Registered No 01601427

Martin-Brower UK Ltd

Financial Statements

For the year ended

31 December 2017

Registered No.01601427

Directors
R McGonigle
C McCauley

Company secretary
Jordan Company Secretaries Limited
21 St Thomas Street
Bristol
BS1 6JS

Auditor
Deloitte LLP
Statutory Auditor
3 Victoria Square
Victoria Street
St Albans
United Kingdom
AL1 3TF

Registered Office
Third Floor (South Wing)
One Park Lane
Hemel Hempstead
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HP2 4YJ

Company Bankers
Royal Bank of Scotland
Abbey Gardens
4 Abbey Street
Reading
Berkshire
RG1 3BA

Legal Advisors
Jacksons Law Firm
Innovation House
Yarm Road
Stockton on Tees
TS18 3TN

Strategic report

for the year ended 31 December 2017

Principal activity

The principal activities of the group throughout the year continued to be the sale and distribution of the majority of supplies for McDonald's Restaurants Limited in the UK and France as well as the distribution of supplies for other customers.

Results and dividends

The profit for the year, after taxation, amounted to £8,218,771, (2016 - £9,096,067). The company paid dividends totalling £4,204,341 during the year (2016 – £22,385,000). On 15 January 2016 the directors approved the reduction of the share premium account by £10,000,000 from £39,190,605 to £29,190,605. On 15 January 2016 the company sold 28% of its investment in Martin-Brower France SAS to Martin-Brower France SAS, which retired the shares, for £18,385,000. On 10 February 2017 the company paid a dividend of £1,704,341. On 17 November 2017 the company paid a dividend of £2,500,000.

The directors are satisfied with the results for the year and do not envisage any major change in the conduct of the business over the next twelve months.

The group's key financial indicators and other performance indicators during the year were as follows:

	2017	*2016*	*Change*
Turnover (£'000)	2,239,145	2,032,503	+10.2%
Profit before tax (£'000)	13,467	11,476	+17.4%
Average number of employees	2,004	1,907	+5.1%

At the operating profit level the result for 2017 increased by 13% over 2016.

Martin-Brower's business continued to grow on the back of another strong performance from McDonald's. Case volumes were up, driving an improvement in both turnover and underlying profit before tax.

Future developments

The directors anticipate that the group's current activities will continue. Future innovation and service developments for existing and extended market segments, supported by continued investment into organisational systems, will underpin the continued profitable growth path.

The overall growth of key customers in both UK and France continues to be strong. The view remains that with service in excess of target and tight cost control that the partnership with McDonald's and other key customers will continue to strengthen. Significant investments in infrastructure, technology and innovation continue to be made including implementation of warehouse management systems and an advanced restaurant ordering system. Continued innovation and investment, in conjunction with on-going distribution volume growth, should lead to continued profitable growth for the years ahead.

On 23 June 2016, a referendum in the United Kingdom returned a result in favour of leaving the European Union (commonly referred to as "Brexit"). The longer term political and economic effects of the result are unclear at the date of these financial statements. Article 50 of the Lisbon Treaty, which will trigger the withdrawal within two years, was activated by Great Britain on 29 March 2017. Overall impacts on the company are at this stage anticipated to be minimal.

The group has currency hedges in place for foreign currency purchases and has minimal impact from price changes in mineral fuel due to its high use of bio-diesel manufactured from Used Cooking Oil (UCO) collected from restaurants. Management is monitoring activities in relation to Brexit, and will continue to evaluate the impact of Brexit on the Company.

Strategic report (continued)

for the year ended 31 December 2017

Principal risks and uncertainties

Management meet regularly to discuss risks on the business and to communicate them to the parent company. The main area affecting the business is customer concentration as the company supplies 100% of McDonald's restaurants (company owned and franchised) in the United Kingdom. This risk is mitigated by the company's efforts to deliver continuous superior service levels and competitive pricing.

Charitable and political contributions

During the year the group made charitable donations of £112,105 (2016 – £86,993). The group made no political contributions.

Creditor payment policy

The company policy is to determine terms and conditions of payment with suppliers when negotiating each transaction, to ensure that suppliers are made aware of the terms and how disputes are to be settled, and to abide by the terms of payment.

