517
Finance income	**(165)**	(121)
Share-based payment charge	**-**	5,532
Profit on disposal of fixed assets	**(437)**	(1,099)
Negative goodwill	**-**	(66)
	37,067	39,346
Changes in operating assets and liabilities (including assets held for sale)		
Decrease in trade receivables	**89**	53
Decrease in other receivables	**15**	2,669
Increase in inventory	**(6,581)**	(121)
Increase/(decrease) in trade payables	**13,857**	(3,431)
Increase/(decrease) in other payables	**4,649**	(1,726)
Decrease in pensions	**(1,784)**	(1,383)
Increase in provisions	**280**	1,635
Cash generated by operations	**47,592**	37,042
Income taxes paid	**(4,070)**	(2,427)
Net cash provided by operating activities	**43,522**	34,615

Analysis of net debt

	At 30 November 2014 £'000	Cash flow £'000	Other non-cash movements £'000	**At 29 November 2015 £'000**
Cash and cash equivalent	11,396	3,135	–	**14,531**
Borrowings	(44,852)	1,500	140	**(43,212)**
Amounts due under hire purchase obligations	(3,909)	1,015	–	**(2,894)**
	(37,365)	5,650	140	**(31,575)**

29. Contingent liabilities

The group did not have any material contingent liabilities at 29 November 2015 or 30 November 2014.

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.

30. Retirement benefit schemes

The group accounts for pensions in accordance with IAS 19 revised.

The group operates two defined benefit pension schemes in the UK, the TM Group pension scheme and the TM pension plan, in addition to several defined contribution schemes which require contributions to be made to separately administered funds. Pension costs for defined contribution schemes were £1,356,000 in 2015 (2014: £1,042,000).

The two defined benefit pension schemes are subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The schemes are operated under trust and, as such, the trustees of the schemes are responsible for operating the schemes and they have a statutory responsibility to act in accordance with the trust deed and rules, in the best interest of the beneficiaries of the schemes, and UK legislation (including Trust law).

The nature of the schemes exposes the group to the risk of paying unanticipated additional contributions to the schemes in times of adverse experience. The most financially significant risks are likely to be:

- Members living for longer than expected;
- Higher than expected actual inflation;
- Lower than expected investment returns; and
- The risk that movements in the value of the schemes' liabilities are not met by corresponding movements in the value of the schemes' assets.

The sensitivity analysis disclosed is intended to provide an indication on the impact on the value of the schemes' liabilities of the risks highlighted.

Full actuarial valuations of the 2 defined benefit pension 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 this financial information have been based, in accordance with IAS 19 revised, on valuations using the projected unit method.

The contributions made in respect of the accounting period were £1,515,000 in 2015 (2014: £1,376,000). As at 29 November 2015 contributions of £nil (2014: £126,000) due in respect of the current reporting period had not been paid over to the schemes.

Notes to the financial statements continued
52 week period ended 29 November 2015

30. Retirement benefit schemes (continued)

The agreed contribution level for future years following the latest actuarial valuation of the schemes, is £1,533,000 per annum 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 defined benefits schemes ceased accrual on 1 July 2008 and now have no active members. Both schemes are closed to new entrants.

The disclosures are based upon the valuation of the schemes which were carried out as at 31 March 2013, updated to 29 November 2015 by qualified independent actuaries. The main assumptions when valuing the assets and liabilities of the schemes under IAS 19 revised are as follows:

	Group pension schemes	
	29 November 2015 %pa	30 November 2014 %pa
RPI inflation	**3.00**	2.95
CPI inflation	**2.00**	1.95
Rate of increase in pensionable salaries	**n/a**	n/a
Rate of increase to pensions in payment:		
5% LPI	**2.95**	2.90
2.5% LPI	**2.10**	2.10
Discount rate	**3.55**	3.50

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.

None of the group's own financial instruments or property, either held or occupied by the group, are held as assets within either schemes.

