Preliminary audited results and trading update

19 February 2018 – McColl's Retail Group plc, one of the UK's leading convenience retailers, ("McColl's" or "the Group") today announces its preliminary results for the 52 week period ended 26 November 2017, and a trading update for the 11 week period to 11 February 2018.

SUCCESSFUL ACQUISITION PROPELS SALES TO OVER £1BN

STEP-CHANGE IN GROWTH OF KEY CONVENIENCE CATEGORIES

FY17 Financial summary:

- Total revenue up 19.1% to £1.13bn (2016: £950.4m) following successful integration of 298 convenience stores (completed in mid-July 2017)
- Good progress towards our strategic target of increasing grocery and alcohol sales; up over 40% and now representing 32% of total sales (2016: 27%)
- Total like-for-like (LFL) sales[1] up 0.1%; with significant mix improvements as a result of growth in key grocery categories alongside some declining traditional categories
- LFL sales in recently acquired and converted stores[2] up 2.4%
- Gross margin up 60 basis points to 25.7% (2016: 25.1%), reflecting a higher mix of convenience stores and improving product mix
- Adjusted EBITDA excluding property-related items[3], increased by 20.0% to £44.0m (2016: £36.7m)
- Reflecting our significant acquisition, net debt increased to £142.2m (2016: £37.0m), in line with management expectations
- Profit before tax increased to £18.4m (2016: £17.7m)
- Basic earnings per share slightly reduced to 12.3p (2016: 12.8p)
- Adjusted earnings per share[4] increased to 18.3p (2016: 16.0p)
- Proposed final dividend of 6.9p per share (2016: 6.8p)

Operational and strategic highlights:

- Transitioned 298 acquired convenience stores on time and on budget, welcoming over 3,000 new colleagues
- Single store acquisition programme recommenced with 12 further convenience stores added
- Signed groundbreaking new supply partnership with Morrisons in August 2017
- 25 convenience store refreshes completed in H2, bringing total to 27, as part of a broader plan to drive organic growth
- Services offer extended, ending the period with 588 Post Offices and 685 Collect+ Points, and Subway franchises increased by six to 18

Jonathan Miller, Chief Executive, said:

"We have delivered a strong financial performance with a step-up in sales and profitability propelled by our acquisition of 298 convenience stores, and by surpassing £1bn in annual revenues for the first time we have demonstrated that this is now a business of real scale.

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1 LFL sales reflect sales from stores that have traded throughout the current and prior financial periods. Sales include VAT but exclude sales of fuel, lottery, mobile phone top up and travel tickets.

2 LFL sales in stores acquired or converted between 2015-2016 which have traded for over 12 months.

3 Adjusted EDBITDA excluding property-related items shows the Group's Earnings Before Interest, Tax, Depreciation and Amortisation adjusted for both property gains and losses and other adjusting items (see note 3).

4 Adjusted EPS is earnings per share before the impact of adjusting items (see note 7).

"Our convenience-led strategy continues to bear fruit, reflected by a sustained improvement in gross margin as we strengthened our product mix and the proportion of convenience stores has grown to 80% of our estate.

"Continuing this momentum, this year we will significantly enhance our customer offer as we transition supply in over 1,300 stores to Morrisons and exclusively launch hundreds of new Safeway branded products at McColl's. We will also further invest and improve the quality of our estate by extending our successful convenience store refresh programme to 100 additional stores this year.

"I would like to take this opportunity to thank all our hard-working colleagues and loyal customers, as we look forward to making further progress on our journey to become your neighbourhood's favourite shop. 2018 is set to be another busy year for McColl's, and I remain confident and excited about our future."

Current trading and outlook

Having experienced some availability issues towards the end of FY17 in our c.700 newsagents and smaller convenience stores supplied by Palmer & Harvey (P&H), their entry into administration on 28 November 2017 has led to further disruption during the early part of FY18.

We have put in place contingency arrangements, entering into a new short-term supply contract with Nisa on 4 December 2017 for the affected stores. We also began our new supply partnership with Morrisons (agreed in August 2017) earlier than previously scheduled to supply these same stores with tobacco.

Whilst these contingency agreements have largely ensured continuity of supply, we continue to closely manage distribution to these stores and the disruption has impacted our sales performance. Total LFL sales for the 11 week period ended 11 February 2018 were down 2.2%, held back by sales in our stores formerly supplied by P&H where LFL sales were down 3.6%. However, total sales continued to perform strongly, up 26.7%.

In January, as planned, we launched the new Safeway range of around 400 products to 102 stores as part of a phased rollout (c.25 stores per week) and we have been pleased with early customer reaction.

This year we also plan to complete a further 100 convenience store refurbishments as part of our successful store refresh programme. We are planning to acquire approximately 20 new convenience stores as part of our acquisition programme.

2018 is a strategically important year for McColl's as we move to new supply arrangements, and continue to grow and improve the quality of our estate. It will be a period of significant transition, however the actions we are taking will support our strategic objectives and deliver sustainable growth in the years ahead.

Enquiries

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Notes to editors

McColl's is a leading neighbourhood retailer, with an estate of 1,611 managed convenience stores and newsagents. We operate 1,279 McColl's branded convenience stores as well as 332 newsagents branded Martin's across the UK, except in Scotland where we operate under our heritage brand, RS McColl. Our 22,000 dedicated colleagues serve over five million customers every week, and we are the largest operator of Post Offices in the UK, with 588 in-store counters/branches.

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Chairman's statement

Shaping the future

It has been another year of transformation for McColl's and the business continues to go from strength to strength. With a clear vision and strategy, never has the business had so many opportunities to drive growth.

Having joined the Board of McColl's in April 2016, I was delighted to succeed James Lancaster as Chairman in April 2017. It's been a very busy and exciting year for the business and I'm pleased to report that it has continued to make excellent progress.

Jonathan and his management team have done an outstanding job, delivering an excellent set of results, whilst simultaneously securing deals which provide the platform for sustainable future growth.

The 298 acquired stores were successfully integrated and are driving significant growth in the business. The benefits of this acquisition will continue to be realised and these valuable stores will provide further opportunities for growth as they become an established part of the estate.

The business made another important strategic step in August with the announcement of a groundbreaking supply partnership with Morrisons. This decision, at a time when the convenience sector is rapidly evolving and experiencing a period of consolidation, aligns McColl's with a strong partner. It will allow us to provide a significantly enhanced fresh offer for customers through the launch of the Safeway brand, and access to better commercial terms whilst simplifying operations through sole supply.

Alongside this the team has continued to identify opportunities to invest in growing the business and, with the development of the convenience store refresh trial, it has demonstrated the potential to drive growth in large parts of the more established estate. The early results of the trial are encouraging, even before we've seen the benefits of our new supply partnership. We are confident that investment in our store estate, coupled with a much stronger fresh and chilled range, will provide a strong platform for the future.

Developing the Board

After a rigorous and extensive search I was pleased to welcome Jens Hofma to the Board in July as an Independent Non-Executive Director. Jens is currently Chief Executive of Pizza Hut Restaurants in the UK and brings a wealth of knowledge and experience of the food industry. His focus on developing teams and improving customer experiences make him a great addition to the Board.

