Contacts and addresses

Company registration number
D8753477

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McColl’s Retail Group plc
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CM15 9ST

Telephone: 01277 372916
Email: investor.relations@mccolls.co.uk
ISIN: GB0008354097
www.mccollsplc.co.uk/investor

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Corporate broker
Numis Securities Limited
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London EC4M 7LJ

Legal advisors
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London EC1A 2AL

Independent auditor
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2 New Street Square
London EC2A 3ZJ

Company Secretary
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Essex
CM15 9ST

Registrar
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Calls cost 12p per minute plus your phone company’s access charge. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

By email: enquiries@linkgroup.co.uk
Web portal: www.signalshares.com

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www.tv.com

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Glossary of terms continued

<table>
<thead>
<tr>
<th>Term</th>
<th>Class equivalent</th>
<th>Not applicable</th>
<th>Definition and purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td>No direct equivalent</td>
<td>Not applicable</td>
<td>Gross margin is calculated as gross profit before adjusting items divided by revenue. It is an important indicator of the Group's operating efficiency.</td>
</tr>
<tr>
<td>Profit (loss) on property-related items</td>
<td>No direct equivalent</td>
<td>Not applicable</td>
<td>Profit (loss) on property-related items relates to the Group's property activities, including gains and losses on disposal of property assets, sale and leaseback of freehold interests, losses resulting from changes in the Group's property portfolio, and income (expenses) associated with impairment of non-imposing property and related receivables. These items are disclosed separately to clarify the impact of these items versus the other operating expenses related to the core retail operations of the business. They can be one-time in nature and can have a disproportionate impact on profit between reporting periods.</td>
</tr>
<tr>
<td>Adjusted net finance costs</td>
<td>Finance costs</td>
<td>Note 8</td>
<td>Total finance costs before adjusting items is the net finance costs adjusted for non-recurring one-off items due to their size and nature.</td>
</tr>
<tr>
<td>Adjusted EBIDTA</td>
<td>No direct equivalent</td>
<td>Note 8</td>
<td>The profit measure shows the Group's Earnings Before Interest, Tax, Depreciation and Amortisation adjusted for both property gains and losses and other adjusting items, in order to provide shareholders with a measure of the underlying performance of the business.</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>No direct equivalent</td>
<td>Note 11</td>
<td>The diluted earnings per share is calculated by dividing the basic earnings per share by the number of shares outstanding.</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>Note 11</td>
<td>The difference between basic and diluted earnings is the number of shares that could be issued under the terms of the business.</td>
<td></td>
</tr>
<tr>
<td>Balance sheet measures</td>
<td>Note 14</td>
<td>Net debt represents the total of all borrowings, including finance leases, and the net amount of receivables and payables. This is a useful measure of the progress in generating cash and strengthening the Group's balance sheet position.</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Capital expenditure, excluding the acquisition of:</td>
<td>The additions to property, plant and equipment intangible assets that do not relate to the acquisition of another business.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital expenditure (Carpire):</td>
<td>The additions to property, plant and equipment intangible assets.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>FPI: Real-time equivalents.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BPI: Retail Price Index.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CPI: Consumer Price Index.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LPI: Limited Price Inflation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Shareholder Return (TSR):</td>
<td>The total return to shareholders divided by the number of shares outstanding. It is a useful measure of the progress in generating cash and strengthening the Group's balance sheet position.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Grocery sales:</td>
<td>This includes ambient, fresh, frozen and household groceries, and food-to-go, but excludes impulse categories (including confectionery, pasta and noodles, soft drinks and ice cream), general merchandise, news and magazines, and services.</td>
<td></td>
</tr>
</tbody>
</table>
Glossary of terms

Introduction
In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (APMs) of financial performance, position or cash flow other than those defined or specified under International Financial Reporting Standards (IFRS).

These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry.

APMs should be considered in addition to IFRS measures and are not intended to be a substitute for IFRS measurements.

Purpose
The Directors believe that these APMs provide additional useful information on the underlying performance and position of McColl's.

APMs are also used to enhance the comparability of information between reporting periods by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding McColl's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive-setting purposes and have remained consistent with prior years.

The key APMs that the Group has focused on this year are as follows:

**Like-for-like sales (LLS)**
This is a widely used indicator of a retailer's current trading performance and is a measure of growth in sales from stores that have been open for at least a year.

Sales from stores that have traded throughout the whole of the current and prior periods, and including VAT but excluding sales of fuel, tobacco, mobile top-ups, gift cards and travel tickets.

**Adjusted EBITDA excluding property-related items**
This profit measure shows the Group's Earnings Before Interest, Tax, Depreciation and Amortisation adjusted for both Property gains and losses and other adjusting items.

**Property gains and losses**
are incomes and costs that arise from events and transactions in relation to the Group's property and not from the principal activity of the Group, i.e. that of an operator of convenience and newsagent stores.

**Adjusting items**
relate to costs or incomes that derive from events or transactions that fall within the normal activities of the Group but which, individually or, if of a similar type, in aggregate, are excluded from the Group's adjusted profit measures due to their size and nature in order to reflect management's view of the performance of the Group.

**Adjusting Operating Profit**
Operating Profit before the impact of adjusting items as explained above.

Adjusted Earnings per share: Earnings per share before the impact of adjusting items.

<table>
<thead>
<tr>
<th>APM</th>
<th>Closest equivalent</th>
<th>Methodology</th>
<th>Definition and purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth</td>
<td>No direct equivalent</td>
<td>Not applicable</td>
<td>Growth in sales is a ratio that measures year-on-year movement in Group sales for continuing operations for 52 weeks. It shows the annual rate of increase in the Group's sales and is considered a good indicator of how rapidly the Group's core business is growing.</td>
</tr>
<tr>
<td>Sales mix</td>
<td>No direct equivalent</td>
<td>Not applicable</td>
<td>The relative proportion or ratio of products sold compared to the same period in the prior year.</td>
</tr>
<tr>
<td>Like-for-like (LLS)</td>
<td>No direct equivalent</td>
<td>Not applicable</td>
<td>Like-for-like is a measure of growth in Group stores from stores that have been open for at least a year (but excludes prior year sales at stores closed during the year) it is a widely used indicator of a retailer's current trading performance and is important when comparing growth between retailers that have different profiles of expenditure, discounting and closures.</td>
</tr>
<tr>
<td>Profit measures</td>
<td>Adjusted operating profit excluding property-related items</td>
<td>Operating profit</td>
<td>Operating profit before adjusting items is the headline measure of the Group's performance. It is based on adjusting profit before the impact of certain costs or losses, including property-related items, that derive from events or transactions that fall within the normal activities of the Group, which are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group. This is a key management incentive metric.</td>
</tr>
</tbody>
</table>

135
Notes to the Company financial statements continued

for the 52 week period from 28 November 2016 to 26 November 2017

C6. Trade and other receivables

2017  £'000  2016  £'000

Amounts owed by Group undertakings 95,367  85,000

C6. Authorised, issued and fully paid share capital

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Share capital £'000</th>
<th>Share premium £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued ordinary shares of 60.001 each as at 30 November 2016</td>
<td>115,172,714</td>
<td>115</td>
</tr>
<tr>
<td>Issued ordinary shares of 60.001 each as at 30 November 2017</td>
<td>115,172,714</td>
<td>115</td>
</tr>
</tbody>
</table>

C7. Dividends paid and proposed

The Board has recommended a final dividend of 6.5 pence per share (2016: 6.8p), totalling £27,466,000, subject to shareholder approval at the Annual General Meeting to be held on 12 April 2018. The final dividend will be paid on 1 June 2018 to those shareholders on the register at the close of business on 20 April 2018. 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 (2016: 3.4p), totalling £23,916,000.

<table>
<thead>
<tr>
<th></th>
<th>2017  £'000</th>
<th>2016  £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declared and paid during the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity dividends on ordinary shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final dividend for 2016: 6.8p (2015: 6.8p)</td>
<td>7,832</td>
<td>7,120</td>
</tr>
<tr>
<td>Interim for 2017: 3.4p (2016: 3.4p)</td>
<td>3,916</td>
<td>3,916</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>11,748</td>
<td>11,036</td>
</tr>
<tr>
<td>Proposed for approval by shareholders at the AGM:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final dividend for 2017: 6.5p (2016: 6.8p)</td>
<td>7,947</td>
<td>7,120</td>
</tr>
</tbody>
</table>

The proposed final dividend is subject to approval by shareholders passing a written resolution and accordingly has not been included as a liability in these financial statements.
<table>
<thead>
<tr>
<th>Name of subsidiary</th>
<th>Nature of activity</th>
<th>Registered office</th>
<th>Proportion of ownership interest and voting rights 2017</th>
<th>Proportion of ownership interest and voting rights 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Smoother Limited</td>
<td>Intermediate Holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>D H McColl (UK) Limited</td>
<td>Dorman</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Smite Holdings Limited</td>
<td>Intermediate Holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Smite Property Limited</td>
<td>Dorman</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Smite Stores Limited</td>
<td>Retailing</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Theredove Limited</td>
<td>Intermediate holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TM Coffee Limited</td>
<td>Dorman</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TM Group Limited</td>
<td>Dorman</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TM Group Holdings Limited</td>
<td>Predecessor Holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TM Pension Trustees Limited</td>
<td>Dorman</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TM Retail Limited</td>
<td>Dorman</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TM Vending Limited</td>
<td>Corporate Activities</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Thredog Limited</td>
<td>Intermediate holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Tennis Leisure Limited</td>
<td>Dorman</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Timley Stores Limited</td>
<td>Dorman</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

From the above table the following subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 30 November 2017: Bractlands Limited, Chornwall Management Limited, Clark Retail Limited, Dillons Stores Limited, Martin McColl Limited, Martin McColl Retail Group Limited, Martin Retail Group Limited, Smite Stores Limited, Theredove Limited, TM Group Holdings Limited, TM Vending Limited. All the subsidiaries are included on the Group's consolidated financial statements for the period. The Group will guarantee the debts and liabilities of these below UK subsidiaries at the balance sheet date in accordance with section 479C of the Companies Act 2006.
Financial statements continued

Notes to the Company financial statements continued

for the 52 week period from 28 November 2016 to 26 November 2017

C4. Investments
Shares in subsidiaries

<table>
<thead>
<tr>
<th>Name of subsidiary</th>
<th>Principal activity</th>
<th>Registered office</th>
<th>Proportion of ownership interest and voting rights held 2017</th>
<th>Proportion of ownership interest and voting rights held 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Pons Limited</td>
<td>Dormant</td>
<td>Scotland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Birdi Limited</td>
<td>Dormant</td>
<td>Scotland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Brocklands Limited</td>
<td>Property Company</td>
<td>Scotland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Chairman Management Limited</td>
<td>Retailing</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Clock Retail Limited</td>
<td>Retailing</td>
<td>Scotland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Dibbs Stores Limited</td>
<td>Retailing</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Forthlum Limited</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Forbes Sales Limited</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Forbes Services Limited</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Hogwreaves Vending Limited</td>
<td>Corporate activities</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ISS Limited</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Key Food Stores Limited</td>
<td>Intermediate Holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Lews Limited</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Lewis Meason Limited</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Merchants Group Limited</td>
<td>Corporate activities</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Martin CIL Group Limited</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Martin McColl Limited</td>
<td>Retailing</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Martin McColl Group Limited</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Martin McColl Retail Limited</td>
<td>Intermediate Holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Martin Retail Group Limited</td>
<td>Retailing</td>
<td>Scotland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Martin the Newagent Limited</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>NS Newagents Limited</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>NS Newagents Retail Limited</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The carrying value of the investment in subsidiary undertakings has been reviewed at 26 November 2017 and no impairment charge is required.

The following information relates to all UK subsidiary undertakings of the Group during the period:

All subsidiaries are held by the Company unless stated. All subsidiaries are registered at the same address as McColl’s Retail Group plc, except for those registered in Scotland, whose registered address is Unit 11, The Avenue, Newton Mearns, Glasgow G77 6AA.
Notes to the Company financial statements
for the 52 week period from 28 November 2016 to 25 November 2017

G1. Basis of preparation
The Company’s financial period is the period from 28 November 2016 to 25 November 2017.

The parent company financial statements have been prepared in accordance with Financial
Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act
2006 (the 'Act'). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as
defined in the standard which addresses the financial reporting requirements and disclosure
exemptions in the individual financial statements of qualifying entities that otherwise apply
the recognition, measurement and disclosure requirements of EU-adapted FRS.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions
available under that standard in relation to business combinations, financial instruments,
capital management, presentation of comparative information in respect of share capital,
tangible fixed assets and intangible assets, presentation of a cash flow statement and
related notes, standards not yet effective, impairment of assets, disclosures in respect
of the compensation of key management personnel and related party transactions.
Where required, equivalent disclosures are given in the consolidated financial statements of
McCoys plc.

The parent company financial statements are prepared on a going concern basis as set
out in note 2 of the consolidated financial statements of the Group. The Directors have
taken advantage of the exemption available under Section 408 of the Companies Act 2006
and not presented an income statement or a statement of comprehensive income for the
Company alone.

A summary of the Company’s significant accounting policies is set out below:

G2. Significant accounting policies
Investments
Fixed asset investments are shown at cost less provision for impairment.

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
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初始 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.

C3. Staff costs including Directors’ remuneration
The average number of employees (not Executive Directors of the Company) during the
financial year was three (2016: three).

The Schedule 5 requirements of S 2008/110 for Executive Directors’ remuneration are included
within the Remuneration report on pages 84 to 85.
Company statement of financial position
for the 52 week period from 28 November 2016 to 26 November 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 £'000</th>
<th>2016 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>C4</td>
<td>77</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>C5</td>
<td>59,464</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td></td>
<td>68,004</td>
</tr>
<tr>
<td>Total current assets and net assets</td>
<td>64,464</td>
<td>68,004</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity share capital</td>
<td>C8</td>
<td>115</td>
</tr>
<tr>
<td>Share premium account</td>
<td>C8</td>
<td>12,579</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>35,476</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>59,464</td>
</tr>
</tbody>
</table>

1 Included within retained earnings and other reserves a profit of £5,375,393 (2016 £5,375,393). 13 line AC2.

These financial statements of McColl’s Retail Group plc, registered number 08783477, were approved and authorised for issue by the Board on 18 February 2018 and signed on its behalf by:

Simon Fuller  
Director

Company statement of changes in equity
for the 52 week period from 28 November 2016 to 26 November 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 £'000</th>
<th>2016 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share premium account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As at 16 November 2016:
- 115 £2,579 55,476 68,170
- 3,002 3,002
- (11,348) (11,348)
- 59,464

As at 26 November 2017:
- 115 £2,579 48,750 59,464

As at 30 November 2015:
- 105 £4,836 15,510 63,451
- (60,836) 60,836
- 12,579
- 3,166 3,166
- (11,348) (11,348)
- 59,464

McColl’s Retail Group plc Annual Report and Accounts 2017
The movements in the number of CSOP share options during the period were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, start of period</td>
<td>287,958</td>
<td>100,450</td>
</tr>
<tr>
<td>Granted during the period</td>
<td>176,064</td>
<td>102,104</td>
</tr>
<tr>
<td>Forfeited during the period</td>
<td>(24,687)</td>
<td>(24,003)</td>
</tr>
<tr>
<td>Outstanding, end of period</td>
<td>439,355</td>
<td>287,658</td>
</tr>
</tbody>
</table>

The movements in the weighted average exercise price of CSOP share options during the period were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, start of period</td>
<td>1.57</td>
<td>1.06</td>
</tr>
<tr>
<td>Granted during the period</td>
<td>1.86</td>
<td>1.06</td>
</tr>
<tr>
<td>Forfeited during the period</td>
<td>1.62</td>
<td>1.52</td>
</tr>
<tr>
<td>Outstanding, end of period</td>
<td>1.66</td>
<td>1.52</td>
</tr>
</tbody>
</table>

No options were exercised during the period.

### Outstanding share options

Details of share options outstanding at the end of the period are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average exercise price (S)</td>
<td>1.66</td>
<td>1.52</td>
</tr>
<tr>
<td>Number of share options outstanding</td>
<td>439,355</td>
<td>201,958</td>
</tr>
<tr>
<td>Expected weighted average remaining life (years)</td>
<td>1.54</td>
<td>1.05</td>
</tr>
</tbody>
</table>

The contractual weighted average remaining life is 1.54 years.

The exercise price range is £1.48 to £1.66.

### Charge (credit) arising from share-based payments

The total charge for the year for CSOP share-based payments was £43.000 (2016: £94), of which £45.000 (2016: £4) related to equity-vested share-based payment transactions.

The diluting effect of the liability arising from share-based payments was £43.000 (2016: £94).

#### 33 Related party transactions

Only the Directors are deemed to be key management personnel. All transactions between Directors and the Group are on an arm’s length basis and no period-end balances have arisen as a result of these transactions.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares and other short-term employee benefits</td>
<td>1,793</td>
<td>2,068</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>228</td>
<td>-</td>
</tr>
</tbody>
</table>

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

#### 34 Subsequent events

Management has evaluated subsequent events through 18 February 2018, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that required adjustment to, or disclosure in, the Group financial statements.
Notes to the financial statements continued
for the 52 week period ended 28 November 2016 and 25 November 2017

32 Share-based payments continued
The following table gives the assumptions applied to the options granted in the respective periods shown. No assumption has been made to incorporate the effects of expected early exercise. The main inputs are set out in the table below. The date of grant of the options was 15 March 2017 (2016: 11 April 2016 and 6 April 2017).

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exercise price of option ($)</td>
<td>1.86</td>
<td>1.88</td>
</tr>
<tr>
<td>Share price at date of grant ($)</td>
<td>1.86</td>
<td>1.88</td>
</tr>
<tr>
<td>Expected volatility (%)</td>
<td>35.80</td>
<td>33.46</td>
</tr>
<tr>
<td>Vesting period in years</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Option life in years</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Expected life of option in practice in years</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Expected dividends, expressed as a dividend yield (%)</td>
<td>5.48</td>
<td>6.08</td>
</tr>
<tr>
<td>Risk-free interest rate (%)</td>
<td>0.08</td>
<td>0.33</td>
</tr>
<tr>
<td>Number of employees subject to option grant</td>
<td>5.00</td>
<td>4.00</td>
</tr>
<tr>
<td>Number of shares covered by option</td>
<td>778,231</td>
<td>803,205</td>
</tr>
</tbody>
</table>

Volatility is a measure of the amount by which a price is expected to fluctuate during a period. This is based on a historical analysis of the volatility of McColl’s total return to shareholders as measured daily over a historic period commensurate with the remaining performance period or date of grant.

Risk-free rate is the yield to maturity on the date of grant on a 210-day UK Government bond with a term commensurate with the remaining performance period or date of grant.

McColl’s embedded performance is based on the TSR performance achieved by each LTP comparator over the period from the start of the averaging period to the date of grant.

Compromises embedded performance is based on the TSR performance achieved by each LTP comparator over the period from the start of the averaging period to the date of grant.

Correlation is based on an historical analysis of the average TSR correlation observed across the LTP comparator Group as measured daily over a historic period commensurate with the remaining performance period or date of grant.

The fair value of services received during the period were the tenure of employment.

IFRS 11 requires that TSR-vesting shares under McColl’s LTP awards be expensed based on fair value, taking into account the probability of achieving the market-based vesting condition (described as TSR). The probability of achieving the vesting condition is influenced by the performance already achieved over the start of the share price averaging period and the date of grant. McColl’s has used a Monte-Carlo simulation model to determine the grant-date fair value of performance shares for the TSR element of the scheme. Each Monte-Carlo iteration calculates the future value of a performance share by projecting forward a future TSR scenario for each of its TSR comparators. Valuations are based on the average of 10,000 iterations of the Monte-Carlo model.

Change/credit arising from share-based payments
The total charge for the year for share-based payments was £392,818 (2016: £416), of which £392,818 (2016: £416) related to equity-settled share-based payment transactions.

The carrying value of the liability arising from share-based payments was £392,818 (2016: £416).

Group share option scheme (CICOPS)

Scheme details and movements
The scheme began operation in August 2012. The scheme meets the criteria of an equity-settled share-based payment as the entity receives goods or services as consideration for its own equity instruments (including shares or share options). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant is recognized in the statement of profit or loss based on the share price at the date of grant.

Earnings per share
Earnings per share is calculated by dividing the profit for the year attributable to McColl’s ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. No adjustments have been made for share options.
32 Share-based payments
The Group makes equity-settled share awards to Executive Directors and employees under two different share option plans. Further details of the plans and amounts recognised in respect of these are provided below:

Long-term incentive plan (LTIP)

Scheme details and movements
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. Options are exercisable at a price of $0.0001. The Remuneration Committee has discretion to reduce any un-vested 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 will vest on achievement of financial performance measures, measured over a three-year performance period, to include both earnings per share (EPS) and total shareholder return (TSR). TSR will receive a weighting in the LTIP of at least 50%. For all grants to date the weightings on EPS and TSR were 20% 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 thresholds. 25% of each element will vest for achievement of financial 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.

The movements in the number of share options during the period were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017 Number</th>
<th>2016 Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, start of period</td>
<td>1,416,740</td>
<td>877,431</td>
</tr>
<tr>
<td>Granted during the period</td>
<td>778,231</td>
<td>803,329</td>
</tr>
<tr>
<td>Forfeited during the period</td>
<td>(200,735)</td>
<td>-</td>
</tr>
<tr>
<td>Outstanding, end of period</td>
<td>1,994,230</td>
<td>1,410,740</td>
</tr>
</tbody>
</table>

The movements in the weighted average exercise price of share options during the period were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, start of period</td>
<td>1.54</td>
<td>1.48</td>
</tr>
<tr>
<td>Granted during the period</td>
<td>1.68</td>
<td>1.68</td>
</tr>
<tr>
<td>Forfeited during the period</td>
<td>1.48</td>
<td>-</td>
</tr>
<tr>
<td>Outstanding, end of period</td>
<td>1.70</td>
<td>1.58</td>
</tr>
</tbody>
</table>

No share options were exercised during the period.

Outstanding share options
Details of share options outstanding at the end of the period are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average exercise price ($)</td>
<td>1.70</td>
<td>1.58</td>
</tr>
<tr>
<td>Number of share options outstanding</td>
<td>1,984,210</td>
<td>1,410,740</td>
</tr>
<tr>
<td>Expected weighted average remaining life (years)</td>
<td>1.65</td>
<td>1.13</td>
</tr>
</tbody>
</table>

The constructual weighted remaining life is 1.63 years.

The exercise price range is $1.48 to $1.86.

Fair value of options granted
The weighted average fair value of options granted during the period at measurement date was $1.41 (2016: $1.54).

The weighted average fair value per TSR unit (excluding dividends) of options granted during the period at measurement date was $1.06.
Notes to the financial statements continued

31' Retirement benefit schemes continued

The Group expects to contribute £291,000 to the TM Group Pension Scheme and £1,318,000 to the TM Pension plan in the period ended 25 November 2018.

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

<table>
<thead>
<tr>
<th>TM Group Pension Scheme</th>
<th>2017 £'000</th>
<th>2016 £'000</th>
<th>% 2017</th>
<th>% 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>633</td>
<td>1%</td>
<td>15,733</td>
<td>19%</td>
</tr>
<tr>
<td>Debt securities - Corporate</td>
<td>57,012</td>
<td>43%</td>
<td>47,210</td>
<td>46%</td>
</tr>
<tr>
<td>Debt securities - Government</td>
<td>25,655</td>
<td>29%</td>
<td>22,326</td>
<td>23%</td>
</tr>
<tr>
<td>Real estate</td>
<td>4,207</td>
<td>3%</td>
<td>6,022</td>
<td>5%</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,600</td>
<td>3%</td>
<td>7,145</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>89,007</td>
<td>100%</td>
<td>89,249</td>
<td>100%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>TM Pension Plan</th>
<th>2017 £'000</th>
<th>2016 £'000</th>
<th>% 2017</th>
<th>% 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>608</td>
<td>1%</td>
<td>21,260</td>
<td>40%</td>
</tr>
<tr>
<td>Debt securities - Corporate</td>
<td>23,802</td>
<td>49%</td>
<td>14,610</td>
<td>31%</td>
</tr>
<tr>
<td>Debt securities - Government</td>
<td>10,810</td>
<td>22%</td>
<td>4,925</td>
<td>1%</td>
</tr>
<tr>
<td>Real estate</td>
<td>11,905</td>
<td>23%</td>
<td>6,022</td>
<td>9%</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,279</td>
<td>3%</td>
<td>1,948</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>48,104</td>
<td>100%</td>
<td>40,791</td>
<td>100%</td>
</tr>
</tbody>
</table>

Policy for recognizing actuarial gains and losses

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

Sensitivity analysis:

<table>
<thead>
<tr>
<th>Sensitivity</th>
<th>TM Group Pension Scheme</th>
<th>TM Pension Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in actuarial value of liabilities on 26 November compared with 26 November 2016 actuarial assumptions</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>0.5% decrease in discount rate</td>
<td>5,315</td>
<td>1,544</td>
</tr>
<tr>
<td>5% increase in member life expectancy</td>
<td>3,020</td>
<td>1,132</td>
</tr>
<tr>
<td>0.5% increase in inflation (including impact of pension increases)</td>
<td>2,351</td>
<td>(2,297)</td>
</tr>
</tbody>
</table>

The sensitivities disclosed are calculated using approximate methods taking into account the weighted average duration of the schemes' liabilities (13 years for the TM Group Pension Scheme and 14 years for the TM Pension Plan). This is the same approach as in previous years.