The number of days credit taken by the group for trade purchases at 31 December 2017 was 23 days (2016 – 21 days).

Employees

The company recognises the importance of encouraging all employees to contribute to the achievements of the company. It has a comprehensive set of employment practices designed to achieve that objective. In particular the company's equal opportunities policy is designed to create an environment in which all employees are encouraged to develop their individual potential whatever their sex, race, religion, colour, age or disability. The same opportunities for training, career development and promotion are available to all employees including those with disabilities, in so far as that disability does not prevent them from performing their job or any suitable alternative available job. Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned.

Consultation with employees or their representatives takes place at all levels. There is a UK Employment Forum (which satisfies the requirements of the European Works Council Directive) and other communication processes appropriate to the company's businesses. These are designed to ensure that employees' views are taken into account when decisions are made that are likely to affect their interests.

The company attaches great importance to the quality of its communication with all employees. Employees are provided with information about the performance of the company through a variety of briefing mechanisms appropriate to their circumstances.

On behalf of the board

C McCauley 20th September 2018
Director

Registered No 01601427

Directors' report

for the year ended 31 December 2017

The directors present their annual report together with the audited financial statements for the year ended 31 December 2017. Information relating to Future developments is included as part of Strategic Report. Information relating to Employees is included as part of Strategic Report and form part of this report by cross reference.

Directors' responsibilities statement

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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

The company has taken exemptions available from disclosing company cash flow statement and company profit and loss account.

Directors

The directors who served during the year are:

- R McGonigle
- C McCauley

Business review

Financial risk management objectives and policies

Management meet regularly to discuss risks on the business and communicate this monthly to the parent company. The main areas affecting the business are:

Treasury Policies

The objectives of the company are to manage the company's financial risk, secure cost effective funding for the company's operations, and to minimise the adverse effects of fluctuations in the financial markets on the company's financial assets and liabilities, on reported profitability, and on the cash flows of the company.

The company also utilises derivative instruments to hedge the normal trading activities of the company.

Directors' report

for the year ended 31 December 2017

Financial instruments

The company's financial instruments comprise some cash and liquid resources, balances with group undertakings and various items such as trade debtors, trade creditors, etc., that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are interest rate risk and liquidity risk. All the company's transactions predominately are in sterling. The Board reviews and agrees policies for managing these risks as summarised below.

Liquidity risk

The company finances its operations through a mixture of retained profits, bank loans, overdrafts and balances with group undertakings, which provides sufficient liquidity for the needs of the business.

Interest rate risk

Bank borrowings are at floating rates. The company does not trade in financial instruments.

Going concern

The group's business activities, together with factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, credit, liquidity and cash flow risk are described in the Strategic Report. The group has considerable financial resources in the form of cash and the ability to obtain funding from other group companies. The group supplies primarily one customer, McDonald's, the directors are confident that this relationship will continue for the foreseeable future and does not impact going concern. As a consequence the directors believe that the group is well placed to manage the business risks successfully despite the current uncertain economic outlook. After making enquiries the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing these financial statements.

Future Developments and Dividends

Details of future developments and dividends can be found in the Strategic Report on page 2 and form part of this Directors' report by cross-reference.

Post Balance Sheet Events

There have been no events between the balance sheet date and the date of approval of these financial statements by the Directors that require inclusion in these financial statements.

Directors' report

for the year ended 31 December 2017

Auditor

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

- So far as the director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make them self aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

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

Approved by the Board of Directors and signed on its behalf by:

C McCauley 20th September 2018
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARTIN-BROWER UK LTD

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Martin-Brower UK Ltd (the 'parent' company) and its subsidiaries (the 'group') :

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account and statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statement of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARTIN-BROWER UK LTD (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARTIN-BROWER UK LTD (continued)

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by 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 company and its 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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

David Halstead

David Halstead (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

St Albans, United Kingdom

20 September 2018

Registered No 01601427

Consolidated profit and loss account

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Turnover	2	2,239,145	2,032,503
Cost of sales		(2,011,479)	(1,825,725)
Gross profit		227,666	206,778
Administration expenses		(118,380)	(106,240)
Distribution costs		(95,697)	(88,582)
Operating profit	3	13,589	11,956
Loss on sale of investment	12	-	(362)
Profit on ordinary activities before interest		13,589	11,594
Interest receivable	6	64	77
Interest payable and similar charges	7	(186)	(195)
Profit on ordinary activities before taxation		13,467	11,476
Tax on profit on ordinary activities	9	(5,248)	(2,380)
Profit on ordinary activities after taxation		8,219	9,096

All amounts in the current year were derived from continuing activities.