James Lancaster, founder of the business, stepped down from his role as Non-Executive Director in October 2017. I'd like to thank him for his enormous contribution to McColl's over the years. Under his direction and guidance, McColl's grew into one of the largest neighbourhood retailers in the UK. I'd also like to thank James for all the support and advice he gave me during my first few months as Chairman.

In addition I'd like to thank Sharon Brown and Georgina Harvey for their continued support and hard work as Chairs of the Audit Committee and Remuneration Committee respectively.

Increasing returns to shareholders

The business continues to generate strong cash returns which we use to fund the capital investment required to deliver sustainable growth in revenue and profit, alongside dividend payments to shareholders and reducing debt.

The Board is recommending a final dividend of 6.9 pence per share, making a total dividend for the period of 10.3 pence, up slightly year-on-year as part of our commitment to increase returns

to shareholders. This dividend will be paid on 1 June 2018, to shareholders on the register at the close of business on 20 April 2018, subject to approval at the forthcoming Annual General Meeting.

Looking forward with confidence
Jonathan and the team have another busy year ahead as they transition around 1,300 stores to new supply arrangements. Whilst this will involve some inevitable disruption it will position McColl's as a strong, credible fresh food retailer that can serve the needs of a growing customer base.

McColl's will also continue to pursue other opportunities to grow the business, both through our acquisition programme and the next phase of the convenience store refresh initiative. I have every confidence that 2018 will represent another year of continued financial progress, and one which we will exit strongly placed for 2019 and beyond.

Angus Porter

Chairman

Chief Executive's statement

A bigger, stronger McColl's

This has been my 27th year in the business and my first full year as Chief Executive. I am immensely proud of what we have achieved and I believe the business is in the best place it's ever been. I can't recall a year when we have experienced more change in the grocery sector and never has there been a more exciting time to be in convenience.

It's been a year of significant change for McColl's. We are a bigger and stronger business today than at any time in our long history. We have a far larger and better quality estate and our product mix has continued to strengthen.

For the first time the business has achieved annual revenues of more than £1bn, demonstrating that we are a business of significant scale.

In the last few years we have been growing principally through acquisition, consolidating a part of the grocery sector that remains dominated by independent retailers. We have long held the view that there would be consolidation in the wholesale supply market for convenience stores too. This has proved to be the case with the major grocery retailers looking to take advantage of the growing convenience channel. The merger of Tesco and Booker and the Co-op's agreement to acquire Nisa have changed the broader competitive landscape. With a sector in flux we've ensured that McColl's is well placed to succeed and further capitalise on the opportunities presented by the growing convenience channel.

Our recent acquisition of almost 300 convenience stores was important in terms of giving us greater scale, and we had always planned to leverage this by retendering our distribution in the first half of 2017. The timing of our tender process meant that we were able to benefit from the increased competition for wholesale supply in the market. We wanted to achieve three things through this process: improve our customer offer; access better commercial terms, on the basis of our enhanced scale; and simplify our operations by moving to a single wholesale supply partner. On all of these measures Morrisons was the clear choice for us and we are delighted to have formed a long-term partnership that will see them supply our stores with branded products, and an 'own-label' through the launch of Safeway in 2018.

We were both sad and disappointed to learn that Palmer and Harvey (P&H) was placed into administration on 28 November 2017. We had worked in partnership with P&H for over two decades and are grateful for all their support over the years. Our priority has been to ensure that, despite the inevitable disruption to stores previously supplied by P&H, any impact on customers is minimised. With the support of our partners we have largely ensured continuity of supply and have closely managed distribution to these stores.

Defining McColl's for customers and colleagues

The McColl's name has a long and rich history. We have evolved from a vending business, to a national chain of newsagents, to a leading neighbourhood convenience retailer. We have undergone a significant transformation and it's important that we are clear about who we are, and the kind of business we want to be. We've talked to lots of customers and colleagues to understand how the business is perceived, and our strengths and opportunities. Our vision is to be your neighbourhood's favourite shop, and we are clearer than ever on what that means to our customers, and how we can help them understand what they can expect from McColl's. This work will support the rollout of Safeway at McColl's and help establish our fresh food credentials in the minds of customers.

Just as it's important for customers to understand how McColl's is changing, it's essential that our colleagues are behind our vision so that we are all pulling in the same direction. We've been working on embedding our company values with colleagues across the business. That means we always put **customers first**, and we keep things **simple and consistent** so that as we grow we don't introduce unnecessary complexity to the business. We are **caring and compassionate** and we are **community champions**, recognising that we have a wider responsibility to the communities we serve.

Increase neighbourhood presence

In 2017 we acquired 298 quality convenience stores from the Co-op. I'm delighted that all of the stores transitioned to McColl's on time and on budget. It's been an extraordinary team effort

involving colleagues from every part of the business and I'm very proud of the way everyone worked together.

We were delighted to welcome over 3,000 new colleagues to McColl's. They have done a fantastic job helping customers through the transition. The feedback from customers has been positive on a wide range of metrics.

With all the acquired stores on board by July they have driven a step-change in our sales and profit performance in the second half of the year. There is more potential for these stores, as we undertake further work to optimise the ranges and introduce our market-leading services proposition to more of the estate.

With the acquired stores all transitioned, we resumed our acquisition programme buying a further 12 convenience stores during the year, and we will look to acquire around 20 new stores in 2018. We also sold or closed a number of stores, predominantly newsagents, as part of our planned disposal of underperforming stores, ending the year with 1,279 convenience stores and 332 newsagents.

Growing convenience offer
We have continued to evolve our offer to meet the needs of customers and reduce our reliance on traditional categories, such as tobacco, news and confectionery, that are in long term structural decline. Our grocery and alcohol sales have grown by over 70% in the last three years as we become more of a food-led business, representing excellent progress towards our target for this to be our biggest sales category.

This growth has been accelerated by the recently acquired stores that have a greater proportion of grocery and alcohol sales. In the early part of the year we worked closely with our suppliers to develop a wider range of fresh and chilled products for these stores so that we could help transition customers to the McColl's offer.

We've learnt a lot through this process and there is potential for us to replicate some of this range development elsewhere in the estate. Our experience of developing fresh food ranges has also been valuable in our preparations for the launch of Safeway in 2018.

Our store refresh programme has also given us an opportunity to develop our range and grow our convenience offer. We completed our first two pilot stores towards the end of 2016 and in the second half of 2017 we refurbished a further 25 stores. They have been completely refreshed in terms of the design and layout, providing more space for fresh and chilled foods, and food-to-go. We've also introduced new ranges such as healthy snacks, a free from range and craft ales. The early performance of these stores is very encouraging and we believe there is a significant opportunity to drive organic growth in the estate by rolling out this programme over the next few years. In 2018 we plan to complete a further 100 store refreshes.

Food-to-go, whilst currently still a small proportion of our overall sales, is an increasingly important part of our convenience offer. In 2017 our food-to-go sales grew by over 40% and we extended our successful partnership with Subway, opening six new franchises in the year.

The greatest opportunity we have to grow our convenience offer is through our groundbreaking new supply partnership. We're really excited to be working with a partner who is not only a very experienced grocery retailer, but also the UK's second largest fresh food manufacturer.