The investment strategy of the schemes is driven by their liability profiles. The assets of the schemes are managed by an independent pension and investment consultant. The schemes invest in different types of bonds (including corporate and government bonds) in order to align movements in the value of their assets with movements in their liabilities arising from changes in market conditions.
On its balance sheet, the Group recognises £13,626,000 surplus in respect of the TM Group Pension Scheme. Under IAS 19, the Group as employer is allowed to do this as it has unconditional right to any surplus once the last actuarial valuation has been paid.

<table>
<thead>
<tr>
<th>Notes to the income statement</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost including administration expenses</td>
<td>290</td>
<td>299</td>
<td>284</td>
<td>283</td>
</tr>
<tr>
<td>Net interest on defined benefit asset</td>
<td>(219)</td>
<td>(287)</td>
<td>128</td>
<td>108</td>
</tr>
<tr>
<td>Total included in 'staff costs'</td>
<td>(29)</td>
<td>(58)</td>
<td>412</td>
<td>491</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes to the statement of comprehensive income (SCI)</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on assets excluding amounts included in net interest</td>
<td>3,910</td>
<td>7,127</td>
<td>3,070</td>
<td>4,462</td>
</tr>
<tr>
<td>Losses due to changes in demographic assumptions</td>
<td>1,095</td>
<td>-</td>
<td>268</td>
<td>-</td>
</tr>
<tr>
<td>Gains due to changes in financial assumptions</td>
<td>(2,418)</td>
<td>(1,349)</td>
<td>(1,647)</td>
<td>(5,705)</td>
</tr>
<tr>
<td>Gains due to plan experience</td>
<td>(239)</td>
<td>(841)</td>
<td>(909)</td>
<td>(487)</td>
</tr>
<tr>
<td>Total recognised in SCI</td>
<td>2,281</td>
<td>629</td>
<td>788</td>
<td>(1,760)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YTI Group Pension Scheme</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition of defined benefit obligation</td>
<td>78,303</td>
<td>73,479</td>
<td>51,635</td>
<td>37,585</td>
</tr>
<tr>
<td>Opening defined benefit obligation</td>
<td>290</td>
<td>299</td>
<td>344</td>
<td>383</td>
</tr>
<tr>
<td>Interest cost on defined benefit obligation</td>
<td>2,182</td>
<td>2,010</td>
<td>1,458</td>
<td>1,623</td>
</tr>
<tr>
<td>Loses due to changes in demographic assumptions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Losses due to changes in financial assumptions</td>
<td>1,320</td>
<td>1,349</td>
<td>1,373</td>
<td>3,705</td>
</tr>
<tr>
<td>Losses due to changing due to plan experience</td>
<td>329</td>
<td>(541)</td>
<td>999</td>
<td>(497)</td>
</tr>
<tr>
<td>Benefits paid including expenses</td>
<td>(6,946)</td>
<td>(6,491)</td>
<td>(6,183)</td>
<td>(2,946)</td>
</tr>
<tr>
<td>Closing defined benefit obligation</td>
<td>75,488</td>
<td>78,103</td>
<td>51,486</td>
<td>51,120</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YTI Group Pension Scheme</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition of defined benefit obligation</td>
<td>89,269</td>
<td>85,285</td>
<td>46,791</td>
<td>43,701</td>
</tr>
<tr>
<td>Opening fair value of scheme assets</td>
<td>2,301</td>
<td>2,687</td>
<td>1,310</td>
<td>1,515</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>383</td>
<td>453</td>
<td>1,156</td>
<td>1,077</td>
</tr>
<tr>
<td>Return on assets excluding amounts included in net interest</td>
<td>3,910</td>
<td>11,107</td>
<td>3,070</td>
<td>3,442</td>
</tr>
<tr>
<td>Benefits paid including expenses</td>
<td>(6,946)</td>
<td>(6,491)</td>
<td>(6,183)</td>
<td>(2,946)</td>
</tr>
<tr>
<td>Closing fair value of scheme assets</td>
<td>89,997</td>
<td>92,619</td>
<td>48,104</td>
<td>46,791</td>
</tr>
</tbody>
</table>
Financial statements continued

Notes to the financial statements continued
for the 52 week period from 28 November 2016 to 26 November 2017

31 Retirement benefit schemes

The Group accounts for pensions in accordance with IAS9 revisited.

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 cost for defined contribution schemes were £1,516,000 (2016: £1,409,000).

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
- 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 risk highlighted.

The ongoing funding position of the schemes are formally assessed on a triennial basis by an independent qualified actuary. The results of the valuation are used by the Group and the trustees of the schemes to agree a contribution schedule as required. Further details are set out in the valuation documentation.

The latest completed triennial full actuarial valuation of the schemes was carried out at 31 March 2016. Deficit report contributions were agreed at £844,000 p.a. from 1 April 2017, £1,150,000 p.a. from 1 April 2018, and £1,400,000 p.a. from 1 April 2019 to November 2020. Index linked, and subject to review of future valuations. Additional contributions were agreed towards the costs of running the schemes.

The figures for the financial information have been based, in accordance with IAS9, on valuations using the projected unit method.

The disclosures are based upon the preliminary valuation of the schemes which were carried out as at 31 March 2016, updated to 26 November 2017 for qualified independent actuaries. The main assumptions when valuing the assets and liabilities of the schemes under IAS9 revised are as follows:

<table>
<thead>
<tr>
<th>Group pension schemes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>CPI inflation</td>
<td>2.15</td>
<td>2.25</td>
</tr>
<tr>
<td>Rate of increase in pensionable salaries</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Rate of increase in pensions in payment</td>
<td>3.50</td>
<td>3.70</td>
</tr>
<tr>
<td>SI LIH</td>
<td>2.15</td>
<td>2.30</td>
</tr>
</tbody>
</table>

Discount rate: 2.40% (2.40%)

None of the Group’s own financial instruments or properties, either held or occupied by the Group, are held as assets within either schemes.

Demographic assumptions

<table>
<thead>
<tr>
<th>TM Group Pension Scheme</th>
<th>TM Pension Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>years</td>
<td>years</td>
</tr>
<tr>
<td>Life expectancy of a pensioner aged 65 - male</td>
<td>87.0</td>
</tr>
<tr>
<td>Life expectancy of a pensioner aged 65 - female</td>
<td>88.9</td>
</tr>
<tr>
<td>Life expectancy of age 65 for someone aged 45 - male</td>
<td>86.5</td>
</tr>
<tr>
<td>Life expectancy of age 65 for someone aged 45 - female</td>
<td>90.0</td>
</tr>
</tbody>
</table>

Net pension assets/(liability)

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>£13,409</td>
<td>10,940</td>
</tr>
<tr>
<td>(3,352)</td>
<td>(6,840)</td>
</tr>
</tbody>
</table>

Notes to the balance sheet

For value of scheme assets

£89,947 | £79,349 |

Present value of funded scheme obligations

(75,648) | (78,302) |

(91,546) | (91,655) |
Borrowing facilities

The Group had certain borrowing facilities available to it for general working capital requirements of which £270,000,000 has been drawn at 30 November 2017 (2016: £370,000,000).

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:

<table>
<thead>
<tr>
<th>30 November 2017</th>
<th>27 November 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying value (£k)</td>
<td>Fair value (£k)</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
</tr>
<tr>
<td>Trade and other short-term payables</td>
<td>184,819</td>
</tr>
<tr>
<td>Hire purchase borrowings</td>
<td>(5,552)</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>154,500</td>
</tr>
<tr>
<td>Long-term payables</td>
<td>(10,346)</td>
</tr>
<tr>
<td>(323,235)</td>
<td>(323,235)</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
</tr>
<tr>
<td>Other investments carried at cost</td>
<td>36</td>
</tr>
<tr>
<td>Classified as loans and receivables</td>
<td>40,293</td>
</tr>
<tr>
<td>Cash and short-term deposits</td>
<td>14,273</td>
</tr>
<tr>
<td>54,762</td>
<td>54,762</td>
</tr>
</tbody>
</table>

The long-term rating for all financial institution counter parties ranges from AAA to Baa1 per Moody’s rating scale.

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:

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Net debt</td>
<td>142,247</td>
</tr>
<tr>
<td>Total equity (as defined above)</td>
<td>135,651</td>
</tr>
<tr>
<td>Debt to capital ratio</td>
<td>1.01</td>
</tr>
</tbody>
</table>

123
Notes to the financial statements continued

36 Financial instruments and risk management

Derivatives and other financial instruments
The Group’s principal financial instruments comprise loans, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group’s operations.
The Group has various other financial instruments such as trade and other receivables and
trade and other payables that arise directly from its operations.

On 13 July 2016 the Group completed and signed an amended £500,000,000 revolving
credit facility and a £50,000,000 accordion facility for the Group. The new facility will be
in place until July 2021. The current facility drawn as at 26 November 2017 is £33,500,000
(2016: £37,000,000).

On the same date, the Group completed a £100,000,000 term loan agreement for
the purchase of 268 stores from the Co-op. At 26 November 2017, £197,500,000 had been
drawn with £2,500,000 repaid per the terms of the agreement. Total drawings as at 26 November
2017 were £195,500,000.

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 one
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 although this is kept under review
by management.

The interest rate profile of the financial liabilities of the Group is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed rate financial liabilities</td>
<td>1,836</td>
<td>2,705</td>
</tr>
<tr>
<td>Floating rate financial liabilities</td>
<td>156,216</td>
<td>38,109</td>
</tr>
<tr>
<td>Financial liabilities on which no interest is paid</td>
<td>165,185</td>
<td>128,908</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>323,337</td>
<td>170,720</td>
</tr>
</tbody>
</table>

The floating rate financial liabilities comprise a sterling designated working capital facility
and five purchase borrowings. The interest rate profile of the financial assets of the Group
is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets on which no interest is paid</td>
<td>54,692</td>
<td>42,078</td>
</tr>
</tbody>
</table>

If interest rates had been 0.5% higher during the period ended 26 November 2017, with
all other variables held constant, the post-tax profit for the period would have been
approximately £35,000,000 lower (2016: £30,000,000 lower) as a result of higher interest expense.

Liquidity risk

Liquidity risk arises from the Group’s management of working capital and the financing
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. Management carries out daily
cash forecasts covering the next three to four periods, in addition management considers
liquidity as part of the annual budgeting and long-term planning process.

The Group’s objective is to maintain a balanced 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 if it need to meet its obligations when they become due.

Maturity of financial liabilities

The maturity profile of the Group’s financial liabilities based on the remaining period of the
balance sheet date to the contractual maturity date, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 3 months or on demand</td>
<td>155,288</td>
<td>128,526</td>
</tr>
<tr>
<td>in 3 - 12 months</td>
<td>1,349</td>
<td>1,026</td>
</tr>
<tr>
<td>in more than one year but not more than two years</td>
<td>3,561</td>
<td>2,667</td>
</tr>
<tr>
<td>in more than two years but not more than five years</td>
<td>162,778</td>
<td>38,891</td>
</tr>
<tr>
<td>in more than five years</td>
<td>263</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>323,338</td>
<td>170,720</td>
</tr>
</tbody>
</table>

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

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Deferred tax movement during the prior period is as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 November 2017</th>
<th>Recognised in income 2018/19 $'000</th>
<th>Recognised in income 2019/20 $'000</th>
<th>31 November 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension benefit obligations</td>
<td>(1.110)</td>
<td>(69)</td>
<td>(58)</td>
<td>(1.020)</td>
</tr>
<tr>
<td>Repayment of property plant and equipment</td>
<td>(327)</td>
<td>69</td>
<td>(56)</td>
<td>(222)</td>
</tr>
<tr>
<td>Repayment of intangible assets</td>
<td>(2.779)</td>
<td>665</td>
<td>(414)</td>
<td>(3.414)</td>
</tr>
<tr>
<td>Other items</td>
<td>104</td>
<td>167</td>
<td>(27)</td>
<td></td>
</tr>
<tr>
<td>Net tax credits/(liabilities)</td>
<td>(0.333)</td>
<td>1.320</td>
<td>181</td>
<td>(0.868)</td>
</tr>
</tbody>
</table>

Deferred tax arises owing to accelerated capital allowances, business combinations, pension deficits 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 capitalised into replacement assets.

Deferred tax at 31st December 2017 has been measured at 17% (2016: 17%) being the tax rate enacted at the balance sheet date expected to be effective for future periods.

28 Authorised, issued and fully paid share capital

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Share capital $'000</th>
<th>Share premium $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued ordinary shares of $0.001 at 28 November 2016</td>
<td>113,172,774</td>
<td>115</td>
</tr>
<tr>
<td>Issued ordinary shares of $0.001 as 26 November 2017</td>
<td>113,172,774</td>
<td>115</td>
</tr>
</tbody>
</table>

Bank arrangement fee to be paid on first draw down of new term loan

Bank arrangement fee to be paid after CMA approval has been obtained

Health and safety incident

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 in the right to receive a relative proportion of shares in the event of a distribution of reserves.

29 Contingent liabilities

There are a number of contingent liabilities that arise in the normal course of business, which, if realised, are not expected to result in a material liability to the Group. The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated.

At 31st December 2017, the Group has the following contingent liabilities:

- Certain subsidiaries of the Group have assigned UK property leases in the normal course of business. Should the assignees fail to fulfill 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.

On 22nd December 2017 the Group was found guilty of a health and safety breach at a store and subsequently a fine was issued to the Group.

| Bank arrangement fee (to be paid on first draw down of new term loan) | 447 |
| Bank arrangement fee to be paid after CMA approval has been obtained | 1,170 |
| Health and safety incident | 600 |
| Total | 600 |

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Financial statements continued

Notes to the financial statements continued
for the 52 week period from 28 November 2016 to 27 November 2017

26 Provisions

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31</th>
<th>December 31</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>at 28 November 2016 (including</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>held for sale</td>
<td>1,200</td>
<td>792</td>
<td>2,012</td>
</tr>
<tr>
<td>Additional provisions</td>
<td>3,364</td>
<td>1,569</td>
<td>5,533</td>
</tr>
<tr>
<td>Unfilled during the period</td>
<td>(72)</td>
<td>(26)</td>
<td>(13)</td>
</tr>
<tr>
<td>Reflected unused</td>
<td>(275)</td>
<td>(420)</td>
<td>(715)</td>
</tr>
<tr>
<td>Unwinding of the discount included in provisions</td>
<td>43</td>
<td></td>
<td>43</td>
</tr>
<tr>
<td>Classified as held for sale 2017</td>
<td>80</td>
<td>197</td>
<td>297</td>
</tr>
<tr>
<td>Classified as held for sale 2017</td>
<td></td>
<td>(362)</td>
<td>(362)</td>
</tr>
<tr>
<td>at 28 November 2017</td>
<td>3,370</td>
<td>1,221</td>
<td>4,591</td>
</tr>
</tbody>
</table>

Non-current liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>£'000</th>
<th>£'000</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>current liabilities</td>
<td>-</td>
<td>(262)</td>
<td>(262)</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>3,370</td>
<td>1,221</td>
<td>4,591</td>
</tr>
</tbody>
</table>

27 Deferred tax

Deferred tax assets and liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>recognised in comprehensive income</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Pension benefit obligations</td>
<td>(1,748)</td>
<td>(1,748)</td>
</tr>
<tr>
<td>VR valuation of property, plant and equipment</td>
<td>(3,170)</td>
<td>(3,170)</td>
</tr>
<tr>
<td>Recognition of intangible assets</td>
<td>(3,610)</td>
<td>(3,610)</td>
</tr>
<tr>
<td>Other items</td>
<td>172</td>
<td>172</td>
</tr>
<tr>
<td>Total</td>
<td>(8,520)</td>
<td>(8,358)</td>
</tr>
</tbody>
</table>

Deferred tax assets and liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>recognised in comprehensive income</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Pension benefit obligations</td>
<td>(1,020)</td>
<td>(1,020)</td>
</tr>
<tr>
<td>VR valuation of property, plant and equipment</td>
<td>(622)</td>
<td>(622)</td>
</tr>
<tr>
<td>Recognition of intangible assets</td>
<td>(3,141)</td>
<td>(3,141)</td>
</tr>
<tr>
<td>Other items</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>(4,805)</td>
<td>(4,845)</td>
</tr>
</tbody>
</table>

Deferred tax movement during the period

<table>
<thead>
<tr>
<th>Description</th>
<th>At 28 November 2016</th>
<th>At 28 November 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>recognised in comprehensive income</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Pension benefit obligations</td>
<td>(1,020)</td>
<td>(1,748)</td>
</tr>
<tr>
<td>VR valuation of property, plant and equipment</td>
<td>(622)</td>
<td>(733)</td>
</tr>
<tr>
<td>Recognition of intangible assets</td>
<td>(3,141)</td>
<td>(3,485)</td>
</tr>
<tr>
<td>Other items</td>
<td>101</td>
<td>71</td>
</tr>
<tr>
<td>Total</td>
<td>(4,856)</td>
<td>(6,951)</td>
</tr>
</tbody>
</table>

Onerous contracts

A provision is recognised for the present value of the unavocindiate costs of the lease net of expected benefits for all leases that have been identified as onerous.
### 24 Net debt

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at banks and in hand</td>
<td>£14,273</td>
<td>£13,757</td>
</tr>
<tr>
<td>Term loan and revolving facility available until July 2021</td>
<td>(186,590)</td>
<td>(57,000)</td>
</tr>
<tr>
<td>Less unamortised lease costs</td>
<td>£1,522</td>
<td>1,029</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(127,944)</strong></td>
<td><strong>(56,581)</strong></td>
</tr>
<tr>
<td>Amounts due under hire purchase obligations</td>
<td>(2,552)</td>
<td>(6,915)</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td><strong>(142,497)</strong></td>
<td><strong>(63,496)</strong></td>
</tr>
</tbody>
</table>

#### Analysis of net debt

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at banks and in hand</td>
<td>£19,600</td>
<td>£16,100</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>£1,022</td>
<td>£1,093</td>
</tr>
<tr>
<td><strong>Other non-cash movements</strong></td>
<td><strong>(25,300)</strong></td>
<td><strong>(10,000)</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(127,944)</strong></td>
<td><strong>(56,581)</strong></td>
</tr>
</tbody>
</table>

#### 25 Leases and commitments

**Operating leases**
- The Group leases various properties and equipment under non-cancellable operating leases. The terms of the property leases vary, with rent reviews every three to five years and many have break clauses.
- The total future value of minimum lease payments is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land and buildings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>£22,185</td>
<td>£20,013</td>
</tr>
<tr>
<td>In two to five years</td>
<td>£160,441</td>
<td>£26,731</td>
</tr>
<tr>
<td>In over five years</td>
<td>£117,886</td>
<td>£99,573</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£250,512</strong></td>
<td><strong>£146,326</strong></td>
</tr>
</tbody>
</table>

#### Finance leases
- The Group acquires the majority of its motor vehicles and LED lighting through a contract purchase agreement with a supplier. The lease payments are classified as finance leases.
- The future lease payments are due as follows:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts due within one year</td>
<td>£1,842</td>
<td>£1,041</td>
</tr>
<tr>
<td>Amounts due within two to five years</td>
<td>£1,840</td>
<td>£1,090</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£3,682</strong></td>
<td><strong>£2,131</strong></td>
</tr>
</tbody>
</table>

#### Other financial commitments
- In order to manage its exposure to fluctuating energy prices, the Group entered into contracts to purchase 25.5 MW of electricity at a fixed price from Scottish Southern Electric (SSE). The contracts allow for a 10% over or underutilization of the power contracted at the time secured. While management acknowledge that the forward contracts in place are derivatives, they cannot be hedged and are therefore treated as contracts that secure a pre-agreed price for electricity requirements to operate the stores portfolio.
Financial statements continued

Notes to the financial statements continued
for the 52 week period from 28 November 2016 to 26 November 2017

20 Cash and cash equivalents

<table>
<thead>
<tr>
<th>Year</th>
<th>£'000</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>14,273</td>
<td>3,720</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

21 Trade and other payables

<table>
<thead>
<tr>
<th>Category</th>
<th>Year</th>
<th>£'000</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>119,400</td>
<td>18,784</td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>27,432</td>
<td>22,915</td>
<td></td>
</tr>
<tr>
<td>Holiday pay accrual</td>
<td>1,281</td>
<td>1,043</td>
<td></td>
</tr>
<tr>
<td>Social security and other taxes</td>
<td>9,321</td>
<td>5,265</td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>1,925</td>
<td>3,078</td>
<td></td>
</tr>
<tr>
<td>Accrued interest</td>
<td>394</td>
<td>224</td>
<td></td>
</tr>
<tr>
<td>Amounts due under hire purchase obligations</td>
<td>1,799</td>
<td>1,690</td>
<td></td>
</tr>
<tr>
<td>Classified as cash at hand for sale</td>
<td>13</td>
<td>(488)</td>
<td>(6,540)</td>
</tr>
<tr>
<td>Deferred income</td>
<td>4,385</td>
<td>2,700</td>
<td></td>
</tr>
<tr>
<td>Total payables and accruals</td>
<td>165,669</td>
<td>120,021</td>
<td></td>
</tr>
</tbody>
</table>

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.

22 Loans and borrowings

<table>
<thead>
<tr>
<th>Category</th>
<th>Year</th>
<th>£'000</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current loans and borrowings</td>
<td>154,500</td>
<td>37,000</td>
<td></td>
</tr>
<tr>
<td>- Loan borrowings</td>
<td></td>
<td>(1,923)</td>
<td>(1,009)</td>
</tr>
<tr>
<td>- Unamortised issue costs</td>
<td>152,577</td>
<td>35,991</td>
<td></td>
</tr>
</tbody>
</table>

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

In July 2017, the Group completed a £100,000,000 term loan and an amended £100,000,000 revolving facility with a S$50,000,000 accordion. The current facility drawn as at 26 November 2017 is £134,500,000 (2016: £37,000,000).

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

<table>
<thead>
<tr>
<th>Year</th>
<th>£'000</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loan and revolving facility available until July 2021</td>
<td>154,500</td>
<td>37,000</td>
</tr>
<tr>
<td>Hire purchase obligations</td>
<td>1,793</td>
<td>3,246</td>
</tr>
<tr>
<td>Total</td>
<td>156,293</td>
<td>40,246</td>
</tr>
</tbody>
</table>

23 Non-current liabilities - other payables

<table>
<thead>
<tr>
<th>Category</th>
<th>Year</th>
<th>£'000</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other payables and deferred income</td>
<td>10,268</td>
<td>8,472</td>
<td></td>
</tr>
<tr>
<td>Amounts due under hire purchase obligations</td>
<td>1,793</td>
<td>3,246</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>12,061</td>
<td>11,718</td>
<td></td>
</tr>
</tbody>
</table>
16 Business combinations

During the period, the Group made 12 acquisitions excluding the stores acquired from the Co-op, none of which was individually considered material to the Group. The cash consideration for these acquisitions and the assets acquired are summarised as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible fixed assets</td>
<td>£2,836</td>
<td>£2,851</td>
</tr>
<tr>
<td>Inventory</td>
<td>462</td>
<td>1,758</td>
</tr>
<tr>
<td>Goodwill</td>
<td>2,113</td>
<td>759</td>
</tr>
<tr>
<td>Net cash considered</td>
<td>8,409</td>
<td>15,650</td>
</tr>
</tbody>
</table>

17 Business combinations - Co-op stores

On 13 July 2016, the Group agreed to acquire 298 stores from the Co-op as an asset purchase for an aggregate consideration of £17m. The acquisition was integrated during 2017 by Martin McColl Limited, a wholly-owned subsidiary of the Group, by way of asset purchase. The principal activity of the acquired Co-op stores is convenience stores operating in the same market as the Group. The first store was acquired on 30 January 2017 with its first day of trading on 31 January 2017. The last store was acquired on 13 July 2017. The Co-op stores were acquired in order to grow the existing convenience estate.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties, plant and equipment</td>
<td>£31,415</td>
<td>(£3,345)</td>
</tr>
<tr>
<td>Goodwill</td>
<td>88,769</td>
<td></td>
</tr>
<tr>
<td>Total considered</td>
<td>117,000</td>
<td></td>
</tr>
<tr>
<td>Satisfied by:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>117,000</td>
<td></td>
</tr>
</tbody>
</table>

The goodwill of £88,769,000 arising from the acquisition represents the difference between consideration transferred, and accounting of tax value of freeholds, fixtures and fittings and provisions relating to stock and shopfitting, none of the goodwill is expected to be deductible for income tax purposes.