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	2017 £000	2016 £000
Profit for the financial year	8,219	9,096
Currency translation differences on foreign currency net investments	1,881	664
Total comprehensive income	10,100	9,760
Profit for the period attributable to:		
Non-controlling interest	-	-
Equity shareholders of the Company	8,219	9,096
	8,219	9,096
Total comprehensive income for the period attributable to:		
Non-controlling interest	-	-
Equity shareholders of the Company	10,100	9,760
	10,100	9,760

Registered No 01601427

Consolidated balance sheet

as at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Goodwill	10	45,697	46,893
Tangible assets	11	38,802	40,942
Investments	12	-	-
Total fixed assets		84,499	87,835
Current assets			
Stocks	13	35,715	34,553
Debtors:	14		
amounts falling due within one year		116,819	106,511
amounts falling due after year		3,097	4,068
		119,916	110,579
Cash at bank and in hand		57,337	41,311
		212,968	186,443
Creditors: amounts falling due within one year	15	(242,269)	(223,639)
Net current (liabilities)		(29,301)	(37,196)
Total assets less current liabilities		55,198	50,639
Creditors: amounts falling due after more than one year	16	(5,919)	(7,205)
Provisions for liabilities	18	(6,748)	(6,799)
Net assets		42,531	36,635
Capital and reserves			
Called up share capital	19	990	990
Share premium account		29,191	29,191
Profit and loss account		9,805	5,790
Cumulative translation adjustment		2,545	664
Shareholders' funds		42,531	36,635

The financial statements were approved and authorised for issue on 20 September 2018 by the board of directors and signed on its behalf by:

C McCauley
Director

Registered No 01601427

Company balance sheet
as at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Tangible assets	11	15,753	17,551
Investments	12	47,879	47,879
Total fixed assets		63,632	65,430
Current assets			
Stocks	13	19,038	18,836
Debtors:	14		
amounts falling due within one year		56,448	51,364
amounts falling due after year		135	150
		56,583	51,514
Cash at bank and in hand		31,010	18,957
		106,631	89,307
***Creditors*:** amounts falling due within one year	15	(120,823)	(110,006)
Net current (liabilities)		(14,192)	(20,699)
Total assets less current liabilities		49,440	44,731
***Creditors*:** amounts falling due after more than one year	16	(3,564)	(4,221)
Provisions for liabilities	18	(1,694)	(1,741)
Net assets		44,182	38,769
Capital and reserves			
Called up share capital	19	990	990
Share premium account		29,191	29,191
Profit and loss account		14,001	8,588
Shareholders' funds		44,182	38,769

The financial statements of Martin Brower UK Ltd registration number 01601427 were approved and authorised for issue on 20 September 2018 by the board of directors and signed on its behalf by:

C McCauley
Director

Registered No 01601427

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Notes	Called up Share capital £000	Share premium £000	Profit and loss Account £000	Translation Adjustment £000	Total share-holder's funds £000
At 1 January 2016		990	39,191	9,079	-	49,260
Profit for the financial year		-	-	9,096	-	9,096
Currency translation difference on foreign currency net investments		-	-	-	664	664
Total comprehensive income		-	-	9,096	664	9,760
Transfer from Share Premium account		-	(10,000)	10,000	-	-
Dividend paid	8	-	-	(22,385)	-	(22,385)
At 31 December 2016		990	29,191	5,790	664	36,635
Profit for the year		-	-	8,219	-	8,219
Currency translation difference on foreign currency net investments		-	-	-	1,881	1,881
Total comprehensive income		-	-	8,219	1,881	10,100
Dividends paid	8	-	-	(4,204)	-	(4,204)
At 31 December 2017		990	29,191	9,805	2,545	42,531

All recognised gains and losses in the current and prior year are included in the Statement of Changes in Equity.

