CD&R Firefly Holdco Limited

REPORT AND FINANCIAL STATEMENTS

Year to 31 December 2019

Company 09548683

Company Information

DIRECTORS	Gregory Laï Marco Herbst
REGISTERED OFFICE	Cleveland House 33 King Street London SW1Y 6RJ
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

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Strategic Report for the year ended 31 December 2019

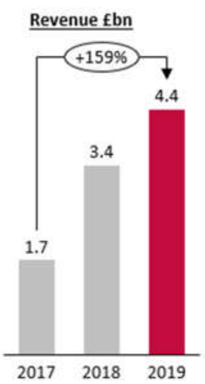
The directors present their Strategic Report for CD&R Firefly Holdco Limited (**the** '**Company'**) and its subsidiaries, (**the 'Group'**) together with the audited Group financial statements, for the year ended 31 December 2019.

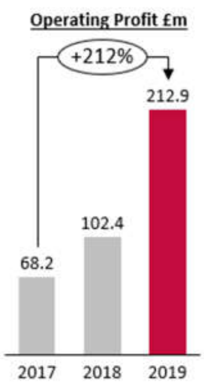
Sections

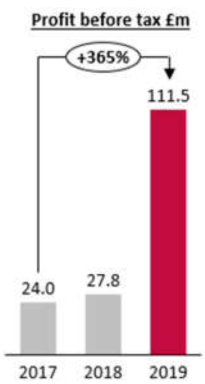
Group Highlights

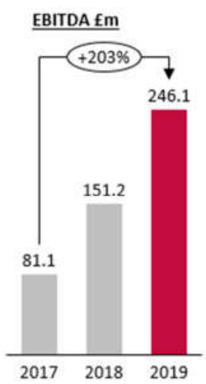
Motor Fuel Group (MFG) is the largest independent forecourt operator in the UK and Channel Islands by number of sites with 903 operational sites at the end of the year (902 forecourts and one convenience store). The business has continued to grow rapidly, driven both by strong organic performance and a number of acquisitions. MFG operates under six of the major oil company brands and partners with a large number of nationally and internationally recognised retail and fast food brands. Performance in the year to 31 December 2019 has been strong and has been supported by stable UK fuel consumption, lack of high volatility in the UK retail fuel market, a structurally changing margin environment and a minimal increase in the number of UK forecourt sites.

Financial









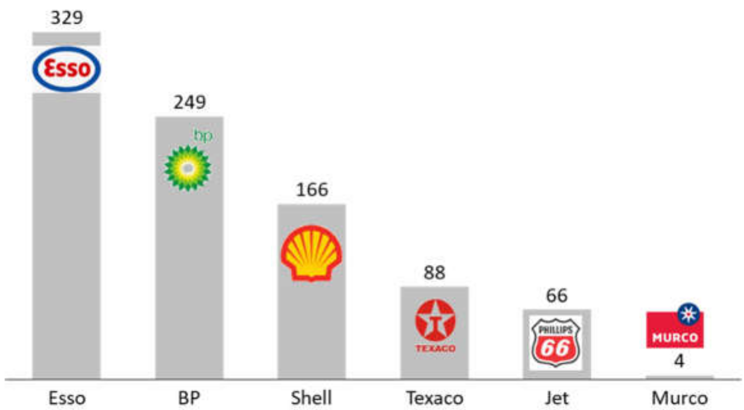
Strategic Report *(continued)*

Business purpose and objectives

MFG's purpose is to provide its customers with an attractive and competitive forecourt offering, comprising top fuel brands along with high quality convenience stores, food-to-go and other services.

MFG's objective continues to be to develop the business into the most dynamic and profitable independent forecourt operator in the UK.

Forecourts by Brand



Forecourts are increasingly prime locations for retail and food to go (FTG) offerings; MFG partners with a number of widely recognised brands, such as Londis, Budgens, Subway, Costa, Greggs and Starbucks, all of which provide enhanced value and add to the overall customer experience.

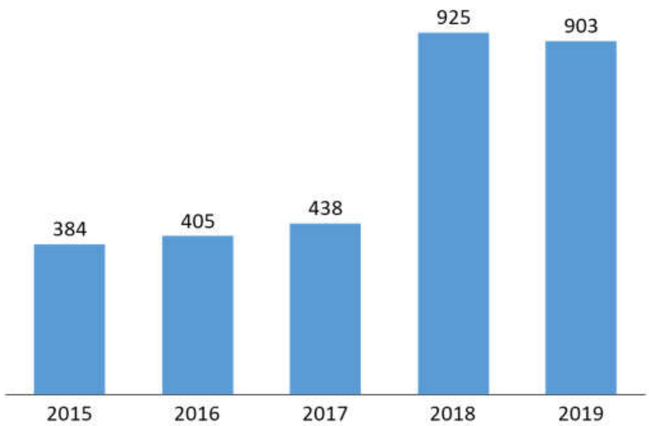
During the last few years MFG has grown significantly through a combination of organic growth and a number of acquisitions including the transformational acquisition of the MRH Group in June 2018. The MRH acquisition added 491 sites to the network, provided opportunities to realise significant synergies and opened up a number of new opportunities and partnerships that could be leveraged by the wider group. During 2019 two additional small networks were acquired.

The strategy going forward is to maximise the scale benefits of the portfolio and to drive the diversification of the forecourt further through continued refinement and development of the Food-To-Go and retail offerings. The Group's culture of continuous improvement at every level underpins all our decision making.