The acquisition contributed £183,000,000 of sales and £2,900,000 of adjusted operating profit to the Group's results for the year.
### Financial statements continued

#### Notes to the financial statements continued

for the 52 week period from 26 November 2016 to 25 November 2017

**15 Investments continued**

<table>
<thead>
<tr>
<th>Name of subsidiary</th>
<th>Principal activity</th>
<th>Registered office</th>
<th>Proportion of ownership interest and voting rights held 2017</th>
<th>Proportion of ownership interest and voting rights held 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>TML Pension Trustees Limited*</td>
<td>Denmark</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TML Retail Limited*</td>
<td>Denmark</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TML Vending Limited*</td>
<td>Corporate Activities</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TML Leisure Limited*</td>
<td>Intermediaries Holding Co.</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TMS Retail Stores Limited*</td>
<td>Denmark</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

* Indicates direct investments by the Company.

From the table above the following subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 26 November 2017: Blacklands Limited, Channow Management Limited, Click Retail Limited, Dillon Stores Limited, Moin McCall Limited, Moin McCall Retail Group Limited, Moin Retail Group Limited, Smile Stores Limited, Thirtysidee Limited, TM Group Holdings Limited, TM Vending Limited. All the subsidiaries are included on the Group’s consolidated financial statements for the period. The Group will guarantee the debts and liabilities of these UK subsidiaries at the balance sheet date in accordance with section 479C of the Companies Act 2006.
Group subsidiaries
Details of the Group subsidiaries as at 30 November 2017 are as follows:
All are held by the Group unless stated. All subsidiaries are registered at the same address as McCall's Retail Group plc, except for those registered in Scotland, whose registered address is Unit 11, The Avenue, Newton Mearns, Glasgow G77 6AX.

<table>
<thead>
<tr>
<th>Name of Subsidiary</th>
<th>Principal activity</th>
<th>Registered office</th>
<th>Proportion of ownership interest and voting rights held 2017</th>
<th>Proportion of ownership interest and voting rights held 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Home Limited*</td>
<td>Dormant</td>
<td>Scotland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Brie Limited*</td>
<td>Dormant</td>
<td>Scotland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Brooklands Limited*</td>
<td>Property Company</td>
<td>Scotland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Chairwood Management Limited*</td>
<td>Retailing</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Clark Retail Limited*</td>
<td>Retailing</td>
<td>Scotland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Dillons Stores Limited*</td>
<td>Retailing</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Fingringhat Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Forbush Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Forbush Services Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Hargroves Trading Limited*</td>
<td>Corporate activities</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>J S Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Key Food Stores Limited*</td>
<td>Intermediate Holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Luvex Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Lewis Mission Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Marshall Group Limited*</td>
<td>Corporate activities</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Marton CIN Group Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Martin McColl Limited*</td>
<td>Retailing</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Martin McColl Group Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Martin McColl Retail Limited*</td>
<td>Intermediate Holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Martin Retail Group Limited*</td>
<td>Retailing</td>
<td>Scotland</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Martin the Newspaper Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>NSS Newspapers Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>NSS Newspapers Retail Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>PRICE Smoother Limited*</td>
<td>Intermediate Holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>SS McCall (UK) Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Smile Holdings Limited*</td>
<td>Intermediate Holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Smile Prosper Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Smile Stores Limited*</td>
<td>Retailing</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Spotlight Limited*</td>
<td>Intermediate Holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TM Coffee Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TM Group Limited*</td>
<td>Dormant</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TM Group Holdings Limited*</td>
<td>Predecessor Holding Co</td>
<td>England and Wales</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Notes to the financial statements continued
for the 52-week period to 26 November 2016 to 25 November 2017

14 Intangible assets continued

Goodwill acquired in a business combination is allocated, or acquired, 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:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGU 1</td>
<td>247,317</td>
<td>153,058</td>
</tr>
</tbody>
</table>

Since the IPO in 2014, McColl’s Retail Group has tested goodwill impairment annually on the basis of those cash generating units. They are:
- CGU 1 - Goodwill arising from the 2005 Management buy-out including goodwill held at that time
- CGU 2 - Goodwill relating to the 2008 Smit acquisition
- CGU 3 - Goodwill acquired on all other acquisitions since the 2005 management buy-out

IAS 36 describes that a CGU is:
- The smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets;
- Represents the lowest level within the entity of which the goodwill is monitored for internal management purposes; and
- Not be longer than an operating segment determined in accordance with IFRS 8 Operating Segments.

Following a review of how the business is governed, structured, financed and how
performance is assessed, management have concluded that goodwill impairment be tested
going forward on the basis of a single CGU. Key rationale is noted below:
- The Board and senior management assesses performance of the Group, that is as a single
operating segment (note 4), and not on the basis of historical CGU splits
- Management are incentivised on the performance of the Group, which is the operating
performance of convenience stores
- Financing and covenant testing of the financing, is applicable to the Group as a whole
- Acquisitions, whether major or individual stores, bring synergies to the Group as a whole and
are not specific to individual store or acquired group of stores
- The Group currently announces a new store supply agreement to service all stores in the
Group.

The recoverable amount of the CGU is determined by applying a discounted cash flow model using the Miller model to calculate this amount. The key assumptions for the model include the discount rate and long-term growth rates. The value used in the calculation is based on current cash flow forecasts taking into account actual performance for 2017. Cash flows beyond this period are extrapolated using a long-term growth rate of nil and discounted with a weighted average cost of capital (WACC) of 8.8% (2016: 8.5%).

The change in WACC is driven by a change in capital structure, with an increase in debt and number of shares in issue.

As adjusted EBITDA pre the Co-op stores acquisition has not been notably over several years, 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 a sensitivity analysis on the impairment testing for goodwill.

15 Investments

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments at cost</td>
<td>£1,000</td>
<td>£1,000</td>
</tr>
</tbody>
</table>

Investments at cost have increased due to an increase in Nisa shares as a result of the Co-op store acquisition.
13 Assets classified as held for sale

Following a review of its portfolio in 2015, the Group decided to sell 77 of its stores. The Group continues to focus on the strategy of developing and expanding the convenience business and identified these stores as not being part of its long-term planning. As of year end 27 November 2016 there were 75 stores remaining. During 2017 the Group sold 17, 11 of which are trading on, and 32 have been transferred to the closure programme, therefore these are no longer classified as held for sale, leaving nine remaining at the end of the period as held for sale.

The Group has 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 the remaining nine individual assets held for sale, these have been disclosed in aggregate.

The major classes of assets and liabilities of stores are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017 £'000</th>
<th>2016 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>190</td>
<td>800</td>
</tr>
<tr>
<td>Inventories</td>
<td>199</td>
<td>200</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>91</td>
<td>1,321</td>
</tr>
<tr>
<td>Total assets classified as held for sale</td>
<td>581</td>
<td>4,280</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(668)</td>
<td>(4,545)</td>
</tr>
<tr>
<td>Provisions</td>
<td>203</td>
<td>297</td>
</tr>
<tr>
<td>Total liabilities as held for sale</td>
<td>(830)</td>
<td>(1,127)</td>
</tr>
<tr>
<td>Net assets classified as held for sale</td>
<td>(249)</td>
<td>(827)</td>
</tr>
</tbody>
</table>

14 Intangible assets

<table>
<thead>
<tr>
<th></th>
<th>Goodwill £’000</th>
<th>Other intangible assets £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost or valuation</td>
<td>147,531</td>
<td>5,706</td>
<td>153,237</td>
</tr>
<tr>
<td>Additions</td>
<td>9,662</td>
<td>106</td>
<td>9,768</td>
</tr>
<tr>
<td>Fair value adjustment for goodwill (1,410)</td>
<td>(1,410)</td>
<td>(2,410)</td>
<td></td>
</tr>
<tr>
<td>Deferred tax on fair value adjustment of land and buildings</td>
<td>286</td>
<td>286</td>
<td></td>
</tr>
<tr>
<td>Classified as held for sale</td>
<td>1,223</td>
<td>1,223</td>
<td></td>
</tr>
<tr>
<td>At 27 November 2016</td>
<td>157,292</td>
<td>5,872</td>
<td>163,164</td>
</tr>
<tr>
<td>Additions</td>
<td>91,442</td>
<td>929</td>
<td>92,371</td>
</tr>
<tr>
<td>Deferred tax on fair value adjustment of land and buildings</td>
<td>3,377</td>
<td>3,377</td>
<td></td>
</tr>
<tr>
<td>Fair value adjustment for goodwill (560)</td>
<td>(560)</td>
<td>(560)</td>
<td></td>
</tr>
<tr>
<td>At 26 November 2017</td>
<td>251,551</td>
<td>6,401</td>
<td>258,352</td>
</tr>
</tbody>
</table>

Amortisation

<table>
<thead>
<tr>
<th></th>
<th>At 30 November 2015</th>
<th>Amortisation charge</th>
<th>Net amortisation charged to income</th>
<th>Amortisation charge</th>
<th>Amortisation charge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,518</td>
<td>776</td>
<td>2,742</td>
<td>540</td>
<td>540</td>
</tr>
</tbody>
</table>

At 26 November 2017 | 4,234               | 5,219              | 9,453                             |

Carrying amount

At 26 November 2017 | 242,317             | 1,582              | 244,899                           |

At 27 November 2016 | 153,053             | 1,263              | 154,316                           |

The goodwill addition in the year includes £533,349,000 related to the acquisition of the 298 Co-op stores (see note 17).
Financial statements continued

Notes to the financial statements continued
for the 52 week period from 28 November 2016 to 27 November 2017

11. Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the period attributable to shareholders by the weighted average number of shares.

<table>
<thead>
<tr>
<th>Year</th>
<th>$'000</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>119,172,774</td>
<td>108,505,494</td>
</tr>
<tr>
<td>2017</td>
<td>115,724,645</td>
<td>105,505,494</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>$'000</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>14,192</td>
<td>13,916</td>
</tr>
<tr>
<td>2017</td>
<td>12,326</td>
<td>12,850</td>
</tr>
</tbody>
</table>

Adjusted earnings per share:

<table>
<thead>
<tr>
<th>Year</th>
<th>$'000</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>14,192</td>
<td>13,916</td>
</tr>
<tr>
<td>2017</td>
<td>7,872</td>
<td>3,095</td>
</tr>
</tbody>
</table>

The difference between the basic and diluted average number of shares represents the dilutive effect of share options and warrants in existence.

The diluted weighted average number of ordinary shares is calculated as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>$'000</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>108,605,494</td>
<td>104,712,042</td>
</tr>
<tr>
<td>2017</td>
<td>6,647,280</td>
<td>3,724,492</td>
</tr>
</tbody>
</table>

12. Property, plant and equipment

<table>
<thead>
<tr>
<th>Year</th>
<th>Land and buildings $'000</th>
<th>Furniture, fittings and equipment $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>119,172,774</td>
<td>108,505,494</td>
</tr>
<tr>
<td>2017</td>
<td>115,724,645</td>
<td>105,505,494</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>$'000</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>26,415</td>
<td>34,329</td>
</tr>
<tr>
<td>2017</td>
<td>4,923</td>
<td>10,714</td>
</tr>
</tbody>
</table>

Acquired through business combinations:

<table>
<thead>
<tr>
<th>Year</th>
<th>$'000</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>4,923</td>
<td>22</td>
</tr>
<tr>
<td>2017</td>
<td>4,923</td>
<td>22</td>
</tr>
</tbody>
</table>

Disposals:

<table>
<thead>
<tr>
<th>Year</th>
<th>$'000</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>5,559</td>
<td>5,259</td>
</tr>
<tr>
<td>2017</td>
<td>5,559</td>
<td>5,259</td>
</tr>
</tbody>
</table>

Depreciation:

<table>
<thead>
<tr>
<th>Year</th>
<th>$'000</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3,453</td>
<td>3,453</td>
</tr>
<tr>
<td>2017</td>
<td>3,453</td>
<td>3,453</td>
</tr>
</tbody>
</table>

Carrying amount

<table>
<thead>
<tr>
<th>Year</th>
<th>$'000</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>58,920</td>
<td>58,920</td>
</tr>
<tr>
<td>2017</td>
<td>58,920</td>
<td>58,920</td>
</tr>
</tbody>
</table>
### Income Tax

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current tax:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current tax on profit for the period</td>
<td>6,760</td>
<td>5,325</td>
</tr>
<tr>
<td>Adjustments in respect of prior periods</td>
<td>(173)</td>
<td>(283)</td>
</tr>
<tr>
<td><strong>Current tax:</strong></td>
<td>6,687</td>
<td>5,042</td>
</tr>
<tr>
<td><strong>Deferred tax:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Origination and reversal of temporary differences</td>
<td>(21)</td>
<td>(565)</td>
</tr>
<tr>
<td>Associated with pension deficit</td>
<td>-</td>
<td>(49)</td>
</tr>
<tr>
<td>Adjustments in respect of prior periods</td>
<td>(290)</td>
<td>(287)</td>
</tr>
<tr>
<td><strong>Deferred tax:</strong></td>
<td>(391)</td>
<td>(1,212)</td>
</tr>
<tr>
<td><strong>Income tax expense for the period</strong></td>
<td>4,216</td>
<td>3,760</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other comprehensive income</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax in respect of actuarial valuation of retirement benefits</td>
<td>(517)</td>
<td>(148)</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>-</td>
<td>(117)</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>(517)</td>
<td>(265)</td>
</tr>
</tbody>
</table>

The differences are reconciled below:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>16,409</td>
<td>17,639</td>
</tr>
<tr>
<td>Tax on profit calculated at standard rate for 2017 of 19.33% (2016: 20.00%)</td>
<td>3,255</td>
<td>3,539</td>
</tr>
<tr>
<td>Disallowed expenses and non-taxable income</td>
<td>642</td>
<td>501</td>
</tr>
<tr>
<td>Deferred tax on share option</td>
<td>(18)</td>
<td>-</td>
</tr>
<tr>
<td>Adjustments in respect of prior years</td>
<td>(477)</td>
<td>(505)</td>
</tr>
<tr>
<td>Ailings from change in rate of tax</td>
<td>(14)</td>
<td>(115)</td>
</tr>
<tr>
<td>Exempt amounts</td>
<td>517</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total tax charge</strong></td>
<td>6,214</td>
<td>4,343</td>
</tr>
</tbody>
</table>

Changes to the UK corporation tax rates were enacted as part of Finance Bill 2013 on 18 November 2013. These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. A subsequent change to reduce the UK corporation tax rate to 17% from 1 April 2020 was enacted as part of Finance Bill 2016 on 8 September 2016.

### Amounts recognised in other comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Before tax</td>
<td>(expense)</td>
</tr>
<tr>
<td>Remeasurements of post employment benefit obligations</td>
<td>3,039</td>
<td>(517)</td>
</tr>
</tbody>
</table>

### 10 Dividends

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final 2016 dividend of 6.8p (2015: 6.8p) per ordinary share</td>
<td>7,832</td>
<td>7,120</td>
</tr>
<tr>
<td>Interim 2017 dividend of 3.40p (2016: 3.40p) per ordinary share</td>
<td>3,916</td>
<td>3,916</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,748</td>
<td>11,036</td>
</tr>
</tbody>
</table>

The Directors are proposing a final 2017 dividend of 6.70 pence (2016: 6.80 pence) per share totaling £754,000 (2016: £7,832,000).

The proposed final dividend is subject to approval by shareholders passing a written resolution and accordingly has not been included as a liability in these financial statements.
Financial statements continued

Notes to the financial statements continued
for the 52 week period from 28 November 2016 to 27 November 2017

6 Operating profit continued

Adjusted EBITDA and operating profit excluding property-related items
in order to provide shareholders with a measure of the underlying performance of the business and to allow a more
understandable assessment of its position, the Group makes adjustments to profit before tax. These adjustments are one-off in nature, not in line with the
normal course of business, material by size and are considered to be distorting of the true
adjusted performance of the business. Adjusting items relate to costs or incomes that derive
from events or transactions that fall within the normal activities of the Group, but which are
excluded from the Group’s adjusted profit before tax measure due to their size and nature
in order to better reflect management’s view of the performance of the Group. For example,
the Group adjusts for property related items as these are not in line with our principal
activity as an operator of convenience and newsagent stores. The Group also adjusts for share-based
payments as a non-cash item. The adjusted profit before tax measure (profit before adjusting
items) is not a recognised profit measure under IFRS and may not be directly comparable
with adjusted profit measures used by other companies. Details of adjusting items are set
out in note 5.

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA excluding property-related items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit before adjusting items</td>
<td>31,395</td>
<td>23,441</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>16,299</td>
<td>14,206</td>
</tr>
<tr>
<td>Impairment of property, plant and equipment and revenue leases</td>
<td>-</td>
<td>308</td>
</tr>
<tr>
<td>Profits arising on property-related items</td>
<td>(3,110)</td>
<td>(1,422)</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>436</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Adjusted EBITDA</strong></td>
<td>44,200</td>
<td>36,555</td>
</tr>
</tbody>
</table>

Adjusted operating profit excluding property-related items

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit before adjusting items</td>
<td>31,395</td>
<td>23,441</td>
</tr>
<tr>
<td>Less: Profits arising on property-related items</td>
<td>(3,110)</td>
<td>(1,422)</td>
</tr>
<tr>
<td><strong>Total Adjusted operating profit</strong></td>
<td>28,285</td>
<td>22,019</td>
</tr>
</tbody>
</table>

7 Employee costs

The aggregate payroll costs (excluding Directors’ remuneration) were as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>157,111</td>
<td>132,136</td>
</tr>
<tr>
<td>Social security costs</td>
<td>15,248</td>
<td>5,960</td>
</tr>
<tr>
<td>Pension costs, defined benefit scheme</td>
<td>1,549</td>
<td>1,008</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>173,920</td>
<td>139,004</td>
</tr>
</tbody>
</table>

The average number of persons employed by the Group (including Directors) during the
period, analysed by category, was as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retailing</td>
<td>20,749</td>
<td>19,631</td>
</tr>
<tr>
<td>Central administration</td>
<td>512</td>
<td>308</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21,261</td>
<td>19,939</td>
</tr>
</tbody>
</table>

8 Finance income and costs

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income on bank deposits</td>
<td>93</td>
<td>13</td>
</tr>
<tr>
<td>Interest on bank overdrafts and borrowings</td>
<td>(4,522)</td>
<td>(2,225)</td>
</tr>
<tr>
<td>Interest on obligations under finance leases and hire purchase contracts</td>
<td>(274)</td>
<td>(199)</td>
</tr>
<tr>
<td>Amortisation of issue costs</td>
<td>(387)</td>
<td>(279)</td>
</tr>
<tr>
<td>Other finance costs</td>
<td>(235)</td>
<td>(172)</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance costs in relation to Co-op acquisition and integration (including in adjusting items)</td>
<td>(1,587)</td>
<td>(152)</td>
</tr>
<tr>
<td><strong>Total finance costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(6,623)</td>
<td>(2,855)</td>
</tr>
</tbody>
</table>

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5 Adjusting Items

Adjusting items are not included in the income statement as they are not part of the company's normal operations. The following are the key components of the adjusting items:

- Depreciation and amortisation expense: £15,636
- Write-down of inventory recognised as an expense: £11,766
- Impairment of leasehold property, plant and equipment: £(480)
- Impairment of leasehold property, plant and equipment: £12
- Cost of inventories recognised as an expense: £76,599

The total adjusting items are £6,858.

6 Operating profit

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

- Audit of Group: £60
- Audit of subsidiaries: £182
- Total audit fees: £242
- Total non-audit services: £14
- Total non-audit services: £65
- Total fees: £297

1 In 2018, the Group's finance transactions were reviewed and subject to a remuneration process. 2017 fees relate to work on prior-year financial statements.
Financial statements continued

Notes to the financial statements continued
for the 52 week period from 28 November 2016 to 26 November 2017

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

Judgements
Critical judgements, apart from those involving estimates, that are applied in the
preparation of the consolidated financial statements are discussed below:

Determination of cash generating units
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 discussed in further detail in note 14.

Sources of estimation uncertainty
Estimates and underlying assumptions are reviewed on an ongoing basis. Sources of
estimation and uncertainty are discussed below:

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.
This is discussed in further detail in note 14.

4 Revenue and other income
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. 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.
The analysis of the Group’s revenue for the period from continuing operations is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Sale of goods</td>
<td>1,131,777</td>
<td>955,403</td>
</tr>
<tr>
<td>Property rental income</td>
<td>2,324</td>
<td>2,965</td>
</tr>
<tr>
<td>Finance income</td>
<td>93</td>
<td>13</td>
</tr>
<tr>
<td>Other operating income</td>
<td>27,633</td>
<td>20,142</td>
</tr>
<tr>
<td></td>
<td>1,154,637</td>
<td>976,503</td>
</tr>
</tbody>
</table>

Other operating income includes income from the operation of sub-post offices, rented
income, commission earned from ATMs and Subway franchise income.
Post service costs are recognised directly in income unless the changes to the pension scheme are conditional on the employee remaining in service for a specified period of time. In this case, the post service costs are amortised on a straight-line basis over the vesting period.

Finance items comprise the interest on the net defined benefit asset or liability. Further information on pensions is disclosed in note 31.

Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments of 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. Where applicable at the end of each reporting period, the Group revalues 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 income statement.

For further detail please refer to note 32.

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.

Loans and 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 loans and receivables comprise trade and other receivables and cash and cash equivalents in the Group balance sheet.

Financial assets are re-classified 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 the below category:

1) Other financial liabilities
- Interest-bearing bank loans and overdrafts – these are reported 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 premium 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 32.

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.
Financial statements continued

Notes to the financial statements continued
for the 52 week period from 28 November 2016 to 25 November 2017

2 Accounting policies continued

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to deferred settlement of the liability for at least 12 months after the reporting date.

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 past events, 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 expenditure 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 risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Onerous contacts/leases
The Group compares the unavoidable costs of all leases with the expected economic benefits on a store by store basis. Once a lease is considered onerous, a provision is calculated based on the present value of the unavoidable costs net of expected benefits.

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.

Contingent liabilities
Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or present obligations that are not recognised because it is not probable that a settlement will be required or the value of such a payment cannot be reliably estimated. The Group does not recognise contingent liabilities but discloses them. Refer to note 29 for the disclosures.

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 reduction, net of tax, from the proceeds.

Dividends
Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

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

Defined benefit pension obligation
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 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 initial income on scheme assets and that actually achieved on assets, 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.
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 finance leasebacks, any apparent profit or loss from the sale is deferred and amortised over the lease term. 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. Where lease incentives relate to the whole term of the contract, 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.

Business combinations

On acquisition, the assets, liabilities and contingent liabilities 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 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.

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 staked at cost less any provision for impairment. Any impairment is recognised in the income statement and is not reversed in a subsequent period.

See note 14 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 and costs relating to development of computer software for internal use to the extent that they meet the recognition criteria of IAS 38 Intangible Assets are capitalised and amortised on a straight-line basis over their useful economic lives of five years and are included within other intangible assets. Costs relating to development of computer software for internal use that do not meet the IAS 38 recognition criteria are expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in transit, deposits held at cost with banks, other short-term highly liquid investments with original maturities of three months or less. When drawn, bank overdrafts are shown within loans and borrowings in current liabilities in the Group balance sheet.

Trade receivables

Trade receivables are amounts due from customers for goods and services performed in the ordinary course of business if collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of any loss is recognised in the income statement.

Inventories

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recorded initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.
2 Accounting policies continued

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.

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:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Depreciation method and rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freehold (Including land where it is not separately identifiable)</td>
<td>Straight-line basis, 50 years</td>
</tr>
<tr>
<td>Long leaseholds improvements</td>
<td>Straight-line basis, 50 years</td>
</tr>
<tr>
<td>Land (including leasehold improvements)</td>
<td>Straight-line basis, 75 years</td>
</tr>
<tr>
<td>Short leaseholds improvements - Shops &amp; Other</td>
<td>Straight-line basis, 10 years</td>
</tr>
</tbody>
</table>

Leasehold premiums are straight-line over the unexpired portion of the lease.

Motor vehicles | Straight-line basis, 4 years |

Computer equipment | Straight-line basis, 5 years |

Furniture and fittings | Straight-line basis, 10 years |

Gain or 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 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 is estimated. 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. Property, plant and equipment and intangible assets excluding goodwill, the CGUs are deemed to be each trading store. Any resulting impairment is charged to administrative expenses.

Intangible assets impairment

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 (CGUs) 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.

Non-current assets held for sale

Non-current assets are classified as assets held for sale only if available for immediate sale in its present condition, if it is highly probable that expected disposal will be completed within one year 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.

Finance leases and 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 or 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 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.
In accordance with IFRS 16 ‘Leases’, IFRS 16 represents a significant change in the accounting and reporting of leases for lessees as it provides a single-lessee accounting model. As a result, leases are recognised on the balance sheet as assets and liabilities for leases with a lease term of 12 months or less. Accounting requirements for leases are substantially unchanged from IAS 17. The Group has carried out preliminary work to assess the accounting impacts of the change.