Registered No 01601427

Company statement of changes in equity

for the year ended 31 December 2017

	Notes	Called up Share capital £000	Share premium £000	Profit and loss Account £000	Total share-holder's funds £000
At 1 January 2016		990	39,191	13,396	53,577
Profit for the financial year		-	-	7,577	7,577
Total comprehensive income		-	-	7,577	7,577
Transfer from Share Premium account			(10,000)	10,000	-
Dividend paid	8	-	-	(22,385)	(22,385)
At 31 December 2016		990	29,191	8,588	38,769
Profit for the year		-	-	9,617	9,617
Total comprehensive income		-	-	9,617	9,617
Dividends paid	8	-	-	(4,204)	(4,204)
At 31 December 2017		990	29,191	14,001	44,182

All recognised gains and losses in the current and prior year are included in the Statement of Changes in Equity.

Registered No 01601427

Consolidated cash flow statement

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Net cash flows from operating activities	21	24,573	23,736
Cash flows from investing activities			
Proceeds from sale of equipment		74	30
Purchase of equipment		(3,034)	(7,127)
Net cash flows from investing activities		(2,960)	(7,097)
Cash flows from financing activities			
Dividends paid		(4,204)	(22,385)
Drawdown on borrowings		(803)	1,370
Repayments of obligations under finance lease		(715)	(860)
Net cash flows from financing activities		(5,722)	(21,875)
Net increase/(decrease) in cash and cash equivalents		15,891	(5,236)
Cash and cash equivalents at beginning of year		41,311	44,600
Effect of foreign exchange rate changes		135	1,947
Cash and cash equivalents at end of year		57,337	41,311
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		57,337	41,311
Cash equivalents		-	-
Cash and cash equivalents		57,337	41,311

Notes to the financial statements
for the year ended 31 December 2017

1. Accounting policies

Company information

The company is a private limited liability entity incorporated in England with its registered office at Third Floor (South Wing), One Park Lane, Hemel Hempstead, Hertfordshire, United Kingdom, HP2 4YJ.

The principal activities of the company and is subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic Report on pages 2 to 3.

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Going concern

The group's business activities, together with factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, credit, liquidity and cash flow risk are described in the Strategic Report. The company has one significant customer which accounts for the majority of their sales, the Directors' are satisfied that this relationship will continue for the foreseeable future and that the growth in this customer's business will continue to be strong. The company has considerable financial resources in the form of cash and the ability to obtain funding from other group companies. Significant investments in infrastructure, technology and innovation continue to be made including implementation of warehouse management systems. Continued innovation and investment, in conjunction with on-going distribution volume growth, will lead to continued profitable growth for the years ahead. As a consequence the directors believe that the company is well placed to manage the business risks successfully despite the current uncertain economic outlook. After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing these financial statements.

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. When revenue transactions reflect the conditions of the sale being made as an agent the revenue is recognised net (commission only recognised as revenue), where the conditions reflect the sale as a principal the revenue is recognised gross (commission and product value recognised as turnover).

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 *Revenue* and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid.

Notes to the financial statements (continued)
for the year ended 31 December 2017

1. Accounting policies (continued)

Tangible fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value on a straight line basis over the useful economic life of that asset as follows:

Leasehold improvements	–	five to twenty years
Plant, machinery and vehicles	–	three to ten years

Interest on borrowings for fixed assets is not capitalised and is taken to the profit and loss account.

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

Assets in the course of construction are not depreciated.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Operating lease agreements

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the term of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits. More likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Financial Instruments

(i) Financial assets and liabilities

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity investments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially

Notes to the financial statements (continued)
for the year ended 31 December 2017

1. Accounting policies (continued)

Financial Instruments (continued)

(i) Financial assets and liabilities (continued)

measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Foreign currencies

Transactions in foreign currency are translated into sterling at the rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date or at composite rates where forward cover exists. Exchange differences are taken to the Profit and Loss Account.