We have initially launched around 400 Safeway products into McColl's stores as part of a phased rollout that began in January 2018. These are a combination of ambient grocery and fresh food lines, sourced from Morrisons farms and fisheries, and prepared in Morrisons-owned manufacturing sites.

As we rollout Safeway this will enable us to provide an enhanced offer for McColl's customers and there will be further opportunity to grow and develop the range over time.

Excellent customer service
Excellent customer service starts with an understanding of what customers need and want. Our store colleagues do a fantastic job of getting to know their customers and, because most of them live nearby, our stores feel very much like the hub of a local community. Our role extends beyond

that of a traditional neighbourhood shop and we continue to develop our services offer to meet the needs of our customers. We know that four in ten visits to McColl's involve a service of some kind, whether that be using one of our 588 Post Offices, visiting one of our ATMs, or using one of our fast-growing internet parcel collection points.

We're investing in more bespoke customer research to help us understand our customer needs and we've worked with a number of expert insight partners this year. Our *Plus* loyalty card remains one of our best tools for understanding customer behaviour and it's growing in popularity. Over 10% of transactions in the newly acquired stores are made with a *Plus* card, giving us valuable insight into what sort of products and offers appeal to customers in those stores.

Putting customers first is our absolute priority and I'm delighted to have appointed Tim Fairs as our first ever Customer Director. He joined the management team in January 2018 from Clintons, where he was VP Marketing and E-Commerce, leading the transformation of the customer offer and customer experience programme. He brings extensive experience in both the retail and non-retail sectors, and prior to his six years with Clintons, he was Head of Marketing for Dixons Carphone for over four years.

Looking ahead
In the next few months we will significantly enhance our offer when we begin to transition supply in over 1,300 stores and rollout Safeway at McColl's. We will improve the quality of our estate and bring a great shopping experience to more customers through our refresh programme. We'll also continue to grow through our successful acquisition programme. 2018 is set to be another busy year for McColl's and I am confident and excited about our future.

Jonathan Miller
Chief Executive

Financial Review

Building an exciting future for McColl's

If 2016 was about laying solid foundations for the future of McColl's, then 2017 has been about cementing in place the building blocks that will support our growth for years to come. With the on boarding of over 300 new stores, the successful conclusion of our store refresh trial, and having agreed a groundbreaking new supply deal, McColl's is well set for sustainable growth in 2018 and beyond.

Annual revenue exceeds £1bn, boosted by major acquisition

This year we reached a significant milestone, with our full-year revenue exceeding £1bn for the first time. It grew to £1.13bn (2016: £950.4m), an increase of 19.1%. This year-on-year growth was principally driven by the major acquisition we announced in 2016. The 298 stores we acquired were transitioned to McColl's over the course of seven months with the final store rebranded in mid-July 2017. A number of single store acquisitions were also completed in the second half of the year.

We continued to be impacted by the structural decline in traditional categories, principally news and confectionery. However, we have seen good growth in key grocery categories, including fresh food, and alcohol, which gave rise to a positive full-year like-for-like (LFL) of 0.1%, a significant improvement on the previous year LFL of (1.9)%. Sales in the stores we acquired and converted in 2015-16, which provide a barometer for the beneficial effects of recent capital investment, were up by 2.4% LFL.

Sales mix has continued to strengthen leading to gross margin improvement

As we continue to evolve our mix of stores and products, for the third consecutive year we saw a material improvement in gross profit margins, up 60 basis points year-on-year to 25.7% (2016: 25.1%).

Gross margins are generally strongest in our larger convenience stores, which offer a bigger range of groceries, including fresh food. These stores now account for a significantly greater proportion of our estate following our recent acquisitions, and planned closure of marginal stores. Consequently our overall sales mix is continuing to strengthen as we become less dependent on lower margin traditional categories.

Tobacco is still currently our largest individual sales category (and our sales have held up well as we successfully transitioned to the new EUTPD2 regulations in May). However, most critically, grocery and alcohol sales were up 43% year-on-year and are now 32% of our mix compared to 27% in 2016. We are well on the way to meeting our strategic target for grocery and alcohol to be our biggest sales category and we expect to make further progress in 2018 as we annualise our acquisition and rollout the Safeway range in over 1,300 stores.

In terms of overall value, total gross profit grew by 21.7%, from £238.7m to £290.4m, benefiting from the contribution of the newly acquired stores.

Adjusted operating profit materially advanced

Adjusted operating profit increased by £7.9m to £31.4m (2016: £23.5m), boosted by our acquisition, and the sale and leaseback of 10 of the 116 acquired freehold stores. As well as releasing immediate value through this programme, we have been able to reinvest the proceeds to accelerate our store refreshes, and other capital investment priorities. We anticipate that this will be a sustainable profit and cash flow, with further sale and leasebacks planned in the short/medium term.

Adjusted operating profit excluding property-related items (see note 4 for definition), was up £5.9m year-on-year to £28.3m (2016: £22.4m).

In aggregate, administrative expenses as a percentage of revenue, before adjusting items were broadly flat year-on-year at 25.3% despite the impact of continued wage inflation and the higher costs (but also higher margins) of operating convenience stores. As well as working to offset the impacts of wage inflation through growth and gross margin enhancement, there are a number of capital initiatives planned for the coming year and beyond to improve efficiency and remove cost.

Other operating income increased by £1.6m to £24.8m (2016: £23.1m) reflecting additional income from the newly acquired stores, 38 of which have a Post Office service.

Enhancing the quality of the McColl's estate
We have enhanced the quality of the estate through both the acquisition of 298 quality convenience stores and the planned closure or disposal of underperforming stores. This resulted in a series of adjustments in the year.

We had adjusting items of £5.0m associated with the 298 store acquisition, comprising £1.4m of legal fees and other professional adviser costs; £2.1m of setup and transition costs; and £1.5m of refinancing costs.

We also had adjusting items of £2.9m relating to a new, broader initiative to close or dispose of marginal stores. In the year 73 stores were sold or closed, most of which were underperforming newsagents and smaller convenience stores, as we seek to optimise our estate.

In total there were £7.9m of gross (pre-tax) adjusting items, split into £6.4m of adjusting items to operating profit and a £1.5m adjustment to finance costs. Net adjustments (post-tax) were £6.9m.

Net finance costs increased as we invest in growing the business
Adjusted net finance costs increased to £5.1m (2016: £2.7m). This reflects the increase in our debt as we have invested in growing the business through the significant acquisition.

The adjustment of £1.5m to finance costs noted above relates to undrawn facility fees for the new term loan to support the acquisition, and the write-off of fees from our previous refinancing.

Profit before tax impacted by adjusting items
Profit on ordinary activities before taxation increased to £18.4m (2016: £17.7m). This was impacted by the £7.9m of adjusting items relating to the acquisition (£5.0m) and planned closures (£2.9m) as described above.

Before adjusting items, profit before tax increased by £5.5m to £26.3m (2016: £20.8m).

Stable effective rate of tax
The tax charge for the period increased to £4.2m (2016: £3.7m), representing an effective tax rate of 22.9% (2016: 21.2%). This effective rate compares to an average statutory rate for the period of 19.3%.