IFRS 9 ‘Financial Instruments’
IFRS 9 replaces IAS 39. The standard is effective from 1 January 2018 and introduces new requirements for the classification and measurement of financial assets and financial liabilities. A new model based on expected credit losses for recognising provisions, and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity’s risk management methodology. The Group believes that the adoption of IFRS 9 will not have a material impact on its consolidated results.

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.

None of the other standards, interpretations and amendments which are effective for periods beginning after 28 November 2016 and which have not been adopted early, are expected to have a material effect on the financial statements.

Revenue recognition
Revenue represents the amount receivable for goods and services sold through retail outlets in the period for which it is earned. 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, travel tickets and electronic phone top-ups is recognised net within turnover, when transactions denominated 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 operating of convenience and retail agent 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 of the purchasing debt is included in prepayments and accrued income.

Adjusting items
Adjusting items were costs or incomes that arise from events or transactions that fall within the normal activities of the Group, but which are excluded from the Group’s adjusted profit before tax measure due to their size and nature in order to better reflect management’s view of the performance of the Group. The adjusted profit before tax measure (profit before adjusting items) is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. Details of adjusting items are set out in note 5.

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

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax comprises of 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 tax is accounted for on the basis of temporary differences arising from differences between the tax base and accounting bases 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 the 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.
Financial statements continued

Notes to the financial statements
for the 52-week period from 26 November 2016 to 25 November 2017

1 General information
The Group is a public company limited by shares, capital, incorporated and domiciled in the United Kingdom.

The address of its registered office is:
McColl's Retail Group plc
McColl's House
Ashwells Road
Breathwood
Essex
CM25 6EF
United Kingdom

Principal activity
The Group operates in one principal area of activity, as an operator of convenience and naval stores stores.

2 Accounting policies
Basis of preparation
The Group financial statements for 2017 consolidate the financial statements of McColl's Retail Group plc (the "Company") and all its subsidiary undertakings (together, "the Group") drawn up to 25 November 2017. 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 92.

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 estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenue 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 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 area 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 net defined benefit pension assets or liabilities which have been prepared on an actuarial basis (refer to individual accounting policy for details).

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 25 November 2017. 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.

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

Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired, including separately identifiable 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.

Changes in accounting policy
New standards, interpretations and amendments not yet effective
The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company's financial statements in future.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 is effective for periods beginning on or after 1 January 2018. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognizing revenue for obligations only when they are satisfied and the control of goods or services is transferred. It applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the current accounting standards. The Group believes that the adoption of IFRS 15 will not have a material impact on its consolidated results.
### Consolidated statement of changes in equity

#### for the 52 weeks period from 28 November 2016 to 26 November 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital £'000</th>
<th>Share premium £'000</th>
<th>Retained earnings £'000</th>
<th>Total equity £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 28 November 2016</td>
<td>115</td>
<td>13,579</td>
<td>137,812</td>
<td>143,890</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>-</td>
<td>-</td>
<td>14,412</td>
<td>14,412</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>2,322</td>
<td>2,322</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>16,714</td>
<td>16,714</td>
</tr>
<tr>
<td>Dividends</td>
<td>10</td>
<td>-</td>
<td>(11,748)</td>
<td>(11,748)</td>
</tr>
<tr>
<td>Share-based payment transactions</td>
<td>32</td>
<td>-</td>
<td>436</td>
<td>436</td>
</tr>
<tr>
<td>At 26 November 2017</td>
<td>115</td>
<td>12,579</td>
<td>133,214</td>
<td>145,994</td>
</tr>
<tr>
<td>Share capital £'000</td>
<td>105</td>
<td>47,836</td>
<td>38,024</td>
<td>135,695</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>-</td>
<td>-</td>
<td>13,916</td>
<td>13,916</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>(928)</td>
<td>(928)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>12,988</td>
<td>12,988</td>
</tr>
<tr>
<td>Dividends</td>
<td>10</td>
<td>-</td>
<td>(11,034)</td>
<td>(11,034)</td>
</tr>
<tr>
<td>New share capital subscribed</td>
<td>10</td>
<td>12,579</td>
<td>-</td>
<td>12,589</td>
</tr>
<tr>
<td>Other share premium reserve movements</td>
<td>-</td>
<td>(47,836)</td>
<td>47,836</td>
<td>-</td>
</tr>
<tr>
<td>At 27 November 2016</td>
<td>115</td>
<td>12,579</td>
<td>137,812</td>
<td>143,890</td>
</tr>
</tbody>
</table>

### Consolidated statement of cash flows

#### for the 52 weeks period from 28 November 2016 to 26 November 2017

**Cash flows from operating activities**

<table>
<thead>
<tr>
<th>Note</th>
<th>2017 £'000</th>
<th>2016 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the period</td>
<td>14,192</td>
<td>13,916</td>
</tr>
<tr>
<td>Adjustments to cash flows from non-cash items</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>18,636</td>
<td>14,305</td>
</tr>
<tr>
<td>Profit on disposal of property plant and equipment</td>
<td>(609)</td>
<td>(352)</td>
</tr>
<tr>
<td>Finance income</td>
<td>8</td>
<td>(92)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>8</td>
<td>6,721</td>
</tr>
<tr>
<td>Share-based payment transactions</td>
<td>32</td>
<td>436</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>9</td>
<td>6,214</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>3,434</td>
<td></td>
</tr>
<tr>
<td>Income tax paid</td>
<td>766</td>
<td>416</td>
</tr>
<tr>
<td>At 26 November 2017</td>
<td>34,889</td>
<td></td>
</tr>
<tr>
<td>Working capital adjustments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increase in inventories</td>
<td>18</td>
<td>(20,924)</td>
</tr>
<tr>
<td>Increase in trade and other receivables</td>
<td>(3,999)</td>
<td>(3,997)</td>
</tr>
<tr>
<td>Increase in trade and other payables</td>
<td>-</td>
<td>46,561</td>
</tr>
<tr>
<td>Decrease in net current assets</td>
<td>(1,633)</td>
<td>(1,625)</td>
</tr>
<tr>
<td>Increase/(decrease) in provisions</td>
<td>20</td>
<td>3,099</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>56,487</td>
<td>26,767</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(4,287)</td>
<td>(2,144)</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>54,520</td>
<td>23,623</td>
</tr>
</tbody>
</table>

### Cash flows from investing activities

**Invested receipts**

<table>
<thead>
<tr>
<th>Note</th>
<th>2017 £'000</th>
<th>2016 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>93</td>
<td>10</td>
</tr>
<tr>
<td>Acquisitions of property plant and equipment</td>
<td>(23,655)</td>
<td>(15,920)</td>
</tr>
<tr>
<td>Proceeds from sale of property plant and equipment</td>
<td>7,822</td>
<td>8,674</td>
</tr>
<tr>
<td>Acquisitions of businesses, net of cash acquired</td>
<td>(132,409)</td>
<td>(15,650)</td>
</tr>
<tr>
<td>Net cash flows from investing activities</td>
<td>(140,424)</td>
<td>(25,689)</td>
</tr>
</tbody>
</table>

### Cash flows from financing activities

**Interest paid**

<table>
<thead>
<tr>
<th>Note</th>
<th>2017 £'000</th>
<th>2016 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(6,627)</td>
<td>(2,497)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from issue of ordinary shares net of issue costs</td>
<td>12,554</td>
<td></td>
</tr>
<tr>
<td>Repayment of bank borrowings</td>
<td>(32,000)</td>
<td>(1,000)</td>
</tr>
<tr>
<td>New bank borrowings</td>
<td>154,509</td>
<td></td>
</tr>
<tr>
<td>(Payment of new finance lease creditors</td>
<td>(2,506)</td>
<td></td>
</tr>
<tr>
<td>Interest paid to finance lease creditor</td>
<td>274</td>
<td>(199)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(11,748)</td>
<td>(11,034)</td>
</tr>
<tr>
<td>Net cash flows from financing activities</td>
<td>96,645</td>
<td>(2,734)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>10,316</td>
<td>(10,776)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>3,197</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>14,273</td>
<td>2,357</td>
</tr>
</tbody>
</table>
## Consolidated statement of financial position

for the 52 week period from 28 November 2016 to 26 November 2017

<table>
<thead>
<tr>
<th>Assets</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>12</td>
<td>103,565</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>14</td>
<td>248,899</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>27</td>
<td>172</td>
</tr>
<tr>
<td>Retirement benefit asset</td>
<td>31</td>
<td>12,609</td>
</tr>
<tr>
<td>Investments</td>
<td>15</td>
<td>36</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td></td>
<td>344,283</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>18</td>
<td>75,765</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>19</td>
<td>38,810</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>20</td>
<td>14,373</td>
</tr>
<tr>
<td>Total current assets</td>
<td></td>
<td>130,268</td>
</tr>
<tr>
<td>Assets classified as held for sale</td>
<td>13</td>
<td>581</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>496,910</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity and liabilities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Share premium</td>
<td>28</td>
<td>(12,979)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>(133,314)</td>
</tr>
<tr>
<td>Equity attributable to owners of the Group</td>
<td></td>
<td>145,908</td>
</tr>
</tbody>
</table>

These financial statements of McColl’s Retail Group plc, registered number 06734677, were approved by the Board on 18 February 2018 and signed on its behalf by:

Simon Fuller
Director

<table>
<thead>
<tr>
<th>Non-current liabilities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and borrowings</td>
<td>22</td>
<td>152,940</td>
</tr>
<tr>
<td>Other payables</td>
<td>23</td>
<td>12,121</td>
</tr>
<tr>
<td>Provisions</td>
<td>26</td>
<td>(973)</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>27</td>
<td>8,520</td>
</tr>
<tr>
<td>Retirement benefit obligations</td>
<td>31</td>
<td>3,390</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td></td>
<td>177,043</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td>351,002</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td>145,908</td>
</tr>
</tbody>
</table>
Consolidated income statement
for the 52 week period from 28 November 2016 to 25 November 2017

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Sales</td>
<td>1,121,777</td>
<td>-</td>
<td>1,121,777</td>
<td>950,463</td>
<td>-</td>
<td>950,463</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(661,370)</td>
<td>-</td>
<td>(661,370)</td>
<td>(711,752)</td>
<td>-</td>
<td>(711,752)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gross profit</td>
<td>460,407</td>
<td>-</td>
<td>460,407</td>
<td>238,661</td>
<td>-</td>
<td>238,661</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(566,649)</td>
<td>(3,730)</td>
<td>(569,379)</td>
<td>(231,443)</td>
<td>(2,186)</td>
<td>(263,629)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other operating income</td>
<td>24,757</td>
<td>-</td>
<td>24,757</td>
<td>-</td>
<td>23,147</td>
<td>-</td>
<td>23,147</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit/(loss) on property-related items</td>
<td>3,110</td>
<td>(2,421)</td>
<td>669</td>
<td>1,109</td>
<td>(7,579)</td>
<td>332</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit</td>
<td>21,365</td>
<td>(6,393)</td>
<td>25,034</td>
<td>23,544</td>
<td>(3,963)</td>
<td>28,507</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Finance income</td>
<td>93</td>
<td>-</td>
<td>93</td>
<td>-</td>
<td>13</td>
<td>-</td>
<td>13</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(5,290)</td>
<td>(1,521)</td>
<td>(6,811)</td>
<td>(2,713)</td>
<td>(152)</td>
<td>(2,865)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net finance cost</td>
<td>(6,190)</td>
<td>(1,521)</td>
<td>(6,811)</td>
<td>(2,713)</td>
<td>(164)</td>
<td>(2,878)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>24,175</td>
<td>(7,872)</td>
<td>16,293</td>
<td>20,764</td>
<td>(3,049)</td>
<td>17,715</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income tax (expense)/receipt</td>
<td>0</td>
<td>1,014</td>
<td>4,214</td>
<td>(3,406)</td>
<td>(237)</td>
<td>(3,743)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>21,050</td>
<td>(6,858)</td>
<td>14,192</td>
<td>17,348</td>
<td>(3,432)</td>
<td>13,916</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Earnings per share (pence)</td>
<td>11</td>
<td>18.19p</td>
<td>-</td>
<td>12.25p</td>
<td>15.90p</td>
<td>-</td>
<td>12.83p</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Diluted Earnings per share (pence)</td>
<td>11</td>
<td>18.19p</td>
<td>-</td>
<td>12.26p</td>
<td>15.90p</td>
<td>-</td>
<td>12.82p</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The above results were derived from continuing operations.

Consolidated statement of comprehensive income
for the 52 week period from 28 November 2016 to 25 November 2017

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>14,192</td>
<td>12,815</td>
</tr>
<tr>
<td>Items that will not be reclassified subsequently to profit or loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Remeasurement of post employment benefit obligations</td>
<td>0.31</td>
<td>2,532</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>14,174</td>
<td>12,822</td>
</tr>
</tbody>
</table>

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Financial statements continued

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

Report on other legal and regulatory requirements

Opinions 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.

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

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

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

Matters on which we are required to report by exception

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;
- 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;
- 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 in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit & Risk Committee, we were appointed by the Board of Directors on 3 February 2016 to audit the financial statements for the year ended 2016 and subsequent financial periods. The entity was listed on the London Stock Exchange on 28 February 2016. The period of total uninterrupted engagement including previous reappointments of the firm is four years, covering the years ended 2014 to 2017.

Prior to 2014, we were appointed by the Board of Directors on 1 October 2006 to audit the financial statements for the year ended 2006 and subsequent financial periods of McColl's Retail Group Ltd, which was previously the parent company to the Group. The period of total uninterrupted engagement including previous reappointments of the firm was 12 years, covering the years ended 2006 to 2017.

Consistency of the audit report with the additional report to the Audit & Risk Committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

Sukhinder Kooner, (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, UK
18 February 2018

98 McColl's Retail Group plc Annual Report and Accounts 2017
Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorresponsibilities.

This description forms part of our Auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 304 of the Companies Act 2006. Our audit work has been undertaken so that we may 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.
Financial statements continued

Independent Auditor’s report to the members of McColl’s Retail Group plc continued

Presentation and classification of results continued

Our audit procedures included, but were not limited to:
- evaluating the design and implementation of controls of the classification of income and expenses as adjusting items;
- reviewing the definitions and reconciliations of the alternative performance measures included in the annual report;
- considering the balance of presentation of statutory and non-statutory reporting measures;
- evaluating the appropriateness of the inclusion of items, both individually and in aggregate, within adjusted items, this included:
  - assessing the consistency of items included year on year; and
  - evaluating adherence to FRS requirements and latest guidance from regulation;
- inspecting a sample of adjusted items to supporting evidence;
- assessing materiality items, either highlighted by management or identified through the course of our audit, which were regarded as significant in nature and/or quantum for whether they should be included within adjusted items; and
- discussing the appropriateness of the adjusted items with the Audit & Risks Committee and any disclosure considerations

Key observations

We are satisfied that the items excluded from profit before adjusted items and the related disclosure of these items in the financial statements are consistent with the Group’s accounting policy on non-GAAP measures.

Basis for determining materiality

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 assess materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Group financial statements</th>
<th>Parent company financial statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,245,000</td>
<td>$1,245,000</td>
<td>$1,944,000</td>
</tr>
</tbody>
</table>

Basis for determining materiality

- 0.7% (2016: 0.3%) of adjusted profits after tax.
- Pre-tax profit has been normalized by adjusting for adjusted items (the one-off costs relating to the Co-op acquisition and store closure programme); see exceptional items disclosure in note 5 to the financial statements.

Rationale for the benchmarks applied

We believe this is an appropriate basis for materiality as it reflects our view that recurring performance is the most relevant performance measure to the stakeholders of the entity.

We agree with the Audit & Risks Committee that we would report the Committee of audit differences in excess of $20,000 (2016: $50,000) for the Group and $7,300 (2016: $9,100) for the parent company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risks 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 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 as a whole, 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.
<table>
<thead>
<tr>
<th>How the scope of our audit responded to the key audit matter</th>
<th>Our audit procedures included, but were not limited to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• evaluating the design and implementation of controls in place over supplier income and understanding of the commercial process as well as reviewing new and unusual agreements.</td>
<td>- for a statistical sample of supplier income agreements:</td>
</tr>
<tr>
<td></td>
<td>• understanding the contract terms and recalculating the expected supplier income;</td>
</tr>
<tr>
<td></td>
<td>• comparing the amounts used in the calculations to actual purchases; and</td>
</tr>
<tr>
<td></td>
<td>• testing the IT controls over system-generated reports relating to supplier income for accuracy, validity and completeness.</td>
</tr>
<tr>
<td></td>
<td>• performing analytical work on supplier income trends across suppliers and product categories and challenging management's estimates by investigating any unexpected variance and cross referencing with supporting evidence:</td>
</tr>
<tr>
<td></td>
<td>• assessing the recoverability of a sample of accrued supplier income by ageing to subsequent invoicing and cash receipts, or performing investigative procedures such as tracing to third party documentation of contracts;</td>
</tr>
<tr>
<td></td>
<td>• inspecting a sample of post year-end credit notes for evidence of refunds or of invoiced amounts not being valid;</td>
</tr>
<tr>
<td></td>
<td>• applying data interrogation tools to perform an analysis to determine if any manual adjustments were recorded within the supplier income balance; and</td>
</tr>
<tr>
<td></td>
<td>• reviewing the terms of the WM Morrison Supermarkets wholesale agreement and evaluating the accounting treatment for supplier income arising from the agreement.</td>
</tr>
</tbody>
</table>

| Key observations | The results of our testing were satisfactory and we consider the disclosure of supplier income to provide a reasonable understanding of the types of supplier income received and the impact on the Group's balance sheet and profit as at 30 November 2017. |

<table>
<thead>
<tr>
<th>Presentation and classification of results</th>
<th>Key audit matter description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management present adjusted profit excluding items that &quot;may detract comparability that arise from events and transactions within the ordinary activities of the Group, but that should be separately identified to help establish underlying performance&quot;.</td>
<td></td>
</tr>
<tr>
<td>The presentation of income and costs within adjusted figures (to derive &quot;adjusted profit before tax&quot;) under IFRS is judgemental with IFRS only requiring the separate presentation of material items.</td>
<td></td>
</tr>
<tr>
<td>In the Group's reported results, significant adjustments have been made to statutory profit before tax of £18.4m to derive adjusted profit before tax of £38.3m. Subtractions of each adjustment are set out in notes 5 and 6 to the financial statements. Owing to the magnitude of these items and the inherent judgement required by management, we consider there to be a potential for inappropriate classification of costs as adjusted items.</td>
<td></td>
</tr>
<tr>
<td>We identified a key audit matter relating to the appropriateness of the Group's accounting policy of non-GAAP measures the application of the policy in the period and the disclosure of adjusted items.</td>
<td></td>
</tr>
<tr>
<td>The most significant items classified as non-underlying in 2016/17 are:</td>
<td></td>
</tr>
<tr>
<td>• costs associated with acquiring the Co-op stores at £3.2m.</td>
<td></td>
</tr>
<tr>
<td>• costs associated with the store closure programme as part of the business restructuring of £2.9m; and</td>
<td></td>
</tr>
<tr>
<td>• property, plant and equipment disposals and properly provisions resulting in a gain of £3.1m.</td>
<td></td>
</tr>
<tr>
<td>The Audit &amp; Risk Committee has included this as a key risk on page 57.</td>
<td></td>
</tr>
</tbody>
</table>
Financial statements continued

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

Acquisition of Co-op stores

Key audit matter
On 13 July 2016, McColl's announced the acquisition of 396 stores from the Co-op for £179m, representing a Class 1 transaction. The transaction has been financed predominantly with additional debt and the balance as an equity placing. On 30th December 2015, the Compulsory Acquisition Authority (CAA) gave full approval for the acquisition to proceed, with no store deposits required. The last store transferred on 29th January 2017, with the final store transferring on 13 July 2017.

IFRS 3 requires that all separately identifiable assets and liabilities are allocated an appropriate fair value, with the remainder of the purchase price recognised as goodwill. Management judgement is required in determining the purchase price allocation, particularly the identification and valuation of intangible assets. We identified the risk of inappropriate allocation as a key audit matter.

The business combination fair values are outlined in note 17 to the financial statements. The accounting policy is outlined in note 2.

The Audit & Risk Committee has included this as a key risk on page 63.

How the scope of our audit responded to the key audit matter

- Evaluating the design and implementation of controls in place within the purchase price accounting process and assessing management's processes for compliance with IFRS 3 Business Combinations.
- Assisting the judgements applied by management in their identification of the assets and liabilities acquired.
- Considering whether any other intangible assets should be recognised.
- Evaluating management's assumptions used in estimating the fair value of assets and liabilities acquired by comparing to relevant available information, working with real estate valuation specialists where appropriate.
- Evaluating the adequacy of the business combination disclosures against the requirements in IFRS 3.

We concurred with management's identification of acquired assets and liabilities and found that their valuation was materially accurate. We consider the disclosure of the acquisition to be appropriate.

Supplier income

Key audit matter
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 is material to the Group financial statements. There are a large number of individual arrangements which can be complex in nature. The majority of these contributions tend to be small in individual size but high in volume and are relatively short periods of time. Although these can be across the financial year-end.

Judgement is required in determining the period over which the reduction in cost of sales should be recognised. Assessing both a detailed understanding of the commercial arrangements themselves as well as complete and auditable source data to apply the arrangements to. Also, the process of appropriate recognition in the financial statements can involve significant manual adjustments which have the potential for inappropriate manipulation.

We identified a key audit matter relating to the accounting for supplier income recognised in the statement of financial position at the period end.

On 31 July 2017 McColl's entered into a new wholesale supply agreement with Asda George Supermarkets. Due to the material nature of the new agreement, we identified a key audit matter relating to the accounting treatment for supplier income associated with the agreement.

The cost of sales accounting policy is outlined in note 2 to the financial statements. The Audit & Risk Committee has included this as a key risk on page 63.
Conclusions relating to going concern, principal risks and viability statement

Going concern
We have reviewed the Directors' statement in note 2 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 and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.8R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Principal risks and viability statement
Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 44 to 47 that describe the principal risks and explain how they would threaten its business model, future performance, solvency or liquidity;
- the Directors' confirmation on page 89 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; or
- the Directors' explanation on page 89 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 stated disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.8R(3) is materially inconsistent with our knowledge obtained in the audit.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

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

Last year our report included goodwill impairment and property, plant and equipment provisions which are not included in our report this year. The goodwill impairment risk of misstatement in the prior year related to the uncertainty in forecasts used to support the goodwill carrying value. Due to an increase in headroom in the goodwill impairment assessment, we do not consider this to be a key audit matter in the current period.

The property provision risk of misstatement in the prior year related to the uncertainty in cash flows used to calculate the property provisions. In the current year, the property provision balance excluding the Co-op stores acquisition provision is not considered material.

We continue to consider a fraud risk in relation to supplier income. We continue to consider the acquisition of the Co-op stores as a risk and have pinpointed this to the purchase price allocation in the current year. The presentation and classification of results has been included in our report this year as it is an area which has had a significant allocation of resources in the audit.
Financial statements

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

Report on the audit of the financial statements

Opinion
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 26 November 2017 and of the Group's profit for the 32 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of McColl's Retail Group plc (the "Company") and its subsidiaries (the "Group") which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and company statement of financial position;
- the consolidated and company statements of changes in equity;
- the consolidated statement of cash flows and
- the related notes 1 to 34 and C1 to C7.

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, including FRS 102 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters
The key audit matters that we identified in the current year were:

- acquisition of Co-op stores;
- accounting treatment of supplier income and
- presentation and classification of results.

Within the report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with.

Materiality
The materiality that we used in the current year was £1,242,000 based on 4.7% of profit before tax adjusted for certain items due to their nature and significance.

Earnings
The Group consists of a collection of retail stores and operates as a single operating segment, entirely within the UK, as detailed in note 4 to the financial statements. We identify only one reporting component on which we perform our audit using a single audit team.

Significant changes in our approach
Due to the transformation of the business this year we have included a new risk in the year around the presentation and classification of results. We have continued to assess the acquisition of the Co-op stores as a risk in the period. We no longer consider there to be a risk surrounding the impairment of goodwill and property provisions. We continue to consider a fraud risk for supplier income.
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 (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRS as adopted by the EU. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that the 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 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.

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

This responsibility statement was approved by the Board of Directors on 18 February 2018 and is signed on its behalf by:

Jonathan Miller  
Chief Executive  
18 February 2018

Simon Fuller  
Chief Financial Officer  
18 February 2018
Directors' report continued

Annual General Meeting

AGM

The Board welcome the opportunity to meet and engage with shareholders at the AGM which will be held on 12 April 2018 at 11:00am at the registered office McCalls House, Athwells Road, Brenchley, East Malling 9DF.

The Chairman of the Board and of each of its Committees will be in attendance at the AGM to answer questions from shareholders.

All Directors will be standing for reappointment at the AGM. The notice of the AGM and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting accompanying the Annual Report and Accounts.

The Board fully supports all the resolutions and encourages shareholders to vote in favour of each of them as they intend in respect of their own shareholdings.