Notes to the financial statements (continued)
for the year ended 31 December 2017

1. Accounting policies (continued)

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision has been recognised for the decommissioning costs of a new distribution centre. Interest is charged annually to the profit and loss account to adjust for the effect of the time value of money.

Retirement benefits

The company is a member of the group pension plan with an insurance company and makes contributions into employee accounts on a money purchase basis. The assets in the scheme are held separately from those of the company in an independently administered fund. The amount charged in the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Key source of estimation uncertainty - impairment of assets

Determining whether an asset is impaired requires an estimation of the value in use of the asset. The value in use calculation requires the company to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value.

2. Turnover

Turnover represents the amounts derived from the provision of goods which fall within the company's ordinary activity, stated net of value added tax.

Turnover by geographical location has been analysed as follows:

	2017 £000	2016 £000
United Kingdom	1,213,791	1,104,865
France	1,000,925	907,789
Rest of World	24,429	19,849
	2,239,145	2,032,503

Further segmental information has not been provided because the directors believe that it would be prejudicial to the interests of the company.

3. Operating profit

Operating profit is stated after charging

	2017 £000	2016 £000
Depreciation - owned assets	6,021	5,621
Amortisation of goodwill	3,144	2,935
Loss on disposal of fixed assets - owned assets	55	47
Auditors - audit fees	216	157
Foreign exchange loss	37	40
Operating lease costs		
- plant and equipment	12,155	10,902
- land and buildings	4,327	4,782

No impairment gains or losses on stocks have been recognised in the profit and loss account.

Notes to the financial statements (continued)

for the year ended 31 December 2017

4. Staff costs

Staff costs for the group consist of:

	2017 £000	2016 £000
Wages and salaries	66,922	61,291
Social security costs	12,240	11,281
Other pension costs (see note 20)	3,815	3,461
	82,977	76,033

The average number of employees, including directors, within the group during the year was:

	2017 No.	2016 No.
Selling and distribution	1,664	1,581
Administration	340	326
	2,004	1,907

5. Directors' remuneration

During the year no directors received remuneration (2016 – £nil) or pension benefits (2016 – £nil) from the Group, in respect of their services provided.

No director has a direct or indirect interest in any transaction, arrangement or agreement which, in the opinion of the directors, requires disclosure. Directors who served the group during the year have been remunerated from other group companies.

Pensions

No directors (2016 – none) who served during the year were members of the pension plan.

6. Interest receivable

	2017 £000	2016 £000
Bank interest receivable	64	77
Other interest receivable	-	-
	64	77

7. Interest payable and similar charges

	2017 £000	2016 £000
Interest payable to group undertakings	-	-
Other interest payable	186	195
	186	195

Notes to the financial statements (continued)
for the year ended 31 December 2017

8. Dividends

	2017 £000	2016 £000
Ordinary shares		
Interims paid of £4.25 (2016 - £22.61) per share	4,204	22,385
	4,204	22,385

On 10 February 2017 the company paid a dividend of £1,704,341. On 17 November 2017 the company paid a dividend of £2,500,000.

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2017 £000	2016 £000
Current tax		
UK corporation tax on profit for the year	2,234	1,080
Foreign tax	2,184	1,726
	4,418	2,806
Deferred tax		
Deferred tax (9(c))	830	(426)
Tax on profit on ordinary activities	5,248	2,380

(b) Factors affecting the current tax credit

The tax for the year varies from the standard rate of corporation tax in the UK of 19.25% (2016 – 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	13,467	11,476
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	2,592	2,295
Net expenses not deductible for corporation tax purposes	435	456
Timing differences on fixed assets	1,080	(282)
Other timing differences	12	34
Adjustments to tax in respect of prior periods	28	(2)
Withholding taxes on interest and dividends	(12)	(11)
Higher rates on overseas tax rates	1,113	(110)
Total tax	5,248	2,380

The Finance (No 2) Act 2015 which was substantively enacted on 18 November 2015 set the rate for corporation tax for 2016/17 at 20% and 2017/18 at 19%. These rates have been reflected in the calculation of the tax charge for the current year.