Double-digit percentage growth in adjusted earnings per share
Basic earnings per share slightly reduced to 12.3 pence (2016: 12.8 pence). Adjusted earnings per share, however, increased to 18.3 pence (2016: 16.0 pence).

Dividend per share increased
I am pleased to confirm that the Board has recommended a final dividend of 6.9 pence per share (2016: 6.8 pence). The total dividend for the period has slightly increased to 10.3 pence per share (2016: 10.2 pence), reflecting our commitment to improve returns to shareholders as we grow the business. As previously advised, looking forward it is management's intention to move towards a policy of a 50% payout ratio to profit after tax (before adjusting gains but after adjusting losses), as earnings (and therefore pence per share payouts) increase.

Asset base strengthened by investment
We have continued to grow the business, increasing total shareholder funds at the end of the year by £5.4m to £145.9m (2016: £140.5m).

Our ongoing programme of capital investment increased the book value of goodwill and other intangibles, property, plant and equipment by £131.4m to £352.5m (2016: £221.1m).

Current assets at the end of the period increased to £130.6m (2016: £97.7m). This increase of £32.9m is a result of an increase in stock of £20.9m and Trade Receivables of £5.2m with the growth in our estate following our acquisition, plus an increase in cash and cash equivalents of £10.5m due to higher levels of cash in transit and a lower overdraft, partly offset by reduction in assets held for sale.

Our current liabilities increased to £173.4m (2016: £139.1m), reflecting higher trade and other payables driven by business growth and increased provisions due to our store closure programme.

Non-current liabilities increased to £177.6m (2016: £50.2m), as we extended our borrowings to finance the acquisition.

Pension schemes stable, actuarial review completed
We operate two defined benefit pension schemes, the TM Group Pension Scheme and the TM Pension Plan, both of which are closed to future accrual.

The combined accounting surplus (based on corporate bond yields) in the two schemes at the end of the period further improved to £10.3m (2016: £6.1m), as a result of strong returns on assets.

We concluded the actuarial review of the two schemes in June 2017. This review concluded that the combined funding deficit of our two pension schemes was £12.6m, broadly similar to that at the previous actuarial valuation. Therefore only a minor incremental cash contribution will be made in the current review period.

The Company currently contributes approximately £1.6m per year, inclusive of fees and levies.

Consistent cash generation supports future growth
The cash generation of McColl's continues to support significant investment in the business and a strong dividend yield for shareholders, whilst also controlling debt levels.

Net cash provided by operating activities increased in the year to £54.2m (2016: £21.6m). This was supported by increased business scale and profits, favourable working capital flows and lower underlying capex (i.e. excluding the major acquisition).

Adjusted EBITDA excluding property-related items (see note 4 for definition) increased by £7.3m to £44.0m (2016: £36.7m).

Excluding the acquisition, net capital expenditure, which excludes the acquisition of stock, reduced by £5.4m to £20.3m (2016: £25.7m).

We continue to invest in the business for growth, including our programme of store acquisitions and refreshes, alongside the development and extension of our services and food-to-go offer.

In the period we added 310 convenience stores, completed 26 store refreshes and delivered six new Subways in our stores.

Net finance expense of £5.1m (excluding adjusting items) was higher than the prior year, reflecting increased borrowings and a higher interest rate given leverage levels. The interim and final dividends paid in the period totalled £11.7m, up slightly in total cash terms due to the additional shares now in issue.

Net debt at the end of the period was £142.2m (2016: £37.0m), representing 3.2 times adjusted EBITDA (2016: 1.0 times adjusted EBITDA). This ratio reduces on a 12 month rolling EBITDA basis and is in line with the leverage profile that had been anticipated by management.

Debt refinancing package to support major acquisition
In 2016, we renegotiated our debt facilities, to support our major acquisition. The previous £85m working capital facility was extended to £100m and supplemented by a £100m repayment term loan. Both of these elements will run through until July 2021, with the interest rate reducing as the business deleverages. At the end of the period, drawings against the total facility were in line with management expectations at £154.5m (2016: £37.0m).

Future outlook
2017 has been a very important year for the business, set against the backdrop of major changes in the grocery sector and particularly the convenience channel. We have looked to capitalise upon the opportunities this has afforded, particularly with the announcement of a strategic partnership with a FTSE 100 grocery retailer. We believe that this move, alongside the additional focus on store refreshes to unlock further organic growth, stands us in good stead for the short, medium

and long term, as we look to fully exploit the benefits of a larger, more food-focused and better invested-in business.

Simon Fuller FCA
Chief Financial Officer

Responsibility statement

The responsibility statement has been prepared in connection with the Company's full Annual Report for the period ended 26 November 2017. Certain parts of the annual report are not included in this announcement, as described in note 1.

We confirm that to the best of our knowledge:

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

By order of the board

Simon Fuller
18 February 2018

McColl's Retail Group

Consolidated Income Statement for the 52 week Period from 28 November 2016 to 26 November 2017

	Note	Adjusted 2017 £ 000	Adjusting items 2017 Note 3 £ 000	Total 2017 £ 000	Adjusted 2016 £ 000	Adjusting items 2016 Note 3 £ 000	Total 2016 £ 000
Revenue	2	1,131,777	-	1,131,777	950,403	-	950,403
Cost of sales		(841,370)	-	(841,370)	(711,752)	-	(711,752)
Gross profit		290,407		290,407	238,651		238,651
Administrative expenses		(286,889)	(3,730)	(290,619)	(239,443)	(2,186)	(241,629)
Other operating income	2	24,757	-	24,757	23,147	-	23,147
Profits/(losses) arising on property-related items		3,110	(2,621)	489	1,109	(757)	352
Operating profit/(loss)	4	31,385	(6,351)	25,034	23,464	(2,943)	20,521
Finance income		93		93	13		13
Finance costs		(5,200)	(1,521)	(6,721)	(2,723)	(152)	(2,875)
Net finance cost		(5,107)	(1,521)	(6,628)	(2,710)	(152)	(2,862)
Profit/(loss) before tax		26,278	(7,872)	18,406	20,754	(3,095)	17,659
Income tax (expense)/receipt	5	(5,228)	1,014	(4,214)	(3,406)	(337)	(3,743)
Profit/(loss) for the period		21,050	(6,858)	14,192	17,348	(3,432)	13,916
Earnings per share (pence)	7	18.28p		12.32p	15.99p		12.82p
Diluted earnings per share (pence)	7	18.19p		12.26p	15.99p		12.82p

The above results were derived from continuing operations.