Appointment and retirement of Directors

Subject to a recommendation of the Nomination Committee, the Directors stand for re-election at the Company's Annual General Meeting (AGM) in voluntary compliance with provision 8.3 of the Code. This practice also exceeds the requirement of the Articles for Directors to retire by rotation at every third AGM.

The Company may, in accordance with and subject to the provisions of the Companies Act 2006, remove any Director at any time by ordinary resolution of which special notice has been given. The Company must have a minimum of two Directors.

Further information on appointments to the Board is set out in the Corporate Governance Report on pages 54 to 56 and the Nomination Committee report on pages 60 to 62.

Dividend

The Board's policy is that the Company will generally pay an interim and a final dividend in the approximate proportions one-third and two-thirds respectively.

An interim dividend of 0.4p per share was paid on 6 September 2017. The Directors have also declared a final dividend of 6.9pence per share, amounting to £2.5m, which is subject to shareholder approval at the AGM. In order for shareholder approval to be given to the final dividend, a resolution will be put to vote on 1 June 2018 to those shareholders on the register at the close of business on 20 April 2018.

Reappointment of Auditor

Deloitte LLP was originally appointed as McCalls's Auditor in 2006 when it was a private limited group. The Audit Partner last elected during the year ended 30 November 2014, the Board recognises the commercial advantages of retaining the audit regularly. Our mandatory ten-year 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 although the Audit & Risk Committee has indicated that it currently intends to tender the appointment in time for audit at the AGM of the 2019 Annual Report and Accounts. Further details about the proposed timing of this tender will be provided in due course.

The Auditor, Deloitte LLP, have indicated their willingness to continue as the Company's Auditor and a resolution to reappoint Deloitte LLP as Auditor of the Company and the Group will be proposed at the 2018 AGM. Further details regarding the re-appointment of Auditor may be found in the Audit & Risk Committee Report on page 66.

Authority to allot shares

The Company was granted a general authority by its shareholders at the 2017 AGM to allot shares pursuant to a rights issue up to an aggregate nominal amount of £2,751,500. The Company also concluded a share scheme for cash-on-a-nominated basis up to a maximum nominal amount of £3,960. As at the date of this report, 316 shares have been issued under these authorities. These authorities will lapse at the conclusion of the 2018 AGM unless revoked, varied or renewed prior to that meeting. Resolutions will be proposed at the 2018 AGM to renew these authorities.

Authority for the Company to purchase its own shares

A resolution was passed at the 2017 AGM authorising the Company to purchase up to approximately 10% of its ordinary shares (1,517,277 ordinary shares) at the Directors' discretion. At the date of this report, no ordinary shares have been purchased under this authority. A similar resolution is proposed to be passed at the 2018 AGM which will, if approved, replace the existing authority and will lapse at the conclusion of the 2019 AGM.

Political donations

Further to shareholder approval at the 2017 AGM empowering the Directors to make political donations or incur political expenses, it is confirmed that no such donations were made or expenses incurred in the year ended 30 November 2017 (2016: £nil). The Company's policy is not to make political donations or incur political expenses but a resolution to renew this authority on its expiry will be put to the 2018 AGM in order to avoid any inadvertent breach of the regulatory requirements that might occur if a wide interpretation of political donation were to be applied. For example, some of the Group's community support activities.

The Strategic Report, the Directors' Report and the Directors' Remuneration Report were approved by the Board.

By order of the Board

Benedict Young
Company Secretary
18 February 2018
Financial matters

External Auditor

Deloitte LLP have given their independent report on the financial statements to the shareholders of the Company on pages 92 to 98.

Directors' statement of disclosure of information to Auditor

The Directors who held office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in Section 438(2) of the Companies Act 2006) of which the Company's Auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 438 of the Companies Act 2006.

Post year-end events

Between 26 November 2017 and the date of this report there have been no material events.

Financial risk management

The Company manages its risk 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 notes 22 and 30 of the Group's financial statements. Details are also available in the summary of the principal risks and uncertainties faced by the business and management's approach to identifying and managing risk which are provided on pages 64 to 67.

Future developments within the Group

In accordance with provision C.2 of the 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 2020 which coincides with the Group's strategic review period.

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 July 2021, strong track record of operational cash inflows, discretionary capital expenditure programmes, and dividend cover.

Additionally, the Directors have reviewed the expected impact of government and legislative changes in particular the National Minimum and Living Wage, and the key financial ratios over the period e.g. EBITDA, operating profit, fixed charge cover, debt service cover and overall 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, reassess the dividend policy and accelerate the newagent 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 2020.

Viability statement

In accordance with provision C.2 of the 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 2020 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.
Directors’ report continued

Restrictions on transfers of securities
As at 28 November 2017, the ordinary shares are freely
transferrable with the following specific exception.

In compliance with the Company’s share dealing costs,
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.

Substantial shareholdings
Information on major interests in shares provided to
the Company under the Disclosure and Transparency Rules
(DTRs) of the UK Listing Authority is published via the
Regulatory Information Service and on the Company’s website at
www.mccollsplc.co.uk/ir.

As at the financial year-end and as at 28 February 2018
(bearing the last practical day before printing) the Company
has notified of the interests detailed in the following
table, each of which represented holdings of 5% 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.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares</th>
<th>% Interest in shares</th>
<th>Number of shares</th>
<th>% Interest in shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>River Capital Limited</td>
<td>13,118,391</td>
<td>11.29%</td>
<td>13,118,391</td>
<td>11.29%</td>
</tr>
<tr>
<td>Altpério Partners LP</td>
<td>11,452,247</td>
<td>99.91%</td>
<td>11,452,247</td>
<td>99.91%</td>
</tr>
<tr>
<td>Jonathan Miller</td>
<td>11,299,300</td>
<td>99.91%</td>
<td>11,299,300</td>
<td>99.91%</td>
</tr>
<tr>
<td>REI LLC</td>
<td>-</td>
<td>-</td>
<td>5,773,091</td>
<td>5.01%</td>
</tr>
<tr>
<td>PE Limited</td>
<td>6,713,277</td>
<td>5.82%</td>
<td>6,713,277</td>
<td>5.82%</td>
</tr>
<tr>
<td>Miller Group plc</td>
<td>4,206,116</td>
<td>3.64%</td>
<td>4,206,116</td>
<td>3.64%</td>
</tr>
<tr>
<td>OI Investments Inc</td>
<td>3,000,000</td>
<td>2.53%</td>
<td>3,000,000</td>
<td>2.53%</td>
</tr>
</tbody>
</table>

Notes:
1. The ordinary shares held by Jonathan Miller include options held by Flood Miller and details of these options are contained in sections 250 to 253 of the Company Act 2006.

McCullough’s stakeholders

Colleague engagement
Further information about our colleague engagement is
provided on pages 39 to 41.

Corporate responsibility and the environment
The Company’s social and environmental review, including
information about our greenhouse gas emissions and
approach to corporate responsibility, is set out on pages 37
to 43.

During the year, we defined four corporate values to inform
the way the business, through its colleagues, operates and
behaves. Our values are:

We have started to embed these values into our everyday
operations by incorporating them into policies and
procedures and by communicating them clearly so that
there is a good level of awareness and understanding about
what is expected of McColl’s colleagues.

The Board and its Committees regularly review the Group’s
policies and take responsibility for them.
Powers of Directors
The general powers of the Directors are set out in article 4 of the Company's articles. This provides that the business and office of the Company shall be managed by the Directors, subject to any limitations imposed by the articles, prevailing legislation or any directions given by special resolution of the shareholders of the Company.

Conflicts of Interest
The Board considers and authorises potential or actual conflicts as appropriate and these decisions are kept under review by the Nomination Committee. Directors with a conflict do not participate in the discussion or vote on the matter in question. Further detail can be found in the Corporate Governance Report on page 60.

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 plan may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Remuneration Report on page 76.

Directors' indemnities and liability insurance
As a standard practice for listed companies, the Company has granted a third party indemnity to each of its Directors against any liability that attaches to them in defending proceedings brought against them in the fullest extent permitted under English law. In addition, the Company maintains directors' and officers' indemnity insurance cover for any legal action brought against its Directors.

Specific public offering and securities insurance cover was also placed on 25 February 2014 with a six-year run-off period.

The Company's articles of association
The Company's articles of association ("Articles") set out the rights of shareholders including voting rights, distribution rights, attendance at general meetings, powers of Directors, proceedings of Directors as well as borrowing limits and other governance controls. A copy of the Articles can be requested from the Company Secretary. The Company may offer its Articles by special resolution passed at a general meeting of the Company.

McColl's shareholders
Share capital
Details of the share capital from 28 November 2014 to 28 November 2017 are shown in note 28 of the financial statements. The nominal value of the total issued ordinary share capital of 0.1 pence each in the capital of the Company was £24,528,777.77, being divided into 118,172,774 fully paid ordinary shares.

The rights attached to the shares can be summarised as follows:
1. the ordinary share rank equally for voting purposes;
2. on a show of hands each shareholder has one vote and on a poll each shareholder has one vote per ordinary share held;
3. each ordinary share rank equally for any dividend declared;
4. each ordinary share rank equally for any distributions made on a writing up of the Company; and
5. each ordinary share rank 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.

Shareholders' rights
The rights attaching to the ordinary shares are governed by the articles and prevailing legislation. There are no specific restrictions on the size of a holding. Subject to applicable law and the articles, holders of ordinary shares are entitled to receive all shareholder documents, including notice of any general meeting, to attend, speak and exercise voting rights at general meetings, either in person or by proxy, and to participate in any distribution of income or capital.
McColl’s Retail Group plc (the “Company” or “McColl’s”, or “Group”) operates more than 1,600 convenience and newsagent stores offering a wide range of products and services to neighbourhoods across the United Kingdom. Our principal activities are described in more detail in the Strategic Report on pages 11 to 47.

Governance at McColl’s

Corporate governance
The Board comprises three Executive Directors, led by our Chief Executive, Jonathan White, our Chairman, Angus Porter who was deemed independent on appointment, and three Independent Non-Executive Directors. As a result of the changes made to the Board during the year, the Board now fully meets the highest standard of independence requirements that apply to FTSE 350 companies under the provisions of the UK Corporate Governance Code (the Code). The Board’s full commitment to the Code is described in the Corporate Governance Report on pages 54 to 59 and the memberships, remits and activities of Audit & Risk, Nomination and Remuneration Committees are set out on pages 60 to 62, 64 to 67 and 78 to 80 and form part of this Directors’ Report.

Directors Details of our current Directors can be found on pages 50 and 51. During the year, the following Directors served:

<table>
<thead>
<tr>
<th>Director</th>
<th>Position</th>
<th>Appointment date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angus Porter</td>
<td>Non-Executive Chairman</td>
<td>1 April 2015</td>
</tr>
<tr>
<td>Jonathan White</td>
<td>Chief Executive</td>
<td>3 February 2014</td>
</tr>
<tr>
<td>Simon Fuller</td>
<td>Chief Financial Officer</td>
<td>1 April 2016</td>
</tr>
<tr>
<td>Dave Thomas</td>
<td>Chief Operating Officer</td>
<td>3 February 2014</td>
</tr>
<tr>
<td>Geoffrey Horner</td>
<td>Senior Independent Director</td>
<td>7 February 2014</td>
</tr>
<tr>
<td></td>
<td>Remuneration Committee Chairman</td>
<td></td>
</tr>
<tr>
<td>Sharon Brown</td>
<td>Independent Non-Executive Director</td>
<td>7 February 2014</td>
</tr>
<tr>
<td></td>
<td>Audit &amp; Risk Committee Chairman</td>
<td></td>
</tr>
<tr>
<td>James Constance</td>
<td>Non-Executive Director</td>
<td>3 February 2014</td>
</tr>
<tr>
<td>Jens Holmberg</td>
<td>Independent Non-Executive Director</td>
<td>1 July 2017</td>
</tr>
</tbody>
</table>

1 Assumes date of resignation in December 2016. James served as non-Executive Chairman until 31 March 2016 and was also replaced by Angus Porter.
2 Assumes date of departure in December 2016. Angela served as the Independent Non-Executive Director from May 2016 to the date of her resignation.
3 Assumes date of resignation in December 2016. Alan served as the Independent Non-Executive Director from April 2016 to the date of his resignation.
4 Assumes date of resignation in December 2016. James served as the Independent Non-Executive Director from May 2016 to the date of his resignation.
Change in Chief Executive’s remuneration

The table below sets out the percentage change in the remuneration of the Chief Executive and the average increase across all employees excluding the Board between the years 2016 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>2016: James Lancaster and Jonathan Miller</th>
<th>2017: Jonathan Miller</th>
<th>Change in %</th>
<th>Average change across all employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary (£’000)</td>
<td>455</td>
<td>445</td>
<td>9.1% decrease</td>
<td>2% increase</td>
</tr>
<tr>
<td>Pension benefit (£’000)</td>
<td>131</td>
<td>130</td>
<td>21.4% decrease</td>
<td>no change</td>
</tr>
<tr>
<td>Taxable benefits (£’000)</td>
<td>56</td>
<td>46</td>
<td>18.0% decrease</td>
<td>no change</td>
</tr>
<tr>
<td>Annual variable (£’000)</td>
<td>166</td>
<td>160</td>
<td>3.5% decrease</td>
<td>31.3% decrease</td>
</tr>
</tbody>
</table>

1. The Change in the Chief Executive’s remuneration is calculated by taking the total of the remuneration for the period plus any on-costs. The change in remuneration for the period plus any on-costs is the same for both the Chief Executive and the Chairman.

Distribution statement

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

Graph removed.

The Group paid an interim dividend of 3.4 pence per share and the Board has recommended a final dividend of 2.9 pence per share subject to approval by shareholders at the Annual General Meeting, representing a total payment of £1.7m for 2017.

Statement of shareholder voting

The following table shows the results of the binding vote on the remuneration policy of the 17 April 2015 Annual General Meeting and advisory vote on the 2014 Annual Report on Remuneration at the 27 April 2017 Annual General Meeting.

<table>
<thead>
<tr>
<th>Votes</th>
<th>For</th>
<th>Against</th>
<th>Withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (%)</td>
<td>Percentage</td>
<td>Number (%)</td>
</tr>
<tr>
<td>Remuneration policy 2015</td>
<td>839</td>
<td>95.7</td>
<td>15</td>
</tr>
<tr>
<td>2014 Annual Report on Remuneration</td>
<td>884</td>
<td>99.0</td>
<td>6</td>
</tr>
</tbody>
</table>

Shareholder consultations

In December 2016 the Committee’s Chairman consulted with the Company’s largest shareholders on the profit element of the annual bonus for 2015/16. This consultation related to the impact of the Class One Transaction to acquire the 298 convenience stores from the Co-op, where £6.9m in pre-acquisition costs were incurred and charged to operating profit. The Committee used its discretion to exclude these publicly disclosed costs from the 2015/16 operating profit bonus calculation. The rationale for applying this discretion focused on the fact that the costs:

- were operational in nature and included (a) the advanced recruitment of field teams (e.g. area and regional management), (b) the establishment of larger central functions (e.g. payroll, HR and operational finance such as stock counting), and (c) the setting up of logistics (including additional distribution);
- had been incurred ahead of the stores being transferred;
- having been expensed in the 2015/16 income statement rather than defined as exceptional items;
- quantified and one-off in nature; and
- were beyond management control.

Prior to the above adjustment the annual bonus outcome would have been 28.6% as a percentage of maximum. The Committee intends to use adjusted operating profit going forward for bonus purposes in a consistent manner, and has developed a set of principles to ensure that any adjustments (both positive and negative) are applied consistently and in line with shareholder interests.

In December 2017 the Remuneration Committee Chairman also wrote to advisory bodies and shareholders holding 50% or more of the Company’s capital, who collectively represent approximately 66% of all shares. The latter described changes to the remuneration policy that the Committee wished to propose to shareholders for approval at the Annual General Meeting in 2018 together with some details about potential changes to the Committee’s implementation of the policy. These changes are described on pages 71 to 77 and the response to the consultation is summarised on page 77.

Approved by the Remuneration Committee and signed on its behalf.

Georgina Harvey
Chairman of the Remuneration Committee

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Executive Directors’ pension arrangements (audited)
Chief Executive, Jonathan Miller, received a salary supplement in lieu of pension for the full year. As a percentage of salary this payment represented 33.4% of basic salary paid to him in the year. The monetary amount of this pension supplement shall remain fixed until it reaches 20% of his salary, at which point it will increase in accordance with the Remuneration policy.

The Chief Operating Officer received a salary supplement in lieu of pension equivalent to 19% of his basic salary. The Chief Financial Officer received a combination of salary supplement in lieu of pension and pension contributions equivalent, in aggregate, to 19% of his basic salary.

Non-Executive Director fees (audited)
Since his appointment on 27 April 2017, the Chairman, Angus Foster, has been paid a fee of £143,000 p.a. This fee was set following a benchmarking exercise and is £10,000 p.a. lower than the fees paid to the previous Chairman. The base fee for other Non-Executive Directors during 2017 remained at £45,000 p.a.; with additional fees of £5,000 p.a. paid to the Chairman of the Remuneration and Audit & Risk Committees and an additional £5,000 p.a. paid to Georgina Harvey for her role as Senior Independent Director. Following a review of current Non-Executive fees, which had not changed since 2014, and comparison with market rates, with effect from 1 February 2018 the Board have decided that the fees paid for chairmanship of the Remuneration and Audit & Risk Committees will increase to £8,000 p.a. to reflect the increasing time commitment required for these roles. No other changes have been made or are proposed.

Payments for loss of office (audited)
On 3 October 2017, James Lancaster resigned as a Non-Executive Director of the Company. No compensation payments were made to him or to any Director during the year.

Payments to previous Directors (audited)
No 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.

Total shareholder return

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 its a broad market index of which the Group is a member, and the FTSE All Share Food & Drug Retailers Index is chosen to illustrate performance relative to sector comparators.

Chief Executive single figure of remuneration

<table>
<thead>
<tr>
<th>Name</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Lancaster</td>
<td>834</td>
<td>1,199</td>
<td>840</td>
<td>329</td>
<td></td>
</tr>
<tr>
<td>Annual bonus outcome (% of base)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>39.4%</td>
<td>-</td>
</tr>
<tr>
<td>LTP vesting (% of max)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>-</td>
</tr>
<tr>
<td>Jonathan Miller</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>504</td>
<td>750</td>
</tr>
<tr>
<td>Single figure of remuneration (£’000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Annual bonus outcome (% of base)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39.4%</td>
<td>15.0%</td>
</tr>
<tr>
<td>LTP vesting (% of max)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>n/a</td>
<td>30.0%</td>
</tr>
</tbody>
</table>

1 Payments to James Lancaster are appropriate Chief Executive upon the appointment of James Lancaster from 1 April 2018.
2 Payments to James Lancaster are appropriate Chief Executive upon appointment from 1 April 2018.
3 Payments to James Lancaster are appropriate Chief Executive upon appointment from 1 April 2018.
Awards made under the ULP 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 ULP grants made since 2013 to the Executive Directors who served during the year are outlined below:

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Date of grant</th>
<th>Number of shares</th>
<th>Share price¹</th>
<th>Face value (GBP)</th>
<th>Face value (% salary)</th>
<th>Vesting for threshold performance¹ ² ( % of maximum)</th>
<th>End of performance period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Miller</td>
<td>17 August 2015</td>
<td>135,864</td>
<td>149.25</td>
<td>106</td>
<td>50%</td>
<td>25%</td>
<td>26 November 2017</td>
</tr>
<tr>
<td></td>
<td>11 April 2016</td>
<td>290,528</td>
<td>186.00</td>
<td>300</td>
<td>100%</td>
<td>25%</td>
<td>23 November 2018</td>
</tr>
<tr>
<td></td>
<td>15 March 2017</td>
<td>103,733</td>
<td>186.00</td>
<td>458</td>
<td>100%</td>
<td>25%</td>
<td>24 November 2019</td>
</tr>
<tr>
<td>Dave Thomas</td>
<td>17 August 2015</td>
<td>85,343</td>
<td>149.25</td>
<td>145</td>
<td>50%</td>
<td>25%</td>
<td>26 November 2017</td>
</tr>
<tr>
<td></td>
<td>11 April 2016</td>
<td>190,300</td>
<td>186.00</td>
<td>270</td>
<td>100%</td>
<td>25%</td>
<td>23 November 2018</td>
</tr>
<tr>
<td></td>
<td>15 March 2017</td>
<td>153,225</td>
<td>186.00</td>
<td>285</td>
<td>100%</td>
<td>25%</td>
<td>24 November 2019</td>
</tr>
<tr>
<td>Simon Fuller</td>
<td>8 October 2015</td>
<td>221,718</td>
<td>149.25</td>
<td>100</td>
<td>50%</td>
<td>25%</td>
<td>26 November 2017</td>
</tr>
<tr>
<td></td>
<td>11 April 2016</td>
<td>150,838</td>
<td>186.00</td>
<td>205</td>
<td>100%</td>
<td>25%</td>
<td>23 November 2018</td>
</tr>
<tr>
<td></td>
<td>15 March 2017</td>
<td>147,311</td>
<td>186.00</td>
<td>274</td>
<td>100%</td>
<td>25%</td>
<td>24 November 2019</td>
</tr>
</tbody>
</table>

¹ Call Price per Award Share: £0.06
² 2012 ULP performance conditions range is 70% to 115%.
³ 2011 ULP performance conditions range is 25.3% to 150%.
⁴ 2010 ULP performance conditions range is 0.3% to 115%
⁵ Grantee year of appointment of an Executive Director based on the same performance conditions as the Executive Director’s events.

In addition to the above awards, options over 200,751 ordinary shares were granted to James Lancaster in 2015. These options lapsed under the rules of the ULP following his resignation from the Board on 3October 2017.

Directors’ shareholdings and interest in shares (audited)
The current Remuneration Policy sets shareholding guidelines which require Executive Directors to acquire and maintain, over time, a personal shareholding in the Company of at least equivalent to one times salary. The Remuneration Committee proposes, via a change to the Remuneration Policy submitted for approval at the Annual General Meeting to be held on 12 April 2018, to increase the requirement to 200% of annual salary. A 200% shareholding guideline is consistent with best practice. The graph on page 77 provides an illustration of how an Executive Director might build a holding in shares equivalent to 200% of basic salary.

The table below sets out for Directors who served during the year, their interests in McColl’s shares and share options as of 28 November 2017.

<table>
<thead>
<tr>
<th>Director</th>
<th>Options held¹</th>
<th>Shares held³</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unvested and</td>
<td>Unvested and</td>
</tr>
<tr>
<td></td>
<td>subject to</td>
<td>subject to</td>
</tr>
<tr>
<td></td>
<td>dilution</td>
<td>performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jonathan Miller</td>
<td>428,394</td>
<td>1,938,792</td>
</tr>
<tr>
<td>Dave Thomas</td>
<td>412,733</td>
<td>1,138,792</td>
</tr>
<tr>
<td>Simon Fuller</td>
<td>374,003</td>
<td>1,138,900</td>
</tr>
<tr>
<td>Main Executive Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>James Lancaster</td>
<td>412,733</td>
<td>1,138,792</td>
</tr>
<tr>
<td>Georgina Harvey</td>
<td>n/a</td>
<td>11,471</td>
</tr>
<tr>
<td>Sharon Brown</td>
<td>n/a</td>
<td>11,471</td>
</tr>
<tr>
<td>Angus Porter</td>
<td>n/a</td>
<td>2,512</td>
</tr>
<tr>
<td>Jane Holroyd</td>
<td>n/a</td>
<td>10,471</td>
</tr>
</tbody>
</table>

¹ Based on closing share price of £3.865 on prevailing day on Friday 24 November 2017 (the date voting day (prior to the 2018 Interim Results)).
² The ordinary shares held by, shareholdings include shares held as part of pension plan, as holding as nominated persons.
³ James Lancaster stepped down as an Executive Director on 3 October 2017 and disposed of an interest in shares on that date.

There was no change in the Directors’ interests in the shares awarded or options granted by the Committee between the end of the period and the date of this report.
Annual report on remuneration continued

Long Term Incentive Plan (qualifed)

The full grant of share options under the LIP was made in 2015 in respect of performance over the financial years 2015 to 2017 inclusive. 30% vesting of the 2015 LIP award is anticipated in view of the overall performance of the business during financial years 2016 to 2017. In particular, TS1 for McCall's shares was 85% centile relative to the FTSE All Share General Retailer index and FTSE All Share Food & Drugs Retailers index. The upper quartile stretch target for TS1 was therefore exceeded. EPS performance was below the threshold of 55%. The Remuneration Committee is confident that the investments that the business has been making in growing and rebranding its estate and the progress that has been made on other elements of the Group's longer term strategy will deliver future EPS growth. The following table sets out the anticipated value of the 2015 awards on vesting for the Executive Directors.