Notes to the financial statements (continued)
for the year ended 31 December 2017

9. Tax (continued)

(c) Deferred tax

The deferred tax liability recognised in the financial statements is as follows:

	2017 £000	2016 £000
Acceleration of capital allowances over depreciation	(363)	(358)
Other timing differences	1,193	(68)
	830	(426)

The movement on deferred tax is as follows:

	£'000
At 1 January 2017 (note 18)	5,775
Charged to profit and loss account	830
Exchange difference	(907)
At 31 December 2017 (note 18)	5,698

No reversal of the deferred tax liability is expected before 31 December 2018.

10. Intangible fixed assets

Group	Total £000
Cost:	
At 1 January 2017	61,722
Exchange adjustment	2,622
At 31 December 2017	64,344
Amortisation:	
At 1 January 2017	(14,829)
Provided for the year	(3,144)
Exchange adjustment	(674)
At 31 December 2017	(18,647)
Net book value:	
At 31 December 2017	45,697
At 31 December 2016	46,893

Notes to the financial statements (continued)
for the year ended 31 December 2017

11. Tangible fixed assets
GROUP

	Land and buildings £000	Plant machinery and vehicles £000	Total £000
Cost:			
At 1 January 2017	36,690	36,276	72,966
Additions	228	2,806	3,034
Disposals	(6)	(877)	(883)
Translation adjustment	1,079	286	1,365
At 31 December 2017	37,991	38,491	76,482
Depreciation:			
At 1 January 2017	10,286	21,738	32,024
Provided for the year	2,031	3,990	6,021
Disposals	(3)	(750)	(753)
Translation adjustment	241	147	388
At 31 December 2017	12,555	25,125	37,680
Net book value:			
At 31 December 2017	25,436	13,366	38,802
At 31 December 2016	26,404	14,538	40,942

Notes to the financial statements (continued)
for the year ended 31 December 2017

11. Tangible fixed assets (continued)
COMPANY

	Leasehold improvements £000	Plant machinery and vehicles £000	Total £000
Cost:			
At 1 January 2017	11,362	29,830	41,192
Additions	-	1,717	1,717
Disposals	(6)	(474)	(480)
At 31 December 2017	11,356	31,073	42,429
Depreciation:			
At 1 January 2017	5,067	18,574	23,641
Provided for the year	594	2,898	3,492
Disposals	(3)	(454)	(457)
At 31 December 2017	5,658	21,018	26,676
Net book value:			
At 31 December 2017	5,698	10,055	15,753
At 31 December 2016	6,295	11,256	17,551

No impairment losses have been recognised on any of the fixed assets within the group.

The Company has assets in the course of construction included within plant, machinery and vehicles with a value of £1,428,694 (2016 – £1,480,316), which are not depreciated.

The Group has assets in the course of construction included within plant, machinery and vehicles with a value of £1,428,694 (2016 – £1,755,178), which are not depreciated.

Within land and buildings, the Group has freehold assets of £18,292,787 (2016 - £17,547,290) and short leasehold assets of £19,698,170 (2016 - £19,143,131).

Notes to the financial statements (continued)

for the year ended 31 December 2017

12. Fixed asset investments

	Group		Company	
	2017 **£000**	**2016** **£000**	**2017** **£000**	**2016** **£000**
Cost at 1 January	-	-	47,879	66,626
Disposals during the year	-	-	-	(18,747)
At 31 December	-	-	47,879	47,879

The company's subsidiaries, which are wholly owned, are:

Company	*Country of Registration and operation*	*Principal activity*	*Holding*	*%*
Martin-Brower France Holdings SAS	France	Distribution	Ordinary	100
Martin-Brower France SAS	France	Distribution	Ordinary	100

The registered office address for both Martin-Brower France Holdings SAS and Martin-Brower France SAS is 12 Rue du Bois Chaland, Zac du Bois Chaland, 91029 Lisses, France.

On 15 January 2016 the company sold 28% of its investment in Martin-Brower France SAS to Martin-Brower France SAS, the sale proceeds were £18,385,000. A loss of £361,676 was recognised on this transaction. Following this transaction Martin-Brower France SAS retired the shares with the result that it remains a wholly owned subsidiary of the company.

No impairment losses have been recognised on the investment in the company's subsidiary.