Demographic assumptions

		29 November 2015	
		TM Group pension scheme	**TM pension plan**
Life expectancy of a pensioner aged 65	– male	**86.9**	**87.0**
	– female	**88.9**	**88.7**
Life expectancy at age 65 for someone aged 45	– male	**89.3**	**89.4**
	– female	**90.5**	**90.3**
Life expectancy at age 45 for someone aged 45	– male	**86.2**	**86.3**
	– female	**88.4**	**88.1**

		30 November 2014	
		TM Group pension scheme	TM pension plan
Life expectancy of a pensioner aged 65	– male	86.8	86.9
	– female	88.9	88.6
Life expectancy at age 65 for someone aged 45	– male	89.2	89.2
	– female	90.5	90.2
Life expectancy at age 45 for someone aged 45	– male	86.1	86.2
	– female	88.3	88.1

TM Group pension scheme

Notes to the balance sheet

	29 November 2015 £'000	30 November 2014 £'000
Fair value of scheme assets	**83,285**	82,076
Present value of funded scheme obligations	**(73,479)**	(75,572)
Net pension asset	**9,806**	6,504

Notes to the income statement

	29 November 2015 £'000	30 November 2014 £'000
Current service cost including administration expenses	**244**	237
Net interest on defined benefit asset	**(232)**	(197)
Total included in 'staff costs'	**12**	40

Notes to the statement of comprehensive income (SCI)

	29 November 2015 £'000	30 November 2014 £'000
Return on assets excluding amounts included in net interest	**1,984**	7,114
Losses due to changes in demographic assumptions	**-**	(480)
Gains/(losses) due to changes in financial assumptions	**222**	(5,510)
Gains due to plan experience	**655**	480
	2,861	1,604
Less accrued contributions	**-**	(38)
Total recognised in SCI	**2,861**	1,566

Recognition of defined benefit obligation

	29 November 2015 £'000	30 November 2014 £'000
Opening defined benefit obligation	**75,572**	72,084
Administration costs	**244**	237
Interest cost on defined benefit obligation	**2,578**	2,958
Losses due to changes in demographic assumptions	**-**	480
(Gains)/losses due to changes in financial assumptions	**(222)**	5,510
Gains due to plan experience	**(655)**	(480)
Benefits paid including expenses	**(4,038)**	(5,217)
Closing defined benefit obligation	**73,479**	75,572

Notes to the financial statements continued

52 week period ended 29 November 2015

30. Retirement benefit schemes (continued)

Reconciliation of fair value of scheme assets

	29 November 2015 £'000	30 November 2014 £'000
Opening fair value of scheme assets	**82,076**	76,652
Interest income on scheme assets	**2,810**	3,155
Employer contributions	**453**	372
Return on assets excluding amounts included in net interest	**1,984**	7,114
Benefits paid including expenses	**(4,038)**	(5,217)
Closing fair value of scheme assets	**83,285**	82,076

The group expects to contribute £459,000 to the TM Group pension scheme in the period ended 27 November 2016.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	29 November 2015	**29 November 2015**	30 November 2014	30 November 2014
Equity securities	**14,917**	**17.9%**	15,829	19.3%
Debt securities – Corporate	**43,577**	**52.3%**	44,270	53.9%
Debt securities – Government	**20,169**	**24.2%**	17,814	21.7%
Real estate	**4,035**	**4.9%**	3,723	4.5%
Cash and cash equivalents	**587**	**0.7%**	440	0.6%
	83,285	**100.0%**	82,076	100.0%

Policy for recognising actuarial gains and losses

The group recognises actuarial gains and losses immediately in the statement of comprehensive income.

Sensitivity analysis – TM Group pension scheme

	Change in actuarial value of liabilities on 29 November 2015 £'000
Change in assumptions compared with 29 November 2015 actuarial assumptions	
0.5% decrease in discount rate	**5,014**
1 year increase in member life expectation	**2,204**
0.5% decrease in inflation	**(2,069)**

	Change in actuarial value of liabilities on 30 November 2014 £'000
Change in assumptions compared with 30 November 2014 actuarial assumptions	
0.5% decrease in discount rate	5,377
1 year increase in member life expectation	2,267
0.5% decrease in inflation	(2,275)

The sensitivities disclosed are calculated using approximate methods taking into account the weighted average duration of the scheme's liabilities (13 years). This is the same approach as in previous years.