<table>
<thead>
<tr>
<th>Executive</th>
<th>Interests held</th>
<th>Vast %</th>
<th>Interests vesting</th>
<th>Date vesting</th>
<th>Assumed market price</th>
<th>Estimated value (£'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Miller</td>
<td>111,394</td>
<td>35.568</td>
<td>17 August 2018</td>
<td></td>
<td>$2.75p</td>
<td>78</td>
</tr>
<tr>
<td>Dave Thomas</td>
<td>93,343</td>
<td>30%</td>
<td>21 September 2018</td>
<td>17 August 2018</td>
<td>$2.75p</td>
<td>78</td>
</tr>
<tr>
<td>Simon Fuller</td>
<td>87,114</td>
<td>30%</td>
<td>20 October 2018</td>
<td>8 October 2016</td>
<td>$2.75p</td>
<td>41</td>
</tr>
</tbody>
</table>

Further LIP awards were made in 2016 and 2017, both based on three year targets for cumulative EPS and TS1 performance relative to an appropriate peer group. In 2018, it is expected that Executive Directors will be granted awards equivalent to 150% of salary under the LIP (100% in 2017). These shares will vest subject to EPS and TS1 performance over a 3 year period, as follows:

<table>
<thead>
<tr>
<th>Performance measure element</th>
<th>EPS (1)</th>
<th>TS1 (2)</th>
<th>Percentage of element that will vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Threshold</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Threshold</td>
<td>Median</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Stretch target or above</td>
<td>Upper quartile</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

1 EPS target is set at the level of grant and will be declared outcome on the basis of which the percentage of the total award is achieved. The grant of LIP awards is subject to an executive meeting the pre-determined targets throughout the 3 year (2015-2017) performance period. The TSR referenced is the TS1 All Share General Retailer index and the FTSE 40 All Share Food & Drugs Retailers index, weighted at 50:50.

2 Total shareholdings calculations to be conducted at the final outcome of the TS1 All Share General Retailer index and the FTSE 40 All Share Food & Drugs Retailers index, weighted at 50:50.
Annual bonus (audited)

The Group operates an annual performance-related bonus scheme for a number of Senior Managers including Executive Directors. For the 2017 financial period, annual bonuses for the Executive Directors were based on 80% of operating profit and 20% on key strategic performance measures covering successful on-boarding of the acquired 296 Co-op stores so as to deliver the benefits envisaged in the original business plan, conducting a wholesale tender for implementation during 2018 and delivering other elements of the strategic plan for the year covering a number of business enhancements.

For the operating profit element of the 2017 annual bonus, the performance condition was set such that no vesting would occur below threshold, being 95% of target. At threshold and target, 10% and 40% of the profit element of the bonus would be awarded respectively. Maximum vesting of the profit element would be awarded for achievement of the stretch condition of 110% of on-target operating profit. Payments in between these points of measurement increase on a straight-line basis. Achievement of threshold operating profit is required before any of the strategic performance element of the bonus can vest.

The maximum total bonus potential for 2017 was 100% of salary for Executive Directors. The targets, and achievement against them, were as follows:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Weighting</th>
<th>Threshold</th>
<th>Target</th>
<th>Stretch</th>
<th>Achievement</th>
<th>Vesting % of maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit before bonus</td>
<td>80%</td>
<td>£28.2m</td>
<td>£29.6m</td>
<td>£33.4m</td>
<td>4.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>on asset disposals and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>exceptional items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Successful on-boarding of the</td>
<td>20%</td>
<td>achieved</td>
<td></td>
<td></td>
<td></td>
<td>15.0%</td>
</tr>
<tr>
<td>acquired 296 Co-op stores</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conducting a wholesale tender</td>
<td></td>
<td>achieved</td>
<td></td>
<td></td>
<td></td>
<td>15.0%</td>
</tr>
<tr>
<td>Delivering other elements of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the strategic plan for the year</td>
<td></td>
<td>partially</td>
<td></td>
<td></td>
<td></td>
<td>15.0%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15.0%</td>
</tr>
</tbody>
</table>

The Executive Directors proposed that no bonus payment be made for 2017 on the operating profit target despite the threshold profit for payment of such a bonus having been achieved. Having noted that it had discretion to do so, the Committee accepted this proposal.

Accordingly, a bonus payment for 2017 was only considered for the strategic targets.

The newly acquired 296 stores were successfully transitioned on time and within budget and accordingly the Remuneration Committee consider this objective to have been fully achieved. Likewise, the objective to conduct a wholesale tender that could be implemented during 2018 was fully delivered. The wholesale tender exercise delivered its objective of moving to a single supplier partner that provides the business with access to high quality products at a lower cost. In addition, the tender exercise has resulted in the additional benefit of access to a high quality own brand in the guise of Safeway, which the business will have on an exclusive supply basis for 12 months. The third objective comprised delivery of a suite of strategic initiatives. Good progress had been made towards achievement of a number of these, for example our brand strategy, external communications, colleague plan and store trials. However, for other initiatives, including our digital strategy, customer engagement and implementation of the next stage of our pricing framework, progress was more limited. The objective as a whole was therefore only achieved in part. Accordingly, having taken account of the full achievement of two out of three of the strategic targets and the partial achievement of the third, the Remuneration Committee determined that a bonus of 13% of salary (but of the maximum 20%) should be paid.

The 2018 annual bonus will be based on a similar structure to the above save for the following differences:

- The bonus payout will be based 70% on achievement of operating profit and 30% on strategic performance measures (previously 80% and 20% respectively).
- Subject to approval of the new remuneration policy, on-target achievement of the operating profit performance measure will result in 50% payout of the bonus compared with 40% in prior years, and
- Subject to approval of the new remuneration policy, one-third of any bonus payout to Executive Directors will be deferred into shares that must be held for three years.

The strategic objectives for the 2018 bonus plan are the successful transition of all stores to the new wholesale supply arrangements (except the 296 Co-op stores acquired in 2017 which are subject to a separate supply agreement), including launch of the Safeway range, delivery of the Group’s ambitious store rebrand programme for the year, and implementation of a new customer plan. The degree to which these objectives are achieved will be assessed based on underlying measures of success which have been defined to include both qualitative and financial indicators. These include key like-for-like sales increases for those stores which have been refreshed and/or supplied under the new arrangements. These strategic deliverables are considered to be of significant importance to the long term sustainable growth of the business. The increased conditionality of the bonus on these strategic goals reflects the Board’s desire to ensure they are achieved.

The Committee has discretion to adjust the formulaic bonus outcome downwards or upwards (with shareholder consultation), within the plan limits, to ensure awards properly reflect the underlying performance of the business. The Committee may also reduce future annual bonus opportunities in light of material restatement or gross misconduct. In extreme cases of gross misconduct, the Committee may claw back annual bonus payments previously made.
Annual report on remuneration continued

Shareholder views are expressed through formal consultation as well as the shareholder advisory vote on the remuneration report and, every third year, the binding vote on the remuneration policy. In addition, account is taken of published institutional investor guidelines.

Shareholder consultations are conducted periodically when more significant issues arise or when changes to the remuneration policy are being considered. Consultations were conducted in relation to a proposed adjustment to the 2016 bonus outlier in the light of the 2016 store acquisition transaction and on the current remuneration policy proposals.

A summary of the feedback received on the table is provided on page 77.

Written reports are provided in advance and meetings are attended, by invitation, by the Executive Directors, Colleague Director and external remuneration adviser so that the written reports can be discussed with them and challenged appropriately.

After each Remuneration Committee meeting, actions are clearly identified, tracked and reported back to the Committee as progress is made in implementing them. The Committee Chairman reports to the Board on the main items discussed at each meeting. The Board also receives copies of the Committee’s full minutes unless their circulation is deemed inappropriate.

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

Single figure for total remuneration of Executive Directors (audited)

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 30th November 2017 and the prior period.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Miller</td>
<td>441,776</td>
<td>457,251</td>
<td>463,509</td>
<td>465,738</td>
<td>469,954</td>
<td>473,060</td>
<td>480,639</td>
<td>485,000</td>
<td>488,000</td>
<td>4,271,334</td>
</tr>
<tr>
<td>Dave Thomas</td>
<td>384,276</td>
<td>416,431</td>
<td>437,869</td>
<td>439,873</td>
<td>442,362</td>
<td>452,430</td>
<td>463,400</td>
<td>464,000</td>
<td>465,000</td>
<td>4,122,464</td>
</tr>
<tr>
<td>Simon Fuller</td>
<td>373,176</td>
<td>416,431</td>
<td>437,869</td>
<td>439,873</td>
<td>442,362</td>
<td>452,430</td>
<td>463,400</td>
<td>464,000</td>
<td>465,000</td>
<td>4,122,464</td>
</tr>
</tbody>
</table>

Single figure for total remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the period ended 30th November 2017.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sharon Bower</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>200</td>
</tr>
<tr>
<td>Georgina Howell</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>150</td>
</tr>
<tr>
<td>Jim Molyneux</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>150</td>
</tr>
<tr>
<td>James Lancelot</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>150</td>
</tr>
<tr>
<td>Angela Parker</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>150</td>
</tr>
</tbody>
</table>

1. Jonathan Miller was promoted from Chief Financial Officer to Chief Executive Officer on 1 April 2016.
2. Simon Fuller was appointed Chief Financial Officer on 1 April 2016.
3. Permanent benefits include contributions to salary, pension and Group Life Assurance. Permanent contributions were paid during the year to Simon Fuller and Sharon Bower in all years and to Angela Parker in 2014, 2015 and 2016.
4. Variable benefits for Jonathan Miller, Dave Thomas and Simon Fuller include a car allowance, at £30,000, £30,000 and £24,000 for 2015, £25,000, £25,000 and £20,000 for 2016, £20,000, £20,000 and £15,000 for 2017, £15,000 and £15,000 for 2018.
6. The Company’s performance in 2015 did not meet the targets for the incentive bonus plan and therefore no bonus was paid. The board recognises this and will ensure that performance bonuses are paid in future years.
7. Dave Thomas was appointed to the Board on 1 January 2016.
8. Angela Parker was appointed to the Board on 1 January 2016.

The aggregate fees paid to Non-Executive Directors for the year ended within the £300k aggregate limit approved at the Company’s Annual General Meeting.

Basic annual salary (paid)

Basic salaries are generally reviewed annually, with reference to individual performance, experience, market competitiveness and salary increases across the Group. The latest salary increases were awarded to the Executive Directors on 1 January 2018. The salaries of Non-Executive Directors were reviewed by the Committee following the end of the financial period and increases ranging from 2.5% to 8% were awarded effective 1 January 2018. This compares with the average pay increase awarded across the wider workforce of 2.5%.

Non-cash benefits (paid)

Non-cash benefits are generally subject to consultation with the Committee. They include the provision of benefits to Non-Executive Directors, such as directors' fees and other benefits, and to other service providers, such as the chief executive officer, in recognition of their services. The Committee has taken appropriate steps to ensure that the arrangements are compliant with applicable law and regulation.
Making sure the Remuneration Committee is well informed

In considering remuneration arrangements, Remuneration Committee members need sufficient information to enable them to take account of factors including the Group’s strategy and attitude to risk, its financial position and prospects, competitive market conditions and peer group practice, and pay and conditions in place for the wider workforce. Some examples of the information that may be provided to the remuneration committee when making key decisions are set out below.

<table>
<thead>
<tr>
<th>Decision</th>
<th>Information needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Determining the remuneration policy</td>
<td>- understanding of Group strategy and risk appetite - remuneration consultancy advice - benchmarking data - best practice and shareholder guidelines, including new developments and emerging trends - feedback from shareholder consultancies</td>
</tr>
<tr>
<td>2. Deciding Executive Directors’ and Senior Managers’ basic salary increases</td>
<td>- benchmarking or market data - assessment of individual effectiveness - shareholder view - details of pay and conditions across the business and in particular the pay increases proposed for the wider workforce</td>
</tr>
<tr>
<td>3. Determining annual bonus potential and performance conditions</td>
<td>- remuneration policy limits - market data - Group budget - strategic priorities for the business - Group risk appetite - shareholder views</td>
</tr>
<tr>
<td>4. Determining annual bonus payouts</td>
<td>- financial results for relevant period - information on the extent to which relevant strategic priorities have been achieved</td>
</tr>
<tr>
<td>5. Determining LTIP awards and performance conditions</td>
<td>- remuneration policy limits - LTIP rules and share dilution limits - market data - relevant financial forecasts based on Group strategy - Group risk appetite - shareholder views</td>
</tr>
<tr>
<td>6. Determining extent of LTIP vesting</td>
<td>- LTIP rules and share dilution limits - EPS and TSR performance</td>
</tr>
<tr>
<td>7. Determining Executive Directors’ or Senior Managers’ benefits on recruitment</td>
<td>- benchmarking or market data - evidence of existing pay and rewards package - evidence of potential pay/plan under existing employer’s incentive arrangements (where applicable)</td>
</tr>
<tr>
<td>8. Considering pay and conditions across the business</td>
<td>- details of pay and conditions across the business - details of proposed pay increases - pay ratio calculations - gender pay gap information</td>
</tr>
</tbody>
</table>
Annual report on remuneration

Remuneration Committee composition
The Remuneration Committee is comprised wholly of Independent Non-Executive Directors and is supported by the Company Secretary who attends all meetings. The Chair, Executive, Chief Financial Officer, Chief Operating Officer and Colleague Director, together with the Committee’s independent adviser, Kepler (a board of Mercer), attend committee meetings by invitation.

The Remuneration Committee and the Board carried out an externally facilitated performance evaluation which concluded during the year. Following this, an additional Non-Executive Director, Jeni Lees, was appointed to bring additional independence to the Board and its Committees.

Meeting attendance

Georgina Harvey
Remuneration Committee Chairman
Senior Independent Director
✓✓✓

Sharon Brown
Remuneration Committee member
Independent Non-Executive Director
✓✓✓

Jeni Lees
Remuneration Committee Member since 1 July 2017
Independent Non-Executive Director
✓✓

Angus Perler
Remuneration Committee member
Chairman of the Board (considered independent on appointment)
✓✓✓

Remuneration Committee responsibilities
The Remuneration Committee has responsibility for deciding the terms and conditions of employment, remuneration and benefits of the Executive Directors, including pension rights and other compensation payments, and for recommending and monitoring the level and structure of remuneration for Senior Managers and the implementation of their option or other performance-related schemes. In discharging its responsibilities, the Committee must review and have regard to the pay and employment conditions across the business. It must also have regard to the views of shareholders, the risk appetite of the Group and McCan’s strategic objectives.

To assist them in their work, the Committee has appointed an independent adviser. 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 £66k for the 2017 financial year. These fees were primarily incurred for the advice and support Kepler provided in reviewing the Group’s remuneration policy including the preparation and benchmarking of Executive Directors’ remuneration which provided context for the Remuneration Committee’s thinking on the changes that are now proposed for shareholder approval. In addition, Kepler provided advice on a proposed adjustment of the performance targets for the annual bonus, LTIP and Company Share Option Plan (COSP) for 2016 in the light of the Class 1 transaction to acquire 298 stores.

Implementation of the COSP “good leaver” provisions and valuation of the Group’s share-based remuneration.

Kepler did not provide any other services to the Group and the Committee is satisfied that they provide independent and objective remuneration advice. Mercer, of which Kepler is part, 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.

Remuneration Committee activities
During the 2017 financial year, the Committee met three times to consider the following remuneration matters:

Meeting date | Key agenda items
--- | ---
Feb | • continued Executive Directors and Senior Managers’ salary increases
  • considered views expressed in a shareholder consultation on adjustment of performance targets following the 2016 Class 1 transaction
  • approved adjustment in the 2016 EPS performance target for LTIP and COSP subject to future shareholder consultation
  • approved 2016 annual bonus in full
  • approved, in principle, the 2017 LTIP and COSP performance conditions
  • evaluated the Committee’s performance as part of Board evaluation
  • agreed, after benchmarking, not to recommend an increase in the Chairman’s fee

Jul | • considered the approach to be taken in preparing for the remuneration policy review and agreed to instruct Kepler to undertake a benchmarking exercise in relation to key elements of fixed and variable pay

Nov | • agreed pay and other benefits for a newly recruited Senior Manager
  • considered gender pay gap and pay ratio information
  • reviewed proposed pay increases for colleagues across the Group
  • agreed a further review of the Committee’s terms of reference should be undertaken once best practice recommendations on oversight of pay and conditions across the Group are published
  • reviewed proposed salary increases for Senior Managers
  • reviewed potential 2017 bonus outcome
  • reviewed progress against targets in existing LTIP and COSP awards
  • approved minor changes to the Directors’ expenses policy
  • agreed initial remuneration policy proposals on which to consult stakeholders
Shareholding guidelines

The graph below illustrates how an Executive Director who holds no shares in the Company might meet the proposed 200% shareholding guideline over a period of years. Performance is assumed to consistently result in 50% vesting for the purposes of both the annual bonus and LEP.

Value of shareholding as a percentage of basic salary

\[
\text{Graph removed}
\]

Consideration of employment conditions elsewhere in the Group

The Committee takes into account the levels of basic salary being offered to colleagues elsewhere in the Group and, when annually reviewing the salary increases and remuneration for the Executive Directors, it looks at what increases are planned for the wider employee population. During 2017, the Committee additionally received information about the Group’s gender pay gap. Colleagues 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. As part of its work to propose a new remuneration policy for approval at the 2018 Annual General Meeting, it took advice on current best practice and institutional shareholder guidelines. The Committee also undertook an active consultation exercise with stakeholders representing approximately 65% of the shareholder base in line with the Committee’s policy to consult with significant shareholders prior to making any major changes to its Executive remuneration structure. Shareholder bodies and advisors were also consulted.

Feedback from the consultation indicated broad support for the proposals. Some respondents sought additional assurance that performance targets would be sufficiently stretching considering the proposed increase in potential. In its responses to these points, the Committee was able to make reference to the historically low annual bonus payouts (approximately 12% on average over the previous three years) as evidence of the Committee’s commitment to setting challenging targets. Similarly, while the first LEP award made in 2013 has not yet vested, it is not expected to vest in respect of the EPS element (10% of the total) despite the excellent progress made within the business. The Committee also explained that increasing the proportion of the annual bonus that would be conditional upon strategic objectives was intended to ensure that management maintained aspirations focus on those important initiatives as well as on delivery of current year financial targets.

The shareholders and advisory bodies who responded, in particular, widely welcomed the introduction of mandatory bonus deferral and the proposed increase in the shareholding guideline to 200%.
Directors' remuneration policy continued

Service contracts and exit payment policy

Non-Executive Directors

The Chairman, Angus Porter, was appointed as a Non-Executive Director on 1 April 2016. Giorgina Honey and Sharon Brown were both appointed as Non-Executive Directors on 7 February 2014 and Jeni Hofmo was appointed on 1 July 2017. All Non-Executive Directors are subject to the annual bonus or any equity schemas, nor do they receive any additional pension or benefits (other than out of pocket expenses directly incurred in the performance of their duties) on top of the fees disclosed on page 80. Non-Executive Directors have a notice period of one month and receive no compensation on termination.

Executive Directors

On 24 February 2014, Dave Thomas entered into a service agreement with the Company. Both Jonathan Miller and Simon Fuller entered service agreements with the Company on 1 April 2016. In the case of Jonathan Miller, the contract reflected his promotion from Chief Financial Officer to Chief Executive.

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.

Each of the Executive Directors' service agreements is terminable by the relevant individual or the Company on not less than 12 months' prior written notice. 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. The employment of each Executive Director is terminable with immediate effect without notice in certain circumstances which include, for example, where an Executive Director commits an act of serious misconduct, commits a material or persistent breach of any of the terms or conditions of its service agreement, has a bankruptcy order made against him, is convicted of a criminal offence, is disqualified from acting as a director or acts in a way which may bring the Company or any member of the Group into disrepute. 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.

Executive Director service contacts are available for inspection at the registered office and at the Annual General Meeting.

The table below summarises how incentives are typically treated in different circumstances.

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1. In exceptional circumstances, any decision on remuneration policy will be subject to the Chairman's determination and take into account the circumstances at the time.
2. Any potential conflict in the Group's interest of a director, his/her spouse or dependant, or a director who is a member of the Group or any other person that the Remuneration Committee determines is in a position to provide a financial interest in the Group's operations (or to be a competitor).
### Performance Scenarios

The graph below provides 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 Scenarios for 2038 (£'000)**

<table>
<thead>
<tr>
<th>Performance Scenario</th>
<th>Fixed Pay</th>
<th>Annual Bonus</th>
<th>LSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Graph removed

The potential reward opportunities illustrated are based on the policy submitted for approval at the Annual General Meeting on 12 April 2018, applied to the basic salaries in force at 1 January 2018. The projected value of LSP 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 Scenarios**

- **Minimum**
  - Salaries at most recent review date (7 January 2018), salary supplements in lieu of pension contributions of 2.5% and 10% of salary paid to the Chief Executive and Chief Operating Officer respectively.
  - A contribution of salary supplement in lieu of pension contribution on a pension contribution, together reaching 15% of salary is paid to the Chief Financial Officer.
  - Other benefits as for the most recent financial period.

- **Target**
  - The basic salary of new appointees will be determined based on the experience and skills of the individual, relevant market rates and may exceed basic salary.
  - 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.
  - 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, use of private medical insurance and life assurance.
  - The maximum value of the LSP which will apply to new appointees with the severance maximum being pro-rated to reflect the proportion of employment over the year.

- **Maximum**
  - New appointees will be granted awards under the SIP on similar terms as other Executives, as described in the policy 100%.

### Approach to Remuneration for New Director Appointments

When recruiting or appointing a new Executive Director, the Remuneration Committee may make use of all the existing components of remuneration, as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Approach</th>
<th>Maximum Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Salary</td>
<td>The basic salary of new appointees will be determined based on the experience and skills of the individual, relevant market rates and may exceed basic salary.</td>
<td>100% of basic salary.</td>
</tr>
<tr>
<td>Pension</td>
<td>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.</td>
<td>50% of basic salary.</td>
</tr>
<tr>
<td>Other Benefits</td>
<td>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, use of private medical insurance and life assurance.</td>
<td>150% of basic salary.</td>
</tr>
<tr>
<td>Annual Bonus</td>
<td>The maximum value of the LSP which will apply to new appointees with the severance maximum being pro-rated to reflect the proportion of employment over the year.</td>
<td>150% of basic salary.</td>
</tr>
<tr>
<td>LSP</td>
<td>New appointees will be granted awards under the SIP on similar terms as other Executives, as described in the policy 100%.</td>
<td>150% of basic salary (200% in exceptional circumstances).</td>
</tr>
</tbody>
</table>

In determining appropriate remuneration for a new Executive 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 foregone on leaving a previous employer. Using Listing Rule 9.13 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 contractually commitments made prior to their promotion to Executive Director level, the Group will continue to honour these arrangements. Incentive opportunities for below Board colleagues are no higher than for Executive Directors, but measures may vary.

In reviewing a new Non-Executive Director, the Remuneration Committee will, subject to approval of the new remuneration policy proposed at the Annual General Meeting on 12 April 2018, use the policy as set out in the table on page 73.
Directors' remuneration policy continued

Performance measure selection and approach to target setting
Annual bonus targets are set at the start of the financial period. Operating profit is considered to be the best measure of the Group's annual financial performance and will continue to determine the majority (75% for 2018) of the annual bonus. The profit target is calculated with reference to the Group's budget for the upcoming financial period.

The profit target is supplemented by an element (25% for 2018) based on strategic performance measures which are selected annually to reflect the Group's key strategic priorities for the financial period ahead. For 2018 the strategic measures are transition to the new wholesale supply arrangements and introduction of the Sollway range across the majority of the estate (excluding the 26 stores acquired in 2017), delivery of a significant programme of 103 store refurbishments and implementation of a new customer plan.

Clear and specific measures underpin each of these three strategic priorities to enable the degree of successful delivery to be assessed against both qualitative and financial criteria. These include specific impacts on like-for-like sales for the stores that are transitioning to the new supply arrangements and also have been refurbished. No bonus pay-out can be made based upon the strategic measures unless the profit target is at least achieved at threshold level.

For the LSP, which incentivises delivery of long-term success, EPS is considered to be the best measure of the Group's bottom line financial performance over this time-frame and will always determine the vesting for at least 50% of the overall LSP award. For 2018, 70% of the LSP award will be based on delivery of EPS targets. EPS will also be captured to further align the interests of LSP participants with those of shareholders. For awards granted in 2018, TSP performance measured against an appropriate peer group will determine 30% of vesting after three years.

Threshold and stretch performance levels under the EPS element of the LSP are set at the start of the three-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 2017 awards are detailed on page 82. The element linked to TSP vests based on three-year TSP 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 TSP element is set at median ranking with the stretch target set at upper quartile. These targets are in line with market practice for other listed companies and are expected to capture a range of good to excellent performance for the Group.

The Remuneration Committee has established the following performance adjustment principles in order for there to be a shared understanding of the process for making adjustments to LIP performance criteria in appropriate circumstances:

a. The Committee will consider making an adjustment where a change is recognised as a Class I transaction (as defined by the UK Listing Rules).
b. The Committee would not make an adjustment where the change results in less than a 5% impact on EPS and adjustments will be considered between the upper and lower limits defined in a. and b.