13. Stocks

	Group		Company	
	2017 **£000**	**2016** **£000**	**2017** **£000**	**2016** **£000**
Raw materials	168	202	168	201
Finished goods and goods held for resale	35,547	34,351	18,870	18,635
	35,715	34,553	19,038	18,836

During the year inventories of £2,011,478,993 (2016 - £1,825,725,770) were recognised as an expense within cost of sales for the Group. The Company recognised inventories of £1,109,250,851 (2016 - £1,006,289,009) as cost of sales.

Notes to the financial statements (continued)
for the year ended 31 December 2017

14. Debtors

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade debtors	80,420	69,544	23,638	19,035
Amounts owing by group undertakings	28,738	28,499	28,690	28,489
Amounts due from affiliates	-	-	884	1,189
Other debtors	4,518	4,813	195	90
Prepayments and accrued income	4,277	4,616	3,176	2,711
Corporation tax receivable	92	231	-	-
Deferred tax	1,871	2,876	-	-
Total debtors	119,916	110,579	56,583	51,514

All amounts shown under debtors are receivable within one year except:

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Prepayments and accrued income	-	-	135	150
Other debtors	1,226	1,192	-	-
Deferred tax	1,871	2,876	-	-
	3,097	4,068	135	150

The amounts owing by group undertakings to the company are repayable on demand. None of these amounts is interest bearing.

15. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade creditors	171,596	161,014	80,946	74,850
Amounts owing to group undertakings	18,271	18,589	18,271	18,589
Amounts due to affiliates	-	-	1,500	1,156
Corporation tax	-	-	1,021	678
Taxes and social security	3,618	2,858	2,565	1,956
Other creditors	20,517	22,513	9,514	6,748
Accruals and deferred income	27,511	17,970	7,006	6,029
Current portion of capital leases	756	695	-	-
	242,269	223,639	120,823	110,006

Notes to the financial statements (continued)
for the year ended 31 December 2017

16. Creditors: amounts falling after more than one year

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Other creditors	3,564	4,221	3,564	4,221
Long term portion capital leases	2,355	2,984	-	-
	5,919	7,205	3,564	4,221

Included within other creditors over one year are lease incentives receivable as a result of the lease of a distribution centre, deferred over more than one year of £3,082,685 (2016 - £3,434,219). This is deferred evenly over the duration of the lease. In addition, payments made in advance by a customer have been deferred over the life of an asset; amounts over one year are £376,087 (2016 - £577,090). None of these amounts is interest bearing.

The company does not have any debt that is payable after five years.

17. Financial Instruments

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Financial Assets				
Equity instrument measured at cost less impairment				
Fixed assets unlisted investment (see note 12)	-	-	47,879	47,879
Measured at undiscounted amount receivable				
• Trade and other debtors (see note 14)	84,938	74,356	23,833	19,125
• Amounts due from group undertakings (see note 14)	28,738	28,499	28,690	28,489
• Amounts due from affiliates (see note 14)	-	-	884	1,189
	113,676	102,855	101,286	96,682
Financial Liabilities				
Measured at amortised cost				
• Obligations under finance leases	3,111	3,679	-	-
Measured at undiscounted amount payable				
• Trade and other creditors (see note 15)	192,113	183,527	90,460	81,598
• Amounts owed to group undertakings (see note 15)	18,271	18,589	18,271	18,589
• Amounts due to affiliates (see note 15)	-	-	1,500	1,156
	213,495	205,795	110,231	101,343

Notes to the financial statements (continued)
for the year ended 31 December 2017

18. Provisions for liabilities

GROUP

	Deferred tax	Obligations for *Restoration*	Total
	£000	£000	£000
Cost:			
At 1 January 2017	5,775	1,024	6,799
Provided during the year	830	26	856
Exchange difference	(907)	-	(907)
At 31 December 2017	5,698	1,050	6,748

COMPANY

	Deferred tax	Obligations for Restoration	Total
	£000	£000	£000
Cost:			
At 1 January 2017	717	1,024	1,741
Provided/(released) during the year	(72)	25	(47)
At 31 December 2017	645	1,049	1,694

In 2007 the company signed a 20-year lease contract on a new distribution centre. The contract requires the company to remove any building alterations at the end of the lease, including sprinkler systems and other refrigeration plant. This obligation in year 2027 has been calculated at current prices, as the full cost of decommissioning such assets. This has been capitalised as a directly attributable cost of the relevant asset and is to be charged to the profit and loss account over the term of the lease.