TM pension plan

Notes to the balance sheet

	29 November 2015 £'000	30 November 2014 £'000
Fair value of plan assets	**43,701**	43,502
Present value of funded plan obligations	**(47,385)**	(48,702)
Net pension liability	**(3,684)**	(5,200)

Notes to the income statement

	29 November 2015 £'000	30 November 2014 £'000
Current service cost including administration expenses	**424**	258
Net interest on defined benefit liability	**171**	190
Total included in 'staff costs'	**595**	448

Notes to the statement of comprehensive income (SCI)

	29 November 2015 £'000	30 November 2014 £'000
Return on assets excluding amounts included in net interest	**308**	2,540
Losses due to changes in demographic assumptions	**-**	(619)
Gains/(losses) due to changes in financial assumptions	**72**	(3,262)
Gains due to plan experience	**759**	427
	1,139	(914)
Add/(less) accrued contributions	**-**	(21)
Total recognised in SCI	**1,139**	(935)

Recognition of defined benefit obligation

	29 November 2015 £'000	30 November 2014 £'000
Opening defined benefit obligation	**48,702**	45,728
Administration costs	**424**	258
Interest cost on defined benefit obligation	**1,665**	1,893
Losses due to changes in demographic assumptions	**-**	619
(Gains)/losses due to changes in financial assumptions	**(72)**	3,262
Gains due to plan experience	**(669)**	(427)
Benefits paid including expenses	**(2,665)**	(2,631)
Closing defined benefit obligation	**47,385**	48,702

Notes to the financial statements continued

52 week period ended 29 November 2015

30. Retirement benefit schemes (continued)

Reconciliation of fair value of plan assets

	29 November 2015 £'000	30 November 2014 £'000
Opening fair value of plan assets	**43,502**	40,886
Interest income on plan assets	**1,494**	1,703
Employer contributions	**1,062**	1,004
Return on assets excluding amounts included in net interest	**308**	2,540
Benefits paid including expenses	**(2,665)**	(2,631)
Closing fair value of plan assets	**43,701**	43,502

The group expects to contribute £1,074,000 to the TM pension plan in the period ended 27 November 2016.

The major categories of plan assets as a percentage of total plan assets are as follows:

	29 November 2015	29 November 2015	30 November 2014	30 November 2014
Equity securities	**19,956**	**45.7%**	19,624	45.1%
Debt securities – Corporate	**14,801**	**33.9%**	17,073	39.2%
Debt securities – Government	**4,715**	**10.8%**	3,015	6.9%
Real estate	**4,035**	**9.2%**	3,723	8.6%
Cash and cash equivalents	**194**	**0.4%**	67	0.2%
	43,701	**100.0%**	43,502	100.0%

Policy for recognising actuarial gains and losses

The group recognises actuarial gains and losses immediately in the statement of comprehensive income.

Sensitivity analysis – TM pension plan

	Change in actuarial value of liabilities on 29 November 2015 £'000
Change in assumptions compared with 29 November 2015 actuarial assumptions	
0.5% decrease in discount rate	**3,576**
1 year increase in member life expectation	**1,419**
0.5% decrease in inflation	**(2,251)**

	Change in actuarial value of liabilities on 30 November 2014 £'000
Change in assumptions compared with 24 November 2014 actuarial assumptions	
0.5% decrease in discount rate	3,813
1 year increase in member life expectation	1,461
0.5% decrease in inflation	(2,417)

The sensitivities disclosed are calculated using approximate methods taking into account the weighted average duration of the plan's liabilities (14 years). This is the same approach as in previous years.

31. Related party transactions

Only the directors and senior managers are deemed to be key management personnel. It is the board which has responsibility for planning, directing and controlling the activities of the group. All transactions are on an arm's length basis and no period end balances have arisen as a result of these transactions.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 related party disclosures.

	29 November 2015 £'000	30 November 2014 £'000
Short term employee benefits	**1,862**	2,816
Compensation for loss of office	**259**	282
Share-based payments	**-**	5,513
	2,121	8,611

There were no material transactions or balances between the group and its key management personnel or members of their close family.