McColl's Retail Group

Consolidated Statement of Comprehensive Income for the 52 week Period from 28 November 2016 to 26 November 2017

	2017 £ 000	2016 £ 000
Profit for the period	14,192	13,916
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	2,522	(928)
Total comprehensive income for the period	16,714	12,988

McColl's Retail Group

Consolidated Statement of Financial Position for the 52 week Period from 28 November 2016 to 26 November 2017

	Note	2017 £ 000	2016 £ 000
Assets			
Non-current assets			
Property, plant and equipment	8	103,565	66,783
Intangible assets	9	248,899	154,351
Deferred tax assets		172	-
Retirement benefit asset		13,609	10,946
Investments		36	18
Total non-current assets		366,281	232,098
Current assets			
Inventories		75,965	55,041
Trade and other receivables		39,810	34,609
Cash and cash equivalents		14,273	3,757
Total current assets		130,048	93,407
Assets classified as held for sale		581	4,286
Total assets		496,910	329,791
Equity and liabilities			
Current liabilities			
Trade and other payables		(165,469)	(130,021)
Income tax liability		(2,633)	(2,294)
Provisions		(4,508)	(1,647)
Total current liabilities		(172,610)	(133,962)
Liabilities directly associated with assets classified as held for sale		(830)	(5,137)
Net current liabilities		(42,811)	(41,406)
Non-current liabilities			
Loans and borrowings	12	(152,968)	(35,961)
Other payables		(12,121)	(4,160)
Provisions		(593)	(365)
Deferred tax liabilities		(8,528)	(4,856)
Retirement benefit obligations		(3,352)	(4,844)
Total non-current liabilities		(177,562)	(50,186)
Total liabilities		(351,002)	(189,285)
Net assets		145,908	140,506

McColl's Retail Group

Consolidated Statement of Financial Position for the 52 week Period from 28 November 2016 to 26 November 2017

	Note	2017 £ 000	2016 £ 000
Equity			
Share capital	14	(115)	(115)
Share premium		(12,579)	(12,579)
Retained earnings		(133,214)	(127,812)
Equity attributable to owners of the company		(145,908)	(140,506)

McColl's Retail Group

Consolidated Statement of Changes in Equity for the 52 week Period from 28 November 2016 to 26 November 2017

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 28 November 2016	115	12,579	127,812	140,506
Profit for the period	-	-	14,192	14,192
Other comprehensive income	-	-	2,522	2,522
Total comprehensive income	-	-	16,714	16,714
Dividends	-	-	(11,748)	(11,748)
Share based payment transactions	-	-	436	436
At 26 November 2017	115	12,579	133,214	145,908

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity £ 000
At 30 November 2015	105	47,836	78,024	125,965
Profit for the period	-	-	13,916	13,916
Other comprehensive income	-	-	(928)	(928)
Total comprehensive income	-	-	12,988	12,988
Dividends	-	-	(11,036)	(11,036)
New share capital subscribed	10	12,579	-	12,589
Other share premium reserve movements [a]	-	(47,836)	47,836	-
At 27 November 2016	115	12,579	127,812	140,506

a. On 18 May 2016, the Group received court approval for the special resolution, proposed and passed at the AGM, to cancel its share premium account of £47,836,000 and transfer this amount to distributable reserves. This was registered at Companies' House on 23 May 2016.

McColl's Retail Group

Consolidated Statement of Cash Flows for the 52 week Period from 28 November 2016 to 26 November 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Profit for the period		14,192	13,916
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	15,636	14,305
Profit on disposal of property plant and equipment		(489)	(352)
Finance income		(93)	(13)
Finance costs		6,721	2,875
Share based payment transactions		436	
Income tax expense	5	4,214	3,743
Impairment losses		746	415
		41,363	34,889
Working capital adjustments			
Increase in inventories		(20,924)	(1,853)
Increase in trade and other receivables		(3,969)	(5,921)
Increase in trade and other payables		40,561	3,207
Decrease in retirement benefit obligation net of actuarial changes		(1,633)	(1,025)
Increase/(decrease) in provisions		3,089	(2,504)
Cash generated from operations		58,487	26,793
Income taxes paid		(4,267)	(5,144)
Net cash flow from operating activities		54,220	21,649
Cash flows from investing activities			
Interest received		93	13
Acquisitions of property plant and equipment		(25,655)	(15,920)
Proceeds from sale of property plant and equipment		7,622	5,874
Acquisition of intangible assets		(122,409)	(15,656)
Net cash flows from investing activities		(140,349)	(25,689)
Cash flows from financing activities			
Interest paid		(6,327)	(2,479)
Proceeds from issue of ordinary shares, net of issue costs		-	12,559
Repayment of bank borrowing	13	(37,000)	(7,500)
New bank borrowing	13	154,500	-
(Payment of)/new finance lease creditors		(2,506)	1,921
Interest payment to finance lease creditor		(274)	(199)
Dividends paid	6	(11,748)	(11,036)
Net cash flows from financing activities		96,645	(6,734)
Net increase in cash and cash equivalents		10,516	(10,774)
Cash and cash equivalents at beginning of period		3,757	14,531
Cash and cash equivalents at end of period		14,273	3,757

McColl's Retail Group

Notes to the Financial Statements for the 52 week Period from 28 November 2016 to 26 November 2017

1 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 26 November 2017. Acquisitions are accounted for under the acquisition method of accounting.

The Group financial statements have been prepared based on the Company's financial statements. These are prepared 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 financial information set out above does not constitute the Company's statutory accounts for the years ended 26 November 2017 or 27 November 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498 (2) or (3) Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in March 2018.

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

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Going concern

In making their going concern assessment the Directors have considered the Group's business activities, its financial position, the market in which it operates and the factors likely to affect its future development.

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

In July 2016, the Group completed a £100,000,000 term loan and an amended £100,000,000 revolving facility with a £50,000,000 accordion. The Group has net current liabilities of £42,811,000 at the period end. The Directors have additionally considered this position to determine if it presents any going concern issues. The Group is profitable and cash generative and is supported by the revolving credit facility alongside a £100,000,000 term loan. The current facility drawn as at 26 November 2017 is £154,500,000 against the combined facility, and therefore there is sufficient headroom to meet the Group's debts as they fall due.

The Directors believe the Group is in a strong financial position due to its profitable operations and strong cash generation and that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

1 Accounting policies (continued)

Adjusting items

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. 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 3.

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 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 recognising 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.

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, and as such, requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. Accounting requirements for lessors are substantially unchanged from IAS 17. The Group has carried out preliminary work to assess the accounting impacts of the change. From work performed to date, it is expected that implementation of the new standard will have a substantial impact on the consolidated results of the Group. The Group continues to assess the full impact of IFRS 16, however, the impact will depend on the facts and circumstances at the time of adoption and upon transition choices adopted. It is therefore not yet practicable to provide a reliable estimate.

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.

2 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:

	2017 £ 000	2016 £ 000
Sale of goods	1,131,777	950,403
Property rental income	3,224	2,985
Finance income	93	13
Other operating income	21,533	20,162
	1,156,627	973,563

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

3 Adjusting items

Adjusting Items

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

	2017 £ 000	2016 £ 000
Co-op acquisition and integration costs [a]	3,447	2,004
Impairment and onerous lease provisions related to assets held for sale [b]	-	757
Costs relating to closure of non-trading sites	-	334
Finance costs in relation to Co-op acquisition and integration	1,521	-
Unprofitable store closure programme [c]	2,904	-
Tax effect	(1,014)	337
	6,858	3,432

3 Adjusting items (continued)

a. Co-op acquisition and integration costs

On 13 July 2016 management entered into an agreement to purchase 298 convenience stores from the Co-op, for an aggregate consideration of £117m. The acquisition was approved by the Competition and Markets Authority on 20 December 2016. The acquisition was integrated during 2017 by Martin McColl Limited, a wholly owned subsidiary of the Group. The adjusting costs relate to legal fees, sponsor fees and implementation costs. All 298 stores were successfully transitioned by 13 July 2017.

b. Assets held for sale

Following a review of its portfolio in 2015, the Group decided to sell 97 of its newsagents. The Group continues to focus on the strategy of developing and expanding the convenience business and identified these marginal stores as not being part of its long term planning. As at year end 27 November 2016 there were 75 stores remaining. During 2017 the Group sold 17, 17 are trading on, and 32 have been transferred to the closure programme, leaving 9 remaining at the end of the period.

c. Unprofitable store closure programme

Management have undertaken a review of poor performing stores and have made the decision to close stores which are not economically viable to continue trading. The majority of these stores are either near lease expiry or lease break date. The closure programme consists of stores which will either close in 2017 or 2018. Management have adjusted onerous lease provisions, impairment, and other costs in relation to the closures. £398,000 of the costs are included within administrative expenses. Any other closures costs which cannot be reliably estimated at present, will also be adjusting in 2018.