The Committee intends to apply these principles in respect of outstanding LIP awards to reflect the 2017 acquisition of the 26 stores and will disclose details of any such adjustments after the end of the relevant performance period.

Differences in remuneration policy operated for other employees
Senior management’s remuneration has the same components as set out in the policy: being basic salary, annual bonus, pension, life assurance and other benefits provision. They may also be invited to participate in the LSP or alternatively the Company’s share option plan. Annual bonus arrangements have the same structure but are subject to lower salary multiples, with the potential ranging with seniority. Payout arrangements are based on specific key performance indicators relevant to each job function. Subject to approval of the new remuneration policy, consideration will be given to how an element of mandatory share deferral can be introduced into the annual bonus plan for Senior Managers below Board level. Shareholding guidelines already apply to our Retail Board members.

All colleagues receive a basic salary and at eligible colleagues are automatically invited to enrol 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.
<table>
<thead>
<tr>
<th>Shareholding guidelines</th>
<th>Other arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td>To align Directors' interests with the long-term interests of shareholders.</td>
<td>Non-Executive Directors' fees</td>
</tr>
<tr>
<td>Executive Directors will be required to build up and retain a minimum shareholding in the Company of at least equal to 200% of base salary.</td>
<td>Qubitron has committed in preparing for annual Shareholders' Meetings, the duties and responsibilities of the role and the contributions expected from the Non-Executive Directors.</td>
</tr>
</tbody>
</table>

- An annual fee is paid to each Non-Executive Director which is independent of their membership (but not chairmanship) of all Board Committees. Additional fees are paid to the Chairman of the Audit & Risk and Remuneration Committees and to the Senior Independent Director. Non-Executive Directors do not participate in any share schemes and do not receive any pension or other benefits (other than reasonable out-of-pocket expenses incurred in the proper performance of their duties).

- To help Executive Directors achieve the required shareholding levels, some mandatory share deferral arrangements have been built into the variable elements of their remuneration. Shares awarded in respect of annual bonuses will be subject to mandatory deferral into shares to be held for three years. All shares awarded that year under the LSP but which must be held for a further period of two years prior to exercise, will count towards achievement of the shareholding guidelines.

- No increases are currently proposed to the Non-Executive Director fees although, following a review by the Remuneration Committee at the time of the people's list of Non-Executive Directors, the additional fees payable to board membership of the Audit & Risk and Remuneration Committees have been increased from £3,000 to £5,000 per annum. Future increases may be considered as a result of the outcome of a review process and taking into account market levels excluding long-term shareholding. There is no prescribed minimum fee but there is an aggregate limit of £50,000. Further detail are set out on pages 65 and 66.

- The pre-Market of this shareholding requirement will be increased from 100% of salary to 200% of base salary. The graph on page 17 illustrates how an Executive Director with no shares might reach the new requirement over time.

No change.
**Directors' remuneration policy continued**

### Annual bonus

- To focus Executive Directors on achieving stretching profit targets as well as delivering the strategic business philosophy for the financial period. The impact of bonus allocations is intended to further align Directors' interests with those of shareholders.

### Variable pay

- **Long Term Incentive Plan (LTIP)**
  - To align the interests of Executive Directors with those of the shareholders to sustain long-term growth of the business.

### Performance measures

- **Annual bonus**: Performance measures and targets are set (or altered, to the extent of the financial period). At the end of the financial period, the Remuneration Committee will determine the awards on which the targets have been achieved.

- **Variable pay**: The maximum award that can be achieved is based on the achievement of stretching targets. The Committee will determine the awards on which the targets have been achieved.

### Quantification

- **Annual bonus**: The maximum bonus opportunities for Executive Directors are up to 150% of salary. Awards may be made up to a maximum of 100% of salary in exceptional circumstances. A nil award will be paid if the threshold operating profit is not achieved.

- **Variable pay**: The Committee will review the bonus opportunities for Executive Directors based on the achievement of stretching targets. Awards may be made up to a maximum of 100% of salary in exceptional circumstances. A nil award will be paid if the threshold operating profit is not achieved.

### Change to existing arrangements

- The proposed policy is that on-target bonus pay out will be increased from 40% to 50% of salary in line with current market practice. The new policy also introduces mandatory deferral of one-third of any bonus pay out into shares that must be held for three years.

- There will be no change to the existing arrangements.

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McKinnon & Company Annual Report and Accounts 2007
# Directors' Remuneration Policy

This report sets out the Remuneration Committee’s proposed policy on remuneration for Executive and Non-Executive Directors which is to be submitted for approval by shareholders at the Annual General Meeting on 12 April 2018. If approved, the policy described below will apply from that date for a period of three years.

The proposed policy has been devised taking account of existing arrangements, the results of a benchmarking exercise undertaken by the Company’s remuneration advisers and their guidance on current best practice and the views of shareholders. The Remuneration Committee’s key objective has been to ensure that our proposed policy will serve the business and its shareholders well and that this can best be done by incentivising appropriate behaviour and management focus on strategic and financial objectives and by remaining attractive as an employer to our successful team and, when necessary, their successors.

The proposed policy retains the key, fixed and variable pay elements that comprise existing arrangements but, amongst other things, proposes an uplift from 40% to 50% in the amount of on-target bonus pay out, together with the introduction of mandatory deferral of the bonus in part into McColl’s shares that must then be held for three years. This will help Executive Directors achieve the higher shareholding guidelines, which we are proposing is increased to 200% of salary in line with best practice.

The full proposals, which are outlined below, are intended to strike a better balance than the current arrangements between the need to have sufficiently competitive remuneration arrangements to enable retention and motivation of executives with the right skills and experience, but also ensuring that Executive pay is strongly aligned with shareholder interests and incentivises delivery of long-term success in the business.

## Key Components of the Proposed Remuneration Policy

The key components of the proposed remuneration policy including differences from the existing arrangements are described below:

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base salary</strong></td>
<td>To attract and retain key talent and with the appeal to contribute to strategy, ensuring base salaries are competitive in the relevant talent market.</td>
</tr>
<tr>
<td><strong>Pension</strong></td>
<td>To provide post-retirement benefits for participants in a cost-efficient manner.</td>
</tr>
<tr>
<td><strong>Fixed pay</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Other benefits</strong></td>
<td>To provide competitive benefits for each role.</td>
</tr>
</tbody>
</table>

## Details of Proposed Remuneration Arrangements

- **Base salaries** are reviewed annually, with reference to individual performance, experience, market competitiveness, salary increases across the group and the position holder’s experience, compensation and criticality to the performance of the business.

- **Pension** contributions are made in line with the Group’s defined contribution scheme. All active Executive Directors receive a salary replacement supplement in lieu of pension but, in the case of the Chief Financial Officer, no supplement is provided by the Group that is contributed towards their participation in the Group’s defined contribution scheme. Any new Executive Director would be eligible to participate in that scheme (or any replacement scheme) or receive a salary supplement in lieu of pension provision.

- **Sabbatical Director salary** increases will normally be in line with those for the wider employee sector. However, where there is a change to salary that may be made where there is a change to salary, the change is considered annually.

- **Pension contributions** are based on individual circumstances. Pension contributions will be equal to 20% of salary excluding legacy arrangements for the current Chief Executive. Further details set out on page 84.

- **Benefits** may currently include the provision of a car or car allowance, fuel, private medical insurance and life insurance. Reasonable relocation, travel and subsistence allowances and other benefits may be provided on an individual basis in line with best practice.

- **Individual and Group performance** is taken into account when assessing appropriate salaries.

- **No change.**
Remuneration report continued

Remuneration at a glance

The following is a summary of the key components of Executive Directors’ remuneration and their single figure total remuneration for financial year ended 26 November 2017.

**Key components**

<table>
<thead>
<tr>
<th>Fixed pay</th>
<th>Other benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic salary</td>
<td>To attract and retain talent of the right calibre and with the ability to contribute to the Group’s strategy by ensuring basic salaries are competitive in the relevant talent market.</td>
</tr>
<tr>
<td>Pension benefits</td>
<td>To provide post-retirement benefits for participants in a cost-efficient manner.</td>
</tr>
<tr>
<td>Other benefits</td>
<td>To provide a competitive and balanced package of benefits.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable pay</th>
<th>Long Term Incentive Plan (LTIP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual bonus</td>
<td>To incentivise focus on achievement of stretch profit targets as well as the delivery of key strategic priorities for the year.</td>
</tr>
<tr>
<td>LTIP</td>
<td>To align the interests of executives with shareholders in growing the value of the business over the long term.</td>
</tr>
</tbody>
</table>

**Single figure for total remuneration of Executive Directors (£’000)**

Graph removed

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1. Jordan Miller was promoted from Chief Financial Officer to Chief Executive on 1 April 2015.
2. Three directors are appointed to the Remuneration Committee on 1 April 2016.

These figures are described in more detail on page 80.
Annual Bonus Plan
We are always mindful of the positive role that the right remuneration and reward structures can play in incentivizing responsible delivery of an ambitious strategy. The annual bonus for 2017 was linked to both stretching operating profit targets and the strategic priorities of the business, including the achievements described above. Based on performance during 2017 (see page 89), the Executive Directors will receive an annual bonus for the year of 19% of basic salary relating to achievement of the strategic objectives for the year. The Executive Directors proposed that the Remuneration Committee makes no payment in respect of achievement of the financial targets for the year and the Remuneration Committee approved their proposal.
For 2018, the performance conditions set for the annual bonus are again based on achievement of operating profit targets and strategic objectives. Well-defined qualitative and quantitative measures will enable an objective view to be reached on the degree to which the latter are achieved. The strategic objectives and the underlying measures which will inform our judgement on the extent to which they have been achieved are described further on page 81. In summary they are rollout of the new supply arrangements and Sodexo brand, delivery of our 100 store refurbishment project and implementation of a new customer plan.
Together, these three priorities will provide the vital building blocks for delivering the Board's long-term strategic vision of making McColl's your neighbourhood's favourite shop. Their inclusion as performance measures in the annual bonus plan provides assurance that the Executive team will be focused not only on delivering the current year's financial targets but also on establishing the foundations needed for sustainable future growth.
The importance of ensuring the Executive team's efforts are balanced in this way has been reflected in our assessment of the proportion of bonus that is dependent on the strategic objectives. For 2018, 30% of the bonus will be based on achievement of the strategic measures with the remaining 70% dependent on operating profit. Previously, 85% of the bonus was payable if the stretch target for operating profit was achieved; however, as in previous years, no element of the bonus will be awarded unless at least the threshold operating profit is achieved. 100% of basic salary is the maximum payable under the plan.

Long Term Incentive Plan
In 2018, awards made in 2015 under the McColl's Long Term Incentive Plan (LTIP) will vest subject to achievement of performance conditions based 70% on EPS and 30% on TSR. The EPS target for the three financial years ended November 2017 was not achieved and, accordingly, 70% of the LTIP awards are not expected to vest. The remaining 30% of the 2015 awards were dependent on TSR performance. As can be seen from the graph on page 84, total shareholder return has underperformed against the relevant indices and accordingly, subject to Remuneration Committee approval, 30% of the 2015 LTIP awards is expected to vest. Executive Directors will be required to hold the shares acquired from these awards for a minimum of two years or longer if needed to achieve the Company's shareholding guideline.
During 2017 we made a grant under the LTIP subject, as in previous years, to performance conditions whereby vesting will be subject to achievement of EPS (70%) and TSR (30%) targets. The TSR measure is calculated relative to the relevant constituent of the FTSE All Share General Retailers Index and the FTSE All Share Food & Drug Retailers Index.
The Remuneration Committee continues to believe that this combination of measures helps to reinforce delivery at the Company's growth plans. For the EPS element of the 2017 LTIP awards, 22% will vest for three year cumulative EPS of 60.6p and will vest in full of 80.6p. The Remuneration Committee considers that these targets will provide Executive Directors with an appropriately challenging and meaningful incentive to deliver performance aligned with shareholder expectations. Beyond the three-year performance period, an additional two-year holding period applies to any shares that vest for Executive Directors.

Reformations
This year we are required to present a refreshed remuneration policy for approval by shareholders at the Company's Annual General Meeting. Therefore, as well as its regular work, the Remuneration Committee has undertaken a review and benchmarking exercise of Executive remuneration arrangements with the assistance and guidance of our advisers, Kepner. A small number of adjustments to the existing policy are proposed, as described in the Directors' remuneration policy report on pages 71 to 77. We are grateful to the shareholders who actively participated in our consultation exercise on these proposals and whose feedback added additional focus to our determination to ensure performance targets remain appropriately stretching.
Pending approval of the new remuneration policy, no change in Executive Directors' remuneration has been made save for an annual increase in basic salary that was implemented with effect from January 2018 in line with other head office colleagues.

Annual General Meeting
The Remuneration Committee presents its remuneration report on pages 68 to 83. At our Annual General Meeting, which will be held on 12 April 2018, the first section, which sets out our proposed changes to the remuneration policy, will be submitted for approval by shareholders. As the same meeting, the second section of this report, the annual report on remuneration, which details the implementation of our policy, will be subject to an advisory shareholder vote.

Yours sincerely

Georgina Harvey
Remuneration Committee Chairman
Dear shareholder,

I am pleased to present the Directors' Remuneration Report for the financial period ended 26 November 2017. This report has been prepared in accordance with the Large and Medium-sized Companies and Group Accounts and Reports) Regulations 2015, as amended, and the principles of the UK Corporate Governance Code.

In its discussions, the Remuneration Committee has been mindful of the pay and conditions of colleagues across the wider Group. The announcement of new rates of National Minimum Wage and National Living Wage from April 2016 have been reflected in uplifts for our colleagues in store of an average, 2.9%. For our head office and field staff colleagues, average increases in salary of 2% have been implemented from January 2018.

Our work has also been informed by the gender pay gap analysis and data presented to the Committee during the year. The data and an accompanying narrative will be separately published as required by the regulations but the Committee was relatively pleased to note that the mean pay gap across the business was small at 3% (see page 40).

As a business we are a significant employer of women, with over half of our stores managed by females. There is always more to do however, and our colleague plan (see page 39-40) is designed to drive further improvements into our colleague experience.

Strategic background

During the year we have benefited from a period of stability within the Executive team which has enabled encouraging progress to be made in delivering our strategy for growth. Supported by our excellent colleagues, during the year the Executive Directors achieved the smooth transition of the 218 stores we acquired to the McColl's brand and negotiated a ground-breaking wholesale arrangement which will see the much-loved Solway brand relaunched exclusively in McColl's stores. They also rallied and commenced an ambitious programme of store refurbishments.

Delivery of these exciting strategic projects will continue during 2018. The ultimate aim of these initiatives is to improve our offering and customer experience, that will in turn drive better financial performance.

Alignment of our Executive Directors' Interests with those of shareholders is at the heart of our approach to remuneration, as well as appropriate performance-related rewards. In our new policy we propose to strengthen our shareholding guidelines to 200% of salary, supported by a new part bonus deferral requirement.
assurance that the accruals made are appropriate, and consistent with the terms of relevant supply contracts. The extent and nature of the audit procedures and testing were also reviewed.

Presentation and classification of results
In reviewing the presentation of adjusted profits, the Committee fully recognise the importance of ensuring that the rationale applied in identifying items for adjustment is clear, appropriate and consistent with Group’s accounting policies. The most significant items of adjustment are identified in the Financial Review on page 34 and in the Auditor’s Report on page 56. The Audit & Risk Committee challenged and debated the appropriateness of each of these significant adjusting items with Management and sought an explanation of the judgement made and confirmation that a consistent Group policy, which also took account of market norms to ensure the treatment was consistent with best practice and the practice of others in our industry, was applied to treatment of such items. The Committee was also mindful of the need for adequate disclosure. The inclusion of relevant defined terms in the glossary is helpful in this respect.

Management override of controls
Management override is a common risk for any business. The external Auditor tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements and reviewed accounting estimates for evidence of bias. During the year, the Committee had also received a detailed report on the financial control within the business.

Arrangements for speaking up in confidence
Consistent with the MoCo values, the Group seeks to operate according to the highest ethical standards. An important aspect of this is ensuring that if a colleague becomes concerned about suspected wrongdoing within the business, they are aware of how they can report their concerns, in confidence, so that the matter can be investigated and dealt with appropriately.

During 2017, the Audit & Risk Committee reviewed the Group’s policy for speaking up in confidence and made changes to emphasise the Board’s commitment to dealing with such incidents properly, to reassure colleagues who may consider reporting a concern that they can do so without fear of detriment, and to make the policy more readily understandable and easy to use. The revised policy has been incorporated into the Group’s colleague handbook.

The Committee considers the policy for colleagues to speak up in confidence and the procedures that support it to be appropriate for the size and scale of the business.

Conclusion
The Audit & Risk Committee has advised the Board that the processes in place to ensure that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable, are adequate. The Committee is also satisfied that appropriate governance continues to be applied to the Company’s systems of internal control, risk management and other compliance areas.

Approved by the Audit & Risk Committee and signed on its behalf.

Sharon Brown
Audit & Risk Committee Chairman
Audit & Risk Committee report continued

Non-audit services

The assurance provided by the external audit process is key to ensuring confidence in our financial reporting. The Audit & Risk Committee therefore regards the continued independence of the external Auditor as widely important. During the year, the Audit & Risk Committee undertook a careful review of the Group’s policy on the provision of non-audit services by the external Auditor and made adjustments in a number of areas to ensure the policy was clear and robust. In particular, these specific services identified that are prohibited must not be provided by the external Auditor in any circumstances. These include (but are not limited to) all tax services, bookkeeping, payroll, executive recruitment, internal audit, internal control and tax management, expert services (beyond audit) and valuations.

Where the external Auditor provides non-audit services which are not prohibited, the Audit & Risk Committee has established as part of the policy that; other than in exceptional circumstances, the total cost of all non-audit services provided by the external Auditor must not exceed 70% of the cost of statutory audit services (based on the average of the last three years). The limit may only be exceeded if the Audit & Risk Committee is satisfied that the external Auditor’s independence will not be compromised as a result and believes that the Auditor is best placed to undertake a particular piece of non-audit work.

Audit and non-audit fees are shown here and disclosed in note 6 to the financial statements.

The non-audit fees paid during the year related to pensions advice. Independence was safeguarded by ensuring that the Deloitte team that provided the pensions advice did not perform any pension calculations or make any management decisions. Their work consisted of corporate advice and was not relied upon in the preparation of the financial statements.

Auditor re-appointment

The decision whether to recommend re-appointment of the external Auditor is reviewed annually. The Audit & Risk Committee has recommended that, for 2018, the incumbent external Auditor, Deloitte LLP, be re-appointed. This decision was made after considering, amongst other things, the effectiveness of the audit team and its key members including the Audit Partner, the independence of the firm and the audit fees charged.

The current Audit Partner, Sue Keener, was appointed in 2014. Deloitte was first appointed as the Group’s auditor in 2006. At that point the Group was a private business, but, following the Group’s listing in 2014, the Group is now also subject to regulatory requirements on audit re-tender. Accordingly the Group’s external audit arrangements need to be re-tendered no later than 2016. However it is currently planned that the re-tender will be carried out in time for the audit of the 2019 Annual Report and Accounts. The Audit & Risk Committee will provide updates on these timings in due course ensuring that the process allows sufficient time for a well-ordered tender.

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. Having reviewed the audit plan initially and considered the draft financial statements and disclosures in the light of the external Auditor’s work and findings, the Audit & Risk Committee were satisfied with the significant accounting judgements made in preparing them.

Major site acquisition programme

During 2017, the Group completed its acquisition of 718 stores as agreed in 2016. Each individual store was assessed as a going concern and acquisition accounting was applied. The acquisition accounting for the transaction was considered during the year-end audit and the Committee was satisfied that the acquisition met the definition of a business combination to which acquisition accounting should be applied. The Committee reviewed the actions taken to verify the fair value assessment of assets including intangible assets and goodwill and were satisfied with the key controls that were used to ensure that reasonable judgements were applied.

Treatment of supplier income

The business has arrangements with a number of different suppliers which add to the inherent complexity. Judgements are in particular required where payment periods are not concurrent with the financial year and accruals become necessary. The design and implementation of relevant controls were assessed in order to provide

Outline timetable for audit tender

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<tbody>
<tr>
<td>Audit tender planning</td>
<td>2018 audit carried out by incumbent Auditor: Deloitte LLP</td>
<td>Participation of Audit &amp; Risk Committee at the tender process</td>
<td>Selection of Auditor confirmed and Hamilton commenced</td>
<td>2019 audit planned and preparatory work carried out</td>
<td>2019 audit carried out by new Auditor</td>
</tr>
</tbody>
</table>

66 McCab's Real Group Annual Report and Accounts 2017
<table>
<thead>
<tr>
<th>Meeting date</th>
<th>Key agenda items</th>
</tr>
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</table>
| Feb          | • year-end external audit outcomes  
               • draft Annual Report and Accounts 2016 and related matters  
               • external Auditor independence, objectivity and reappointment  
               • principal risk disclosures  
               • Committee performance evaluation  
               • half year external review outcomes  
               • half year 2017 announcement and related matters  
               • risk register  
               • Committee terms of reference  
               • policy on related party transactions |
| Jul          | • year-end external audit scoping  
               • risk register as background to the Board’s strategy review  
               • policy on provision of non-audit services by the Auditor |
| Oct          | • year-end external audit plan  
               • key accounting policies  
               • financial and internal controls  
               • risk management systems  
               • consideration of the requirement for an internal audit function  
               • compliance, fraud, whistleblowing, bribery incidents review  
               • policies on speaking up in confidence, anti-bribery and employment of former employees of the external Auditor |
| Nov          | Making sure the Audit & Risk Committee is well informed  
               The information that is provided to the Audit & Risk Committee is key to ensuring that Committee members are sufficiently well informed to form a reasonable view of the matters they are considering. Written reports are provided in advance and meetings are attended, by invitation, by the Chairman, Executive Director, external Audit Partner and others so that the written reports can be discussed and challenged.  
               Regular opportunity is also provided for the Committee to meet with the Auditor in the absence of management. Between meetings the Chairman of the Audit & Risk Committee receives regular updates from the Chief Financial Officer relating to Audit & Risk Committee matters and responsibilities.  
               Another source of assurance to the Audit & Risk Committee could come from an internal audit function which the business does not currently have. The Audit & Risk Committee reviews annually whether it would be appropriate for an internal audit function to be established. During the year the Audit & Risk Committee received a report on the existing controls within the business and, after discussion, concluded that it was not necessary to establish an internal audit function at this stage. This decision will be reviewed again in 2018.  
               After each Audit & Risk Committee meeting, actions are clearly identified, tracked and reported back to the Committee as progress is made in completing them. The Committee Chairman reports to the Board on the main items discussed at each meeting, including recommendations on any items requiring further consideration and decision by the Board. The Board also receives copies of the Committee’s full minutes. |

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Audit & Risk Committee report continued

Committee composition and effectiveness
The balance of skills, knowledge and experience of Committee members is a key factor in the Committee’s effectiveness. As part of the Board’s externally facilitated performance evaluation which concluded during the year, the Audit & Risk Committee also reviewed its own performance. The Audit & Risk Committee has confirmed that the collective financial and sector experience of its members is considered to be appropriate, relevant and sufficiently recent to enable the Committee to discharge its responsibilities in full.

Meeting attendance

Sharon Brown
Audit & Risk Committee Chairman
Independent Non-Executive Director
Member of the Chartered Institute of Management Accountants
Previous experience as a Finance Director
Chair of the Audit Committee of a number of other companies

Meeting attendance:
✓✓✓

Georgina Harvey
Audit & Risk Committee Member
Senior Independent Director

Meeting attendance:
✓✓✓

Jens Holm
Audit & Risk Committee Member since 1 July 2017
Independent Non-Executive Director

Meeting attendance:
✓✓✓

Angus Parker
Audit & Risk Committee member until 1 July 2017
Chairman of the Board (considered Independent on appointment)

The biography of each member of the Audit & Risk Committee can be found on page 51.

Audit & Risk Committee’s responsibilities
The Board has delegated a number of responsibilities to the Audit & Risk Committee in order to provide the Board and Shareholders with assurance that key financial and risk matters are being overseen and challenged by Independent Non-Executive Directors who are not involved in a day-to-day basis with the management or control of those functions. The Committee oversees financial reporting, external audit and internal controls, and reviews factors that influence the effectiveness of the external Auditor, for example their independence. The Audit & Risk Committee is responsible for making recommendations to the Board on a number of different matters including on the appointment of the Company’s external Auditor, approval of financial disclosures, including the Annual Report and Accounts and interim financial statements.

In addition, the Committee has responsibility, in the absence of a separate risks committee, for oversight of risk and risk management systems. It reviews some of the Company’s key policies to ensure that wrongdoing such as bribery and fraud is, as far as possible, prevented and, where it occurs, is detected and lessons are learned. As part of this, the Committee is responsible for ensuring that there are effective arrangements in place to enable colleagues to speak up in confidence if they become aware of any wrongdoing occurring within the business, including any conduct that is illegal.