19. Called up share capital

GROUP AND COMPANY

	2017 No.	2017 £000	2016 No.	2016 £000
Allotted, called up and fully paid				
990,100 ordinary shares of £1 each	990,100	990	990,100	990

Notes to the financial statements (continued)
for the year ended 31 December 2017

20. Pensions

The group is a member of a group staff pension plan with an insurance company and makes contributions into employees' accounts on a money purchase basis. The employer's pension cost for the year is set out in note 4 to the accounts. Included within accruals are outstanding pension contributions of £1,455,000 (2016 - £1,373,000).

21. Cash flow statement

Reconciliation of operating profit to cash generated by operations:

	2017 £000	2016 £000
Profit on ordinary activities before interest	13,589	11,594
Adjustment for:		
Depreciation and other amortisation	6,055	5,605
Goodwill amortisation	3,144	2,935
Profit on sale of tangible fixed assets	-	-
Operating cash flow before movement in working capital	22,788	20,134
(Increase) in stocks	(488)	(460)
(Increase)/decrease in debtors	(5,647)	6,236
Increase in creditors	2,970	19
Decrease/(increase) in tax provision	164	174
Decrease/(increase) in provisions	4,786	(2,367)
Cash generated by operations	24,573	23,736

22. Commitments

i) Capital commitments as at 31 December are as follows:

	2017 £000	2016 £000
Contracted but not provided	-	-

ii) As at 31 December 2017 the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings 2017 £000	Land and buildings 2016 £000	Plant and machinery 2017 £000	Plant and machinery 2016 £000
Within one year	4,974	4,033	6,377	9,446
Between one and five years	17,493	14,620	9,864	16,898
After five years	9,704	20,439	809	1,479
	32,171	39,092	17,050	27,823

Notes to the financial statements (continued)

for the year ended 31 December 2017

23. Securitisation of assets

The Group has granted security over substantially all of its assets, including bank accounts, insurances, debts and shares and a floating charge over all its assets as a subsidiary within a group funding arrangement.

24. Related parties

The immediate parent company of the group is Martin-Brower UK Intermediate Limited and its ultimate parent undertaking is Reyes Holdings L.L.C..

The company has taken advantage of the exemption conferred by FRS 102 'Related party disclosures' not to disclose transactions with other wholly owned subsidiaries within the group.

During the year the Group entered into transactions with related parties of the ultimate parent undertaking, Reyes Holdings L.L.C., in the ordinary course of business. Transactions entered into, and balances outstanding as at 31 December, are as follows:

	Sales to related party £000	Purchases from related party £000	Amounts owed to related party £000	Amounts owed by related party £000
STI UK Limited				
2017	3,615	11,971	1,500	867
2016	3,188	10,559	1,156	1,189
STI Freight Management GmbH				
2017	186	-	-	17
2016	184	-	-	-
STI France S.a.r.l.				
2017	1,212	25,918	3,706	107
2016	746	21,654	2,518	123

STI UK Limited is a 24.3% owned subsidiary of the ultimate parent company.

STI Freight Management GmbH is a 24.3% owned subsidiary of the ultimate parent company.

STI France S.a.r.l. is a 24.3% owned subsidiary of the ultimate parent company.

The amounts disclosed all relate to unsecured trading balances.

25. Ultimate parent undertaking and controlling party

Martin-Brower UK Intermediate Holdings Limited is the company's immediate parent undertaking at the year end. The registered address of Martin-Brower UK Intermediate Holdings Limited is Third Floor (South Wing), One Park Lane, Hemel Hempstead, Hertfordshire, United Kingdom, HP2 4YJ.

The company's ultimate parent company and controlling party is Reyes Holdings L.L.C., a company incorporated in the state of Delaware, in the United States of America. The registered address of Reyes Holdings L.L.C. is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 1980, United States of America.