4 Operating profit

Arrived at after charging/(crediting)

	Note	2017 £ 000	2016 £ 000
Depreciation and amortisation expense		15,636	14,305
Write-down of inventory recognised as an expense		13,766	8,417
Operating lease expense - property		33,810	30,191
Profit on disposal of property, plant and equipment		(489)	(352)
Impairment	8	746	415
Cost of inventories recognised as an expense		876,599	738,678

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 our normal course of business, material by size and are considered to be distortive 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 principle 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 3.

4 Operating profit (continued)

	2017 £ 000	2016 £ 000
Adjusted EBITDA excluding property-related items		
Operating profit before adjusting items	31,385	23,464
Depreciation and amortisation	15,289	14,305
Impairment of property, plant and equipment and onerous leases	-	308
Profits arising on property-related items	(3,110)	(1,422)
Share based payments	436	-
	44,000	36,655
Adjusted operating profit excluding property-related items		
Operating profit before adjusting items	31,385	23,464
Less: Profits arising on property-related items	(3,110)	(1,109)
	28,275	22,355

5 Income tax

	2017 £ 000	2016 £ 000
Income statement		
Current tax :		
Current tax on profit for the period	4,780	5,319
Adjustments in respect of prior periods	(173)	(283)
	4,607	5,036
Deferred tax :		
Origination and reversal of temporary differences	(81)	(955)
Associated with pension deficit	-	69
Arising from change in tax rate	(14)	(125)
Adjustments in respect of prior periods	(298)	(282)
	(393)	(1,293)
Income tax expense for the period	4,214	3,743
Other comprehensive income		
Deferred tax in respect of actuarial valuation of retirement benefits	517	(168)
Corporation tax	-	(117)
	517	(285)

5 Income tax (continued)

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	18,406	17,659
Tax on profit calculated at standard rate for 2017 of 19.33% (2016: 20.00%)	3,558	3,532
Disallowed expenses and non-taxable income	642	901
Deferred tax on share options	(18)	-
Adjustments in respect of prior years	(471)	(565)
Arising from change in rate of tax	(14)	(125)
Exempt amounts	517	-
Total tax charge	4,214	3,743

Changes to the UK corporation tax rates were enacted as part of Finance Bill 2015 on 18 November 2015. 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 6 September 2016.

Amounts recognised in other comprehensive income:

	2017			2016		
	Before tax £ 000	Tax (expense) /benefit £ 000	Net of tax £ 000	Before tax £ 000	Tax (expense) /benefit £ 000	Net of tax £ 000
Remeasurements of post employment benefit obligations	3,039	(517)	2,522	(1,213)	285	(928)

McColl's Retail Group

Notes to the Financial Statements for the 52 week Period from 28 November 2016 to 26 November 2017

6 Dividends

	2017 £ 000	2016 £ 000
Final 2016 dividend of 6.80p (2015 - 6.80p) per ordinary share	7,832	7,120
Interim 2017 dividend of 3.40p (2016 - 3.40p) per ordinary share	3,916	3,916
	11,748	11,036

The directors are proposing a final 2017 dividend of 6.90 pence (2016 - 6.80 pence) per share totalling £7,947,000 (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.

7 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.

	2017 £ 000	2016 £ 000
Basic weighted average number of shares	115,172,774	108,505,494
Diluted weighted average number of shares	115,724,645	108,505,494
Profit attributable to ordinary shareholders (£'000)	14,192	13,916
Basic earnings per share	12.32p	12.82p
Diluted earnings per share	12.26p	12.82p
Adjusted earnings per share:		
Profit attributable to ordinary shareholders (£'000)	14,192	13,916
Adjusting items (note 3)	7,872	3,095
Tax effect of adjustments	(1,014)	337
Profit after tax and before adjusting items	21,050	17,348
Basic adjusted earnings per share	18.28p	15.99p
Diluted adjusted earnings per share	18.19p	15.99p

7 Earnings per share (continued)

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:

	2017 £ 000	2016 £ 000
Ordinary shares in issue at the start of the period	108,505,494	104,712,042
Effect of shares issued for the Co-op acquisition (part year)	-	3,793,452
Effect of shares issued for the Co-op acquisition (full year)	6,667,280	-
	115,172,774	108,505,494
Effect of shares to be issued for the Long term incentive plan (LTIP)	551,871	-
Weighted average number of ordinary shares at the end of the period	115,724,645	108,505,494

McColl's Retail Group

Notes to the Financial Statements for the 52 week Period from 28 November 2016 to 26 November 2017

8 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 30 November 2015	26,415	84,529	110,944
Additions	4,945	10,774	15,719
Acquired through business combinations	4,823	858	5,681
Previously classified as held for sale	-	22	22
Disposals	(5,159)	(2,122)	(7,281)
Transfers	3,655	(3,655)	-
At 27 November 2016	34,679	90,406	125,085
Additions	8,727	15,981	24,708
Acquired through business combinations	29,839	4,410	34,249
Classified as held for sale	-	3,044	3,044
Disposals	(5,242)	(3,690)	(8,932)
At 26 November 2017	68,003	110,151	178,154
Depreciation			
At 30 November 2015	7,315	39,268	46,583
Charge for period	3,655	9,874	13,529
Eliminated on disposal	(131)	(1,628)	(1,759)
Impairment	-	415	415
Transfers	2,277	(2,277)	-
Previously classified as held for sale	-	(466)	(466)
At 27 November 2016	13,116	45,186	58,302
Charge for the period	4,235	10,761	14,996
Eliminated on disposal	(274)	(1,525)	(1,799)
Impairment	-	746	746
Classified as held for sale	-	2,344	2,344
At 26 November 2017	17,077	57,512	74,589
Carrying amount			
At 26 November 2017	50,926	52,639	103,565
At 27 November 2016	21,563	45,220	66,783

9 Intangible assets

	Goodwill £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation			
At 30 November 2015	147,531	5,706	153,237
Additions	9,662	166	9,828
Fair value adjustment for goodwill	(1,410)	-	(1,410)
Deferred tax on fair value adjustment of land and buildings	286	-	286
Previously classified as held for sale	1,223	-	1,223
At 27 November 2016	157,292	5,872	163,164
Additions	91,442	929	92,371
Deferred tax on fair value adjustment of land and buildings	3,377	-	3,377
Fair value adjustment for goodwill	(560)	-	(560)
At 26 November 2017	251,551	6,801	258,352
Amortisation			
At 30 November 2015	3,518	3,803	7,321
Amortisation charge	-	776	776
Net transferred from assets held for sale	716	-	716
At 27 November 2016	4,234	4,579	8,813
Amortisation charge	-	640	640
At 26 November 2017	4,234	5,219	9,453
Carrying amount			
At 26 November 2017	247,317	1,582	248,899
At 27 November 2016	153,058	1,293	154,351

The goodwill addition in the year includes £88,769,000 related to the acquisition of the 298 Co-op stores (see note 11).