Company balance sheet

29 November 2015

	Notes	29 November 2015 £'000	30 November 2014 £'000
Non-current assets			
Investments	3c	**77**	77
Total non-current assets		**77**	77
Current assets			
Trade and other receivables	4c	**63,374**	53,465
Cash and cash equivalents	5c	**-**	8,220
Total current assets		**63,374**	61,685
Total assets		**63,451**	61,762
Current liabilities			
Trade and other payables	6c	**-**	(5,866)
Total current liabilities		**-**	(5,866)
Net assets		**63,451**	55,896
Shareholders' equity			
Equity share capital	7c	**105**	105
Share premium account	7c	**47,836**	47,836
Retained earnings	8c	**15,510**	7,955
		63,451	55,896

These financial statements of McColl's Retail Group plc, registered number 08783477, were approved and authorised for issue by the board of directors on 1 March 2016.

Signed on behalf of the board of directors

Jonathan Miller
Director

Notes to the company financial statements

52 week period ended 29 November 2015

1c. Basis of preparation

The company's financial period is the period from 1 December 2014 to 29 November 2015.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the company forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty, and are satisfied that the company should be able to operate within the level of its current facilities. Accordingly, they have adopted the going concern basis in preparing the financial statements.

The company has taken advantage of the exemption contained in Section 408(4) of the Companies Act 2006 from presenting its own profit and loss account. The company made a profit after tax of £18,236,000 (2014: £4,600,000).

The company has taken advantage of the exemptions in FRS 1 – 'Cash flow statements' and has not prepared a cash flow statement.

Accounting policies have been applied consistently throughout the periods.

The company has not disclosed transactions with related parties that are part of the Martin McColl Retail Limited (formerly McColl's Retail Group Limited) group of companies, which are wholly owned, as permitted by FRS 8 'Related Parties'.

2c. Significant accounting policies

Investments

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

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.

3c. Investments

Shares in subsidiaries

	29 November 2015 £'000	30 November 2014 £'000
Cost		
Investments	**77**	77

The carrying value of the investment in subsidiary undertakings has been reviewed at 29 November 2015 and no impairment charge is required.

Notes to the company financial statements continued

52 week period ended 29 November 2015

3c. Investments (continued)

The following information relates to all subsidiary undertakings of 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
A Harris Limited *	Scotland	Ordinary shares	100%	Dormant
Birrell Limited *	Scotland	Ordinary shares	100%	Dormant
Bracklands Limited *	England and Wales	Ordinary shares	100%	Property Co
Charnwait Management Limited *	England and Wales	Ordinary shares	100%	Retailing
Clark Retail Limited *	Scotland	Ordinary shares	100%	Retailing
Dillons Stores Limited *	England and Wales	Ordinary shares	100%	Retailing
Farthingmist Limited *	England and Wales	Ordinary shares	100%	Dormant
Forbouys Limited *	England and Wales	Ordinary shares	100%	Dormant
Forbouys Services Limited *	England and Wales	Ordinary shares	100%	Dormant
Hargreaves Vending Limited *	England and Wales	Ordinary shares	100%	Corporate activities
ISS Limited *	England and Wales	Ordinary shares	100%	Dormant
Key Food Stores Limited *	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Lavells Limited *	England and Wales	Ordinary shares	100%	Dormant
Lewis Meeson Limited *	England and Wales	Ordinary shares	100%	Dormant
Marshell Group Limited *	England and Wales	Ordinary shares	100%	Corporate activities
Martin CTN Group Limited *	England and Wales	Ordinary shares	100%	Dormant
Martin McColl Limited *	England and Wales	Ordinary shares	100%	Retailing
Martin McColl Group Limited *	England and Wales	Ordinary shares	100%	Dormant
Martin McColl Retail Group Limited	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Martin Retail Group Limited *	Scotland	Ordinary shares	100%	Retailing
Martin the Newsagent Limited *	England and Wales	Ordinary shares	100%	Dormant
NSS Newsagents Limited *	England and Wales	Ordinary shares	100%	Dormant
NSS Newsagents Retail Limited *	England and Wales	Ordinary shares	100%	Dormant
Price Smasher Limited *	England and Wales	Ordinary shares	100%	Intermediate Holding Co
RS McColl (UK) Limited *	England and Wales	Ordinary shares	100%	Dormant
Smile Holdings Limited *	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Smile Property Limited *	England and Wales	Ordinary shares	100%	Dormant
Smile Stores Limited *	England and Wales	Ordinary shares	100%	Retailing
Thistledove Limited *	England and Wales	Ordinary shares	100%	Intermediate Holding Co
TM Coffee Limited *	England and Wales	Ordinary shares	100%	Dormant
TM Group Limited *	England and Wales	Ordinary shares	100%	Dormant
TM Group Holdings Limited *	England and Wales	Ordinary shares	100%	Predecessor Holding Co
TM Pension Trustees Limited *	England and Wales	Ordinary shares	100%	Dormant
TM Retail Limited *	England and Wales	Ordinary shares	100%	Dormant
TM Vending Limited *	England and Wales	Ordinary shares	100%	Corporate Activities
Tog Limited *	England and Wales	Ordinary shares	100%	Intermediate Holding Co
Trent Leisure Limited *	England and Wales	Ordinary shares	100%	Dormant
Trimley Stores Limited *	England and Wales	Ordinary shares	100%	Dormant