The Committee undertakes a thorough review of its terms of reference during the year and adopted several changes to ensure continued compliance with best practice. A copy of the Committee’s terms of reference are available on the McCall’s website at www.mccallspic.co.uk/committees.

Audit & Risk Committee’s activities
Given its extensive remit, it is vital that the Audit & Risk Committee organises its time so as to cover all its responsibilities regularly. Agendas are planned, with the support of the Company Secretary, to ensure that the responsibilities set out in the Committee’s terms of reference are fully discharged at the most appropriate time in the annual calendar. For example, the Audit & Risk Committee conducted a full review of the risk register and risk management framework in advance of the Board’s strategy meeting in order to inform the Board’s consideration of strategic plans.

Planning the year ahead also helps ensure that less time-critical matters can be spread evenly across meetings so that adequate time can be provided at meetings for full discussion. The way in which the Audit & Risk Committee divided its time during 2017 is summarised in the table of key agenda items on page 63.
Dear Shareholder

I am pleased to present the Audit & Risk Committee's formal report.

Developments in the business this year have continued apace and our strategy for the future remains ambitious (see page 26 in the Strategic Report). While our plans for the business are exciting, we must remain particularly mindful of the risks and pitfalls that a fast-developing business can face and ensure that controls are sufficiently robust and that behaviours are appropriate. During the year, the Committee's oversight was extended following a review of its terms of reference. To reflect this, the Committee was renamed the Audit & Risk Committee.

The Audit & Risk Committee leads the Board's focus on matters of risk, as well as on integrity of the Group's financial reporting, and has been busy during the year in ensuring that we discharge our responsibilities carefully. The Committee's report which follows provides information on how we have done so.

McCoil is a business which has long prided itself on the valuable role it plays within the communities we serve. Our colleagues, whether in store or behind the scenes, care about the business, our customers and the community. During the year, four new corporate values (see page 14) which capture these great qualities were endorsed by the Board.

We recognise that a culture that encourages high standards of conduct will reduce the risk of wrong-doing within the business. The Audit & Risk Committee has therefore been pleased to help the active implementation of these new corporate values by supporting their inclusion in some key policies which govern the way in which McCoil's does business.

The make up of the Audit & Risk Committee and the skills we collectively bring to our work, the ways in which we have performed our role, the key matters that we have considered and the recommendations that we have made to the Board are described in the remainder of this report.

Sharon Brown
Audit & Risk Committee Chairman

Sharon Brown
Audit & Risk Committee Chairman
Nomination Committee report continued

The time commitments required of Non-Executive Directors are set out in their letters of engagement and are 25-30 days per year for the Chairman and 15-20 days per year for other Non-Executive Directors. Following review by the Nomination Committee, it has been recognised that these time commitments are not sufficient to enable the Chairman of the Audit & Risk and Remuneration Committees to fully perform these roles in addition to their other duties. Accordingly, it has been decided to increase the required time commitment for these individuals by an extra five days per annum. Reflecting this change, the annual fees that are paid for chairing the Audit & Risk or Remuneration Committee have been increased from £5,000 to £8,000.

The Committee reviewed Directors’ interests and concluded that conflicts of interest have been appropriately disclosed and authorised. Following the Committee’s recommendations on these matters, the Board has confirmed that it considers all Non-Executive Directors to be independent and has proposed all Directors for re-election at the Company’s Annual General Meeting to be held on 12 April 2018.

Induction and Board development

As part of the Board and Committee externally facilitated evaluation exercise conducted during the year, the effectiveness of existing induction and development activities was assessed and found to be adequate.

Board Diversity

![Graph removed](image1)

![Graph removed](image2)

Uporn recruitment, Jens Theophilus commenced a formal induction process that has involved providing him with background information about the business and its regulatory environment through, for example, the sharing of reports and governance documents. Face-to-face meetings were arranged with other Directors, key personnel within the business and its advisers and site visits were undertaken.

The ongoing development of Board members is also a priority and regular in-depth reviews are undertaken to ensure that the Non-Executive Directors have a full understanding of the business, specific functional strategies and projects, changes to the regulatory environment and market developments. Additional development activities are planned over the coming months including various site visits, attendance at our annual conference and an update on the evolving governance landscape for listed businesses.

Succession planning, talent management and diversity feedback from the last Board and Committee evaluation indicated that the Board and Nomination Committee’s visibility, in terms of succession planning and talent management processes could be improved. The Board received a presentation on the Group’s colleague plan during the year which addressed a number of relevant issues including succession within the business, the identification and nurturing of talent, and the diversity and inclusion agenda. The Committee has determined that these are areas on which there should be some additional focus during 2018.

The Board and Nomination Committee are committed to ensuring that inclusion and diversity, including gender diversity, are fully supported at Board level and throughout the business. We recognise that an organisation that embraces diversity will benefit from the range of perspectives brought by a variety of background and other influences. Accordingly, all appointments are based upon an assessment of the skills, qualifications and experience of individuals. It is not the Board’s policy to establish a quota of women for appointment.

A number of wider initiatives have been established within the business during the year to ensure that we support our colleagues to achieve their aspirations and potential. Some of these are aimed at ensuring that we provide good support to women; whatever stage they are at in their life and career, to succeed in the workplace. More details about our colleague engagement and initiatives and plans to support and develop colleagues can be found on pages 39 to 41.

As a business, McCalls is a significant employer of women. Like many other organisations, of McCalls’ women are under-represented at senior management levels but it is good news that more than half our stores are managed by women. A focus group was run to learn from the real experiences of our female colleagues, and we have been analysing the data gathered to our gender pay gap reporting to understand better where efforts need to be more focused.

Details of our gender pay gap are provided on page 41.

This report was approved by the Nomination Committee and signed on its behalf.

Angus Porter
Nomination Committee Chairman
The Nomination Committee’s responsibilities and activities
The Nomination Committee’s responsibilities, which are set out in full in the Committee’s terms of reference (available from www.rascalpc.com/committee), and the activities through which the Committee has discharged those responsibilities, are explored in more detail below.

As well as reviewing its terms of reference during the year, the Committee also considered its performance and reviewed the outcomes of the Board evaluation process as a whole. The performance evaluation was conducted by Deloitte and its findings informed a number of aspects of the Committee’s work during the year. A further internal Board evaluation has been carried out, which is described on page 37.

The key matters considered at each of the Committee’s meetings during the year are summarised in the following table.

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<thead>
<tr>
<th>Meeting date</th>
<th>Key agenda items</th>
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<tr>
<td>Feb</td>
<td>• review of Non-Executive Directors’ independence</td>
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<td></td>
<td>• consideration of suitability of Directors for re-election at the Annual General Meeting</td>
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<td></td>
<td>• search and selection of new Non-Executive Director</td>
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<td></td>
<td>• recommendation on appointment of Chairman of the Board</td>
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<td></td>
<td>• performance evaluation</td>
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<td></td>
<td>• recommendation an appointment of Non-Executive Director</td>
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<td></td>
<td>• review of Board Committee composition</td>
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<tr>
<td>Apr</td>
<td>• review of Directors’ conflict of interest authorisations</td>
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<td></td>
<td>• review of Non-Executive Directors’ time commitment</td>
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<td></td>
<td>• review of Nomination Committee terms of reference</td>
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<td>• agreement on future CoE’s on succession planning and talent</td>
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<tr>
<td></td>
<td>• review of the balance of the Board</td>
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<tr>
<td>Nov</td>
<td>• review of Directors’ conflict of interest authorisations</td>
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<td></td>
<td>• review of Non-Executive Directors’ time commitment</td>
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<td></td>
<td>• review of the balance of the Board</td>
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Composition of the Board and its Committees
This year has been another year of change for the Board. The composition of our Board is now fully compliant with the Code’s higher standard of independence requirements that apply to FTSE 350 companies.

Our previous Chairman, James Lancaster, stepped aside from that role at our Annual General Meeting in April 2017 although he remained a Non-Executive Director until his resignation on 3 October 2017. Following discussions and consideration by the Nomination Committee conducted in my absence, and based upon a written role description, I was appointed James’ successor as Chairman of the Board.

The Committee also led the search and selection of an additional independent Non-Executive Director, Jero Hofma, and was assisted in this recruitment by external consultancy, Rato Partnership. Rato Partnership has no other connection with the business and is accredited under the Women on Boards’ Enhanced Code of Conduct for Executive Search Firms.

Finally, the Nomination Committee also reviewed the composition of the Board following James Lancaster’s resignation from the Board in October and concluded that, at this time, no recommendation would be made to the Board for recruitment of an additional Non-Executive Director to replace him.

As part of these activities, which might be described as the central functions of the Nomination Committee, the Committee reviewed the composition of the Board and its Committees to provide assurance that our balance of skills, experience, qualifications and diversity remains appropriate to the strategic ambitions of the business and the challenges it faces. In particular, in making the recommendation to appoint Jero Hofma, the Committee took account of his expertise in consumer goods and the food service industry as well as his in-depth experience of growing multi-site businesses.

Our Non-Executive Directors’ key skills

Independence, interests and commitment
The Committee is responsible for reviewing, at least annually, the independence of Board members, Directors’ potential conflicts of interest, the re-election of Directors at the Company’s Annual General Meeting and Directors’ time commitment.
Nomination Committee report

""Our balance of skills, experience, qualifications and diversity remains appropriate to the strategic ambitions of the business."

Angus Perler
Nomination Committee Chairman

Dear Shareholder

On behalf of the Nomination Committee, I am pleased to present our report for 2017.

During the year, a key focus was the recruitment of an additional Independent Non-Executive Director. Our search prioritised the skills and attributes identified as likely to enhance the Board’s ability to shape and deliver the Group’s strategy for growth, as well as to improve the independent nature of the Board and its Committees. As reported below, after conducting an external search, we were delighted to recommend the appointment of Jens Helms.

Committee composition and effectiveness

Following James Lancaster’s resignation from the Board, the Nomination Committee now comprises myself as Chairman, together with three Independent Non-Executive Directors and the Chief Executive. The Committee is actively supported by the Company Secretary.

As part of the Board’s externally-facilitated performance evaluation which concluded during the year, the Nomination Committee also reviewed its own performance. The results of this exercise will continue to shape the future activities of the Committee.

Attendance at Nomination Committee meetings during the year is indicated in the table below. Three meetings were held during the year.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Meeting attendance</th>
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<tbody>
<tr>
<td>Angus Perler</td>
<td>Nomination Committee Chairman</td>
<td>☑️ ☑️ ☑️</td>
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<tr>
<td>James Lancaster</td>
<td>Nomination Committee Member</td>
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<tr>
<td>Georgina Harvey</td>
<td>Nomination Committee Member</td>
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<tr>
<td>Jens Helms</td>
<td>Nomination Committee Member</td>
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<tr>
<td>Jonathan Miller</td>
<td>Chief Executive</td>
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McGill’s World Group plc Annual Report and Accounts 2017
Engaging with Stakeholders

The McColl’s Board has responsibility for ensuring that dialogue with shareholders and other stakeholders is active and based on a mutual understanding of objectives.

This year McColl’s has considerably enhanced its investor relations activities. The programme has included individual meetings with investors, investor presentations, store visits and a capital markets day. The Board receives regular reports on the investor relations programme and, as part of this, shareholder views are fed back to the Board.

Specific consultations are undertaken from time to time with our major shareholders. The most recent of these was undertaken in relation to proposed changes to our remuneration policy.

The Board is also conscious that the views and interests of other stakeholders in the business are important. Engaging with these other stakeholders is an aspect which the Board recognises could be improved. In particular we are looking at how we can enhance the Board’s engagement with colleagues across the business.

McColl’s general meetings are used to encourage investor communication and participation.

The McColl’s Board recognises that our shareholders are a key group of stakeholders in the business and that views and engagement are important. The Annual General Meeting provides an essential opportunity for shareholders to meet directly with our Directors and, in particular, the Chairman of our Committees. We publicise the outcome of share votes received in advance of general meetings.

Shareholders who wish to raise issues with the Company may contact us via email investorrelations@mccolls.co.uk.

Approved by the Board and signed on its behalf:

Ansgar Porder
Non-Executive Chairman

Investor Day
In 2017 we commissioned IGD (Institute of Grocery Distribution) to conduct some research on how convenience shoppers value time, and in May we hosted an event for investors and city analysts where we presented the results. We also provided an update on our strategic plans.
**Accountability**

The McColl’s Board recognises its duty to present a fair, balanced and understandable assessment of the Group’s position and prospects.

The Annual Report and Accounts, together with other published information, provide important disclosures that enable shareholders and other readers to assess the performance, strategy and business model of the Company. The Group has thorough assurance processes in place in respect of the preparation, verification and approval of periodic financial reports, including:

- a system of financial and other internal controls,
- the involvement of qualified, professional employees with an appropriate level of experience (both in our finance team and throughout the business),
- a transparent process to ensure full disclosure of information to the external Auditor,
- access to external help and advice on highly technical subjects,
- comprehensive review and, where appropriate, challenge from appropriate senior managers and Executive Directors,
- oversight by the Audit & Risk Committee as described in more detail on pages 63 to 67.

These processes provide reasonable assurance to the Board when they approve the Annual Report and Accounts and other published documents that the disclosures they contain, including the viability and going concern statement, are not misleading and are sufficient for users of those documents to form a reasonable view of the business and its prospects.

Our Board is responsible for determining the principal risks and opportunities that it considers to be acceptable in order to achieve McColl’s strategic objectives.

The Board recognises that effective risk management is essential to the long-term success of the business and to protecting shareholder value. It has overall responsibility for the Group’s system of risk management and internal controls and for ensuring these systems are effective. Although no system can provide absolute assurance, our systems are considered adequate to appropriately manage the risk of failure to achieve business objectives and to provide reasonable protection from material misstatement or loss.

The McColl’s approach to risk and risk management is described on pages 66 to 67 where a summary of our key risks and how they are mitigated is also provided. These principal risks have been assessed following robust and regular assessment. They include the risks that could threaten our business model, performance, solvency or liquidity.

Our Board has established formal and transparent arrangements for considering how corporate reporting, risk management and internal control principles should be applied and how an appropriate relationship with the external Auditor can be maintained.

The Board has established an Audit & Risk Committee comprising independent Non-Executive Directors, including individuals who have experience relevant to the retail sector. This Committee is chaired by Sharon Brown, who has recent and relevant financial experience, and who has provided a separate report on behalf of the Audit & Risk Committee on pages 63 to 67.

The Audit & Risk Committee report describes the membership, responsibilities and activities of the Committee and how it has discharged its duties during the year.

**Remuneration**

Our approach to Executive Directors’ remuneration is designed to promote the long-term success of the business.

The Directors’ Remuneration Report on pages 68 to 85 describes in detail our approach to Executive Directors’ remuneration, the different elements that make up their remuneration package, the targets on which performance elements are based, and termination arrangements. One of the key factors of which the Remuneration Committee takes account when it is considering potential changes to Executive remuneration is the pay and conditions that prevail across the wider group.

Non-Executive Directors are paid a fee that reflects the time commitment required of them and their responsibilities.

The Remuneration Committee has recommended an increase in the time commitment expected of the Chairman of the Audit & Risk and Remuneration Committees and, in recognition of that, the annual fee for chairing these committees has been increased from £5,000 to £8,000. Non-Executive Directors do not receive any performance-related benefits and no increase to other elements of the Non-Executive fee arrangements have been made.

There is a formal and transparent procedure for determining Executive remuneration and, for determining individual packages.

The Remuneration Committee, comprised wholly of independent Non-Executive Directors, is responsible for setting our Executive (£8,000 to £65,000) remuneration, including performance conditions, and for determining the extent to which relevant targets have been met. It consults with shareholders, in particular when changes are proposed, and has done so recently in respect of the remuneration policy that is submitted for shareholder approval at the Annual General Meeting to be held on 12 April 2018.

The Remuneration Report on pages 68 to 85 describes in more detail how the Remuneration Committee discharges these duties.
Arrangements are in place to provide Directors with good quality information in a timely manner.

Directors, and in particular Non-Executive Directors who are not involved in the business on a day-to-day basis, must receive high-quality, relevant information in a timely manner if they are to be able to make appropriate decisions for the business. Meeting agendas need to prioritise salient matters and ensure that the Board is considering the right issues at appropriate times. Reports must be thorough so that Directors arrive at meetings well briefed and ready to dedicate the valuable time we have together to challenging and testing scenarios, risks and alternatives, for example, as opposed to seeking background information and facts that could readily have been addressed in the original papers. The Company Secretary plays a key role at McCol's in ensuring that this is the case.

The Directors of any business can face difficult issues from time to time and it is important that they always feel they are able to address these issues with the appropriate knowledge and advice at their disposal. Accordingly, all Directors, having notified the Chairman in the first instance, are able to take independent professional advice at the Company's expense if they feel such advice is necessary in the furtherance of their duties. During 2017, no Director felt it necessary to take such individual advice. They also have access to the advice and services of the Company Secretary, who is responsible for advising the Board, through the Chairman, on all governance matters, and who is also available to any Director who wishes to seek her counsel.

An externally facilitated Board evaluation has been conducted.

There are many aspects that can influence a Board's effectiveness and, using the services of Odelephile, a full Board evaluation process was conducted. The externally facilitated process illustrated was completed during 2017.

While the evaluation concluded that the Board was effective, a number of actions were identified from that work which we believe will result in an even more effective Board. These include a greater focus on succession planning and talent management and the need to have an even longer term view on strategy.

The Board agreed that the next evaluation should be carried out internally on the basis of individual discussions between myself and each Director. Those discussions took place towards the end of 2017.

The feedback from those discussions was discussed by the Board during the early part of 2018 in order to assess progress since the last evaluation and to identify any further enhancements that can be made.

In particular the Board concluded that it wished to develop and enhance the opportunities available to Non-Executive Directors to engage with colleagues. We will be looking for a range of ways in which we can listen to and learn from the people who make McCol's a success.

All Directors are subject to annual re-election.

The re-election of the Directors is considered annually by the Nomination Committee in advance of the Company's Annual General Meeting. A recommendation for re-election is not automatic but is dependent upon the Nomination Committee being satisfied that the contribution of each Director warrants being proposed.

For the Annual General Meeting to be held on 12 April 2018, following an assessment of individual performance, all Directors are unanimously recommended by the Board for re-appointment. Biographical details for the Directors are provided on pages 50 and 51 and further details accompany the notice of Annual General Meeting, including the reasons for the proposed re-election of each Director has been agreed by the Board.

Board evaluation process

Externally facilitated

| Completion of questionnaire | Collation and reporting of results | Discussion of findings and agreement of action plan | Individual discussions with Chairman | Reporting of feedback | Discussion of findings and update of action plan |

Externally facilitated
Effectiveness

The McColl’s Board has a strong balance of skills, experience, independence and knowledge of the business. Last year we recognised that the independence of the Board and its Committees were not fully meeting the expectations of investors. We have therefore made changes to the Board’s composition and to its Committees, to address that issue, in doing so, we have also been able to enhance the collective skills, experience and knowledge of the Board and believe that these changes will therefore significantly benefit the business. Details of the experience, background and skills of individual Directors can be found on pages 50 to 51.

Diversity in all its forms is something that the Board welcomes. Ultimately diversity brings different perspectives to our debates and ensures that, as a Board, we are considering matters from a variety of different aspects. In particular, the balance of skills, experience and qualifications of the Board and its Committees and the mix of different backgrounds is of great importance to the effectiveness of our strategic leadership and our governance arrangements.

Our Board recruitment processes are formal, rigorous and transparent.

Our policy is not to set a quota or target for Board diversity but we are fully committed to transparent and robust practices to identify the individual best suited to any vacancy. Recruitment is based on an assessment of the skills, experience, qualifications and other attributes sought and we support this principle being applied throughout the organisation. Further details of our approach to issues of diversity and, in particular, support for women within the business, can be found within the Nomination Committee report on page 62 and in relation to our wider organisation on page 53.

For our Board recruitment activity during the year we engaged an external firm to help ensure we searched a wide pool of potential candidates and assessed them against objective criteria in order to identify someone with the appropriate skills. Further details about this process, which was led by our Nomination Committee, are provided on page 61.

Our Directors should dedicate sufficient time to their responsibilities.

The commitment of our Directors to their roles, including the time commitment of our Non-Executive Directors, is a crucial factor in ensuring that our skilled Board is able to lead the business effectively to build sustainable value for our shareholders. Non-Executive Directors’ letters of appointment define their duties and, taking account of these, the Nomination Committee has reviewed the time commitment required of our Non-Executive Directors. Further details regarding this can be found on pages 50 to 52.

The number of meetings attended by our Directors does not fully reflect their involvement in the business or, between meetings, they are regularly involved in other activities. Such activities include meetings with management and external advisors, shareholder dialogue and background reading. However, meeting attendance statistics, set out in the table on this page, can provide an indication of the degree of commitment.

New Directors receive a formal induction and ongoing development activities apply to the whole Board.

The talents of our Board members can be put to best use when we ensure that they are properly informed. All Directors need to be kept up to date about the business including trends and developments in the market, changes in the regulatory environment and other factors.

This need particularly arises on appointment and, accordingly, new Directors undergo a formal induction process that is described on page 53. However, Directors also need ongoing development in order to perform their duties as well as possible. As a Board we recognise this ongoing requirement and seek to identify and address these needs through a variety of individual and group activities such as in-depth board briefings, site and site visits and presentations by external advisers.

Attendance at meetings

<table>
<thead>
<tr>
<th>Name</th>
<th>Audit &amp; Risk</th>
<th>Remuneration</th>
<th>Nomination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angus Porter</td>
<td>1/1</td>
<td>3/3</td>
<td>3/3</td>
</tr>
<tr>
<td>Jonathan Miller</td>
<td>1/1</td>
<td>3/3</td>
<td>3/3</td>
</tr>
<tr>
<td>Simon Kukar</td>
<td>-</td>
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<tr>
<td>Dave Thomas</td>
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<td>-</td>
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</tr>
<tr>
<td>Giselle Hornby</td>
<td>4/4</td>
<td>3/3</td>
<td>3/3</td>
</tr>
<tr>
<td>Sharron Brown</td>
<td>4/4</td>
<td>3/3</td>
<td>3/3</td>
</tr>
<tr>
<td>Jess Holman</td>
<td>1/1</td>
<td>2/2</td>
<td>2/2</td>
</tr>
<tr>
<td>James Lombrana</td>
<td>1/1</td>
<td>2/2</td>
<td>2/2</td>
</tr>
</tbody>
</table>

1 Angus Porter ceased to be a member of the Audit & Risk Committee on 1 July 2021.
2 Jess Holman was appointed as Independent Non-Executive Director and member of the Audit & Risk, Remuneration and Nomination Committees on 1 July 2021.
3 James Lombrana was appointed as a Non-Executive Director and member of the Nomination Committee on 1 July 2021.
The Retail Board is supported by other specific operational committees within the business which help ensure that strategic actions are disseminated and managed, that progress and issues are appropriately reported and escalated and that management are properly accountable for the performance of their areas of responsibility.

Further details of the different roles performed by the Chief Executive and the Chairman are provided on the Group's website www.mccolstock.co.uk/leadership.

As Chairman, I am responsible for leadership of the Board and ensuring the Board is effective in all aspects of its role. Specific roles have been delegated to me, as Chairman, I am responsible for the operation of the Board and for leading the Group's governance. This includes setting the Board agenda and leading the Board's discussions and decision-making. In addition, my role is to actively promote a culture of openness and debate by facilitating the effective contribution of the independent Non-Executive Directors.

I am available to discuss matters with shareholders and am responsible for ensuring that the Board is kept well informed about shareholder views. In order to assess the effectiveness of the Board and Committees, I lead the annual evaluation process. Further details of the Board evaluation are provided on page 57. My own performance as Chairman is appraised by the Non-Executives who, led by the Senior Independent Director, meet in my absence annually to discuss this.

Our Non-Executive Directors constructively challenge and help develop McColl's strategy.

Our shareholders have entrusted the Board with promoting the long-term success of the Company, whilst remaining true to the culture and values that we have set for the organisation. The Board does this by establishing a range of short and long-term objectives, monitoring and challenging progress made towards attaining them and incentivising behaviours that are likely to result in sustainable achievement of our vision for the business. All of this must be achieved without adopting an inappropriate approach to risk and risk management that could jeopardise enterprise value.

The Non-Executive Directors are key to this process, providing feedback based on their different backgrounds, experience and skills and with the benefit of having a degree of distance from the process by which initial proposals are developed. Active and robust debate of proposals with the Non-Executive Directors ensures new perspectives to be considered and ensures that the ambitions and actions of management are subject to challenging oversight.

The Board sets the strategic direction of the Group, taking account of factors such as the external environment and trends, the resources and existing challenges of the business, opportunities and risk. The Board takes time annually to review existing strategy and to refresh the agreed approach.

Our experienced Executive team are supported and challenged by the Non-Executive Directors who bring a range of different backgrounds and perspectives to boardroom discussions and decision-making.