10 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:

	2017 £ 000	2016 £ 000
Tangible fixed assets	2,834	5,681
Inventory	462	1,758
Goodwill	2,113	7,931
Deferred tax asset	-	286
Cash consideration	5,409	15,656

11 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 on £117m. 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:

	2017 £ 000
Assets and liabilities at date of acquisition	
Property, plant and equipment	31,415
Financial liabilities	(3,184)
Total identifiable assets	28,231
Goodwill	88,769
Total consideration	117,000
Satisfied by:	
Cash	117,000

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

The acquisition contributed £183,000,000 of sales and £3,900,000 of adjusted operating profit to the Group’s results for the part year.

12 Loans and borrowings

	2017 £ 000	2016 £ 000
Non-current loans and borrowings		
Bank borrowings	154,500	37,000
Unamortised issue costs	(1,532)	(1,039)
	152,968	35,961

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

In July 2016, the Group completed a £100,000,000 term loan and an amended £100,000,000 revolving facility with a £50,000,000 accordion. The current facility drawn as at 26 November 2017 is £154,500,000 (2016: £37,000,000).

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

	2017 £ 000	2016 £ 000
Revolving facility available until July 2021	154,500	37,000
Hire purchase obligations	1,753	3,346
	156,253	40,346

13 Net debt

	2017 £ 000	2016 £ 000
Cash at bank and in hand	14,273	3,757
	14,273	3,757
Revolving facility available until July 2021	(154,500)	(37,000)
Less: unamortised issue costs	1,532	1,039
	(152,968)	(35,961)
Amounts due under hire purchase obligations	(3,552)	(4,815)
Net debt	(142,247)	(37,019)

Analysis of net debt

	2016 £ 000	Cash flow £ 000	Other non-cash movements £ 000	2017 £ 000
Analysis of net debt				
Cash and short-term deposits	3,757	10,516	-	14,273
Loans and borrowings	(35,961)	(117,500)	493	(152,968)
Finance lease liabilities	(4,815)	1,263	-	(3,552)
	(37,019)	(105,721)	493	(142,247)

14 Authorised, issued and fully paid share capital

	Number of shares	Share capital £ 000	Share premium £ 000
Issued ordinary shares of £0.001 at 28 November 2016	115,172,774	115	12,579
Issued ordinary shares of £0.001 at 26 November 2017	115,172,774	115	12,579

Voting rights

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

15 Contingent liabilities

At 26 November 2017, the Group has the following contingent liabilities:

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

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

	2017 £ 000	2016 £ 000
Bank arrangement fee (to be paid on first draw down of new term loan)	-	447
Broker fee for acquisition to be paid after CMA approval has been obtained	-	1,170
Health and safety incident	600	-
	600	1,617

16 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.

	2017 £ 000	2016 £ 000
Salaries and other short term employee benefits	1,793	2,068
Share-based payments	228	-
	2,021	2,068

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

Principal Risks and Uncertainties

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

At present, the Board, with the assistance of the Audit & Risk Committee, considers the following to be the principal risks facing the Group.

Principal Risk	Risk	Mitigation/Strategic response	Current changes
Strategy (maintained)	If the Board either adopts the wrong strategy or does not implement it effectively the aims of the business, its performance and reputation may suffer	• Our strategic development is led by an experienced Board and senior management • An annual strategic review takes place alongside our budget-setting process • The McColl's strategy is widely communicated and understood across the business • Business plans are developed, monitored and reviewed against strategic KPIs • Senior management are incentivised with performance related rewards to deliver our strategy	Key strategic challenges for 2018 include successful transition to new Supply arrangements and significant store refresh programme. Ongoing change and consolidation in the sector may also impact our business.
Supply chain (increased)	We rely on a small number of key distributors and may be adversely affected by changes in supplier dynamics and interruptions in supply.	• We establish long-term relationships with trusted suppliers • Our distribution partners maintain their own contingency planning as do we • We closely monitor supplier performance including service levels and hold regular discussions with them to address any issues • We monitor the financial stability of key partners • We regularly review our supply chain arrangements, with full tenders completed in 2013 and 2017	Uncertainties in the market and the planned transition to a new supplier increase the risk in the shorter term. The recent collapse of Palmer & Harvey tested our contingency arrangements. The business is now more reliant on its remaining legacy supply partner whilst we transition to our new wholesale arrangements.
Supply chain transition (new)	During 2018, we will be transitioning the wholesale arrangements for the majority of our estate to a new supplier. As with any significant project, there is a risk that it will not be delivered to plan.	• There is close oversight by the Retail Board and senior management • We undertook a significant amount of planning and testing work to identify and resolve potential issues and have instigated close monitoring of the rollout programme • We have a dedicated and skilled management team with extensive	The transition project has been carefully planned and tested. Implementation is being closely monitored and there is a clear route to escalate any issues if required. The rollout plan is ambitious but is designed to ensure

		experience of managing supply arrangements • We have established clear lines of communication and a joint project management approach with our new supplier • Phased rollout is designed to ensure the transition is manageable and adapted where necessary	the team is not over-stretched.
Competition (increased)	We operate in a highly competitive environment, which is continually changing and has been subject to consolidation. Failure to maintain market share could have an adverse effect on our core business and deflate sales and profitability.	• We monitor competitor activity and customer trends • Regular meetings are held with key suppliers to optimise our offer • Development of the *Plus* card loyalty scheme continues • We are increasing brand awareness through marketing • Improvement of our estate and stores is ongoing • Local refit programmes are undertaken to counter specific threats	Our new supply arrangements, including the exclusive launch of the Safeway brand and enhancement of our range, will bring competitive advantage. Our store refresh programme will enhance our customers' shopping experience.
Customer Offer (maintained)	Customer shopping habits are influenced by a wide range of factors. If we do not respond to their changing needs they are more likely to shop with a competitor and our reputation could suffer, resulting in falling revenues.	• Membership of third party organisations (such as the Institute of Grocery Distribution and the Association of Convenience Stores) gives us greater insight into the convenience sector trends and developments • Our new Customer Director will enhance the Retail Board's capability to address changing customer needs • Promotional programmes offer customers great value • We have a customer loyalty scheme – *Plus* card • Our strong customer service standards are reflected in our evolving brand strategy • We complete detailed customer research for key projects, for example our store refurbishment programme	Our new supply arrangements will increase our access to a wider range of the excellent quality products that our customers want at competitive prices. With the recent creation of a new Customer Director role, we are increasing our focus on the customer and have identified key strengths within our offering that will help develop our brand.
Economy (maintained)	All our revenue is generated in the UK. Any deterioration in the UK economy, for example as a consequence of Brexit, could affect consumer spending and cost of goods, which in turn would	• We sell food and household essentials which are not considered to be highly discretionary • We offer a wide range of products at different price points, e.g. value and premium brands • Our flexible business model allows us to respond to changes in	Ongoing economic uncertainty increases the risk of a loss of consumer confidence. Further joint plans will be developed with supply partners and manufacturers as needed.