*All held by a subsidiary undertaking unless stated.

Notes to the company financial statements

52 week period ended 29 November 2015

4c. Trade and other receivables

	29 November 2015 £'000	30 November 2014 £'000
Amounts owed by group undertakings	**63,374**	53,465

5c. Cash and cash equivalents

	29 November 2015 £'000	30 November 2014 £'000
Cash at bank	**–**	8,220

6c. Trade and other payables

	29 November 2015 £'000	30 November 2014 £'000
Amounts owed to group undertakings	**–**	5,866

7c. Authorised, issued and fully paid share capital

	Number of shares	Share capital £'000	Share premium £'000
Issued ordinary shares of £0.001 each at 30 November 2014 and 29 November 2015	**104,712,042**	**105**	**47,836**

Reorganisation of ultimate parent company

On 7 February 2014, McColl's Retail Group plc replaced Martin McColl Retail Limited (formerly McColl's Retail Group Limited) as the ultimate parent company and Martin McColl Retail Limited (formally McColl's Retail Group Limited) became a wholly owned subsidiary of McColl's Retail Group plc, the entity listed on the London Stock Exchange.

8c. Reconciliation of shareholders' funds and movement on reserves

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 30 November 2014	105	47,836	7,955	55,896
Profit for the period	–	–	18,236	18,236
Dividends paid	–	–	(10,681)	(10,681)
As at 29 November 2015	**105**	**47,836**	**15,510**	**63,451**

As at 29 November 2015, the distributable reserves were £15.5m.

9c. Dividends

The board has recommended a final dividend of 6.8 pence per share (2014: 6.8 pence), totalling £7,120,000, subject to shareholder approval at the annual general meeting to be held on 19 April 2016. The final dividend will be paid on 31 May 2016 to those shareholders on the register at the close of business on 29 April 2016. The payment of this dividend will not have any tax consequences for the company. The interim dividend, declared and paid, was 3.4 pence per share (2014: 1.7 pence), totalling £3,560,000.

Following the publication of FRS 100 Application of Financial Reporting Requirements by the Financial Reporting Council, McColl's Retail Group plc is required to change its accounting framework for its entity financial statements (currently prepared under UK GAAP) for its financial year commencing 1 January 2015. The board considers that it is in the best interests of the group for McColl's Retail Group plc to adopt FRS 101 Reduced Disclosure Framework. It is emphasised that this will involve no reduction in disclosures from those in the current UK GAAP financial statements for the parent company entity.

A shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in McColl's Retail Group plc may serve objections to the use of the disclosure exemptions, in writing, to the company's registered office (McColl's House, Ashwells Road, Brentwood, Essex CM15 9ST) not later than 19 April 2016.

The group's consolidated financial statements will continue to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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