	impact our sales and profitability.	customer behaviour, for example, by adapting our ranges • Our growing scale enables us to achieve better buying terms, helping to mitigate inflationary pressures and we are already working with our new supply partner to achieve this • We are growing our range of own brand products through the rollout of Safeway	
Financial and treasury (maintained)	The main financial risks are the availability of short- and long-term funding to meet business needs, fluctuations in interest rates, movements in energy prices and other post-Brexit impacts.	• Committed loan facilities are in place, which provide us with headroom to deliver our strategy (see note 12) • Funding requirements are managed through regular forecasting and treasury management • The Board approves budgets and business plans • Relationships with lenders are managed through regular meetings • We manage exposure to fluctuating energy prices by forward buying electricity. We acknowledge that the forward contracts in place are derivatives, they are treated as a pre-agreed price for electricity	We have commenced an annual programme of sale and leaseback of stores purchased as part of the 298 store acquisition to release further funds in the business for investment, growth and de-leveraging. We currently anticipate this strategy will be available to us over the medium term. We will continue to work with our banking group to optimally manage our funding position.
Information Technology (maintained)	We depend on the reliability and capability of key information systems and technology. A major failure, a breach, or prolonged performance issues with store or head office systems could have an adverse impact on the business and its reputation.	• All business-critical systems are well established and are supported by an appropriate disaster recovery strategy designed to ensure continuity of the business • Business continuity plans are tested on an annual basis • Regular reviews assess our vulnerability and our ability to re-establish operations in the event of a failure • Testing is performed to ensure data is controlled and protected	We are preparing for compliance with the General Data Protection Regulations, which come into effect in May 2018, and are keeping our preparedness for cyber threats under review. We are also reviewing our future IT roadmap and have plans to upgrade our ERP and EPOS systems.
Operational cost base (maintained)	We have a relatively high cost base, consisting primarily of salary, property rental and energy costs. Increases in these costs without a corresponding increase in revenues	• We continually seek to remove unnecessary complexity from our operational procedures to optimise performance • We operate a flexible staff model aligned to revenue levels • We monitor legislation and developments related to our costs,	National Living Wage and National Minimum Wage will again increase above the rate of inflation in 2018. We have set up a group to focus on delivering

	could adversely impact our profitability.	e.g. minimum wage, rents and energy tariffs, to allow us to plan and mitigate increases • Property management is a key function with regular review processes in place • We minimise energy costs by combining energy efficiency initiatives and forward purchasing • We regularly retender external contracts to ensure they remain market-competitive	efficiencies and process improvements in our operations.
Regulation (maintained)	We operate in an environment governed by strict regulations to ensure the safety and protection of customers, colleagues, shareholders and other stakeholders. Regulations include alcohol licensing, employment, health and safety, data protection and the rules of the Stock Exchange. Failure to comply with relevant laws and regulations could result in sanctions and reputational damage.	• We have clear accountability for compliance with all laws and regulations • Our policies and procedures are designed to meet all relevant requirements • We train colleagues to comply with all relevant legislation • We have established governance groups, such as our Health and Safety Strategy Committee to review and manage our compliance • Through third party memberships and expert advice, we keep up-to-date with evolving statute	Regulations impacting our business continue to change but we have processes in place to make sure we take proper account of regulatory developments in the way we conduct our business.

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 flows 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 McColls.

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 McColls 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 year.

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

Like-for-like sales (LFL): 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. It includes sales from stores that have traded throughout the whole of the current and prior periods, and including VAT but excluding sales of fuel, lottery, mobile top-up, 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 stores and newsagents.

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.

Adjusted 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.

APM	Closest equivalent IFRS measure	Note reference for reconciliation	Definition and purpose
Income statement ***Revenue measures***			

Sales growth	No direct equivalent	Not applicable	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.
Sales mix	No direct equivalent	Not applicable	The relative proportion or ratio of products sold compared to the same period in the prior year.
Like-for-like (LFL)	No direct equivalent	Not applicable	Like-for-like is a measure of growth in Group sales from stores that have been open for at least a year (but excludes prior year sales of 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 expansion, disposals and closures.
Profit measures			
Adjusted operating profit excluding property-related items	Operating profit	Note 4	Operating profit before adjusting items is the headline measure of the Group's performance. It is based on operating profit before the impact of certain costs or incomes, including property-related items, that derive from events or transactions that fall within the normal activities of the Group, but 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.
Gross margin	No direct equivalent	Not applicable	Gross margin is calculated as Gross profit before adjusting items divided by revenue. Progression in gross margin is an important indicator of the Group's operating efficiency.
Profits/(losses) arising on property-related items	No direct equivalent	Not applicable	Profits/(losses) arising on property-related items relates to the Group's property activities including; gains and losses on disposal of property assets, sale and lease back of freehold interests; costs resulting from changes in the Group's store portfolio, including pre-opening and post-closure costs; and income/(charges) associated with impairment of non-trading

			property and related onerous contracts. These items are disclosed separately to clearly identify 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.
Adjusted net finance costs	Finance costs	Not applicable	Total finance costs before adjusting items is the net finance costs adjusted for non-recurring one off items due to their size and nature.
Adjusted EBITDA	No direct equivalent	Note 4	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, in order to provide shareholders with a measure of true underlying performance of the business.
Basic adjusted earnings per share (EPS)	No direct equivalent	Note 7	This relates to profit after tax before adjusting items divided by the basic weighted average number of shares, in order to provide shareholders with a measure of true underlying performance of the business.
Diluted adjusted earnings per share	Diluted earnings per share	Note 7	The difference between basic and diluted metric is the impact of the dilutive effect of share options and warrants in existence.
Balance sheet measures			
Net debt	Borrowings less cash and related hedges	Note 13	Net debt comprises bank and other borrowings, finance lease payables, and net interest receivables/ payables, offset by cash and cash equivalents and short-term investments. It is a useful measure of the progress in generating cash and strengthening of the Group's balance sheet position and is a measure widely used by credit rating agencies.

Other

Capital expenditure, excluding the acquisition: The additions to property, plant and equipment and intangible assets that do not relate to the acquisition of, or further investment in, the 298 stores acquired from the Co-op.

FTE: Full-time equivalents.

RPI: Retail Price Index.

CPI: Consumer Price Index.

LPI: Limited Price Inflation

Total Shareholder Return (TSR): The notional annualised return from a share, measured as the percentage change in the share price, plus the dividends paid with the gross dividends, reinvested in McColl's shares. This is measured over both a one and three year period.

Grocery sales: This includes ambient, fresh, frozen and household groceries, and food-to-go, but excludes impulse categories (including confectionery, crisps and snacks, soft drinks and ice cream), general merchandise, news and magazines, and services.