Strategic Report *(continued)*

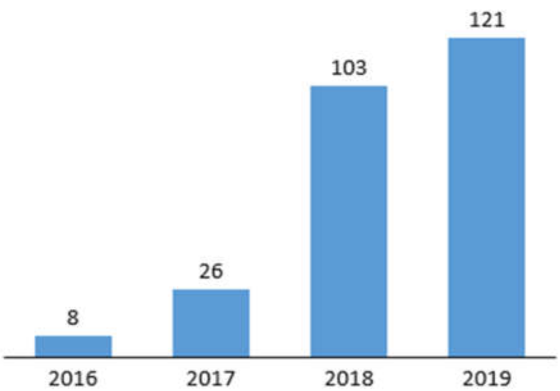
Key statistics

MFG Site Numbers - Evolution



Note: - As a condition of the MRH Acquisition MFG agreed with the Competitions and Markets Authority (CMA) that 38 sites would be sold. These sites were marketed at the end of 2018 and all sales were completed in the first quarter of 2019. Subsequently, two small networks were acquired.

MFG FTG Site Numbers - Evolution



Strategic Report *(continued)*

Business model

CD&R Firefly Holdco Limited is an intermediate holding company indirectly owning Motor Fuel Limited.

Motor Fuel Limited is the main trading entity in the Motor Fuel Group. It operates primarily through a long established and successful Company Owned Franchise Model (COFO) in which the company owns the real estate and operates the fuel sales business whilst the franchisee operates and manages the onsite retail activity. MFG invests heavily in the network to develop the customer experience and provide attractive destinations for both fuel and retail customers. MFG's strong relationships with its partners allow the Group to develop the appropriate offering for each site and put the Group in prime position to benefit from UK consumers' evolving purchasing habits, towards an ever more convenience-supported lifestyle.

MFG Brand Partners

Fuel sales remain the cornerstone of the business and MFG's network is a significant part of the UK infrastructure. During 2019 the Group sold over 3 billion litres into the retail market and MFG continues to work with its fuel partners to provide the best solution to its growing number of customers. The fuel market is changing and whilst the shift towards alternative energy solutions is still in its very early stages, the direction of travel towards electric vehicles is clear. MFG is embracing this change and at year end 105 sites had electric chargers installed. MFG aims to be the first choice refuelling option regardless of the energy source.

MFG has invested heavily in the non-fuel aspects of our forecourts. The UK market continues to move towards convenience, the trend being for consumers undertaking more frequent, and more focused, shopping trips. This change is expected to continue as the growth in internet food deliveries and the decline in footfall at the large out of town supermarkets persists. MFG is ideally placed to serve this expanding convenience demand with its nationwide network of nationally recognised brands, Londis and Budgens. MFG continues to invest in the network of stores and there is a substantial programme of redevelopment and improvement underway.

Food-To-Go (FTG) is also a market that is expanding, again this trend is driven by the convenience factor as consumers look to purchase ready prepared food to fit in with their busy lifestyles. The MFG forecourt network is well suited to provide FTG outlets and it is an area MFG is continuing to develop. Internationally recognised brands partner with MFG and these fast food and coffee providers have proved to be a successful encouragement to increasing footfall. During the year MFG opened 18 new FTG sites and is continuing to develop the network by establishing the right FTG offerings in the right locations.

Strategic Report *(continued)*

Business and regulatory environment

During 2019 the UK economy was subject to both political and economic uncertainty as questions over Brexit and the future shape of the UK's role in Europe dominated the agenda. Political uncertainty also impacted the economy as, for much of the year, there remained questions over the UK Government's ability to move its business agenda forward, given the constraints it was operating under.

Whilst this uncertainty existed, it had little impact on MFG through 2019. The marketplace the group serves is a stable one and tends to be resilient to macro-economic headwinds. In normal circumstances, demand for fuel is fairly constant and the convenience element of the business is a growing segment as UK consumer preferences continue to evolve. Furthermore, the retail fuel market did not witness the high price volatility of previous years. For much of the year both crude oil and the US/ GBP exchange rates traded in relatively narrow bands. In March 2019 it was announced that fuel duty would be frozen for the ninth consecutive year and there were no changes to the UK VAT rate, all of which enabled MFG to maintain a relatively stable price bracket for the main grades of fuel throughout the year. In March 2020 the Government announced that it was continuing to freeze fuel duty.

The fuel market in the UK is in transition. Over the last decade the oil majors have continued their policy of divesting sites, the hypermarkets are focusing on their core operations as they come under pressure from the discounters and many smaller independents continue to look to exit the marketplace. This has provided opportunities for the Group to continue to grow its network. UK fuel volumes have been stable and are projected to decline gradually into the future as fuel efficiency improves and the electric vehicle market grows, albeit from a very low base. Retail fuel margins have remained reliable as the marketplace evolves and the expectation is that they will continue to do so.

The electric vehicle is now clearly the favoured medium to long term alternative to the traditional petrol and diesel fuelled vehicles. UK Government policy has recently been tightened such that new petrol, diesel and hybrid vehicles will not be sold from 2035 onwards, this represents a departure from previously announced policy due to the inclusion of hybrid vehicles. Whilst many questions remain about the ability of the UK as a whole to support this move and the uptake of consumer demand for electric vehicles is slow, but growing, there is no doubt that this is where the industry is headed. So an opportunity exists for forecourts to position themselves as key infrastructure nodes to meet this emerging trend. Forecasts for sales of fully electric vehicles are that by 2030 they will comprise only 13% of total car sales. The average life of a car in the UK is approximately 14 years. Thus it is forecast that in 2030 circa 35m internal combustion engine vehicles will still be on the roads, down from circa 40m today, and that 95% of all vehicles will still be stopping at petrol filling stations. The role of the traditional forecourt will evolve over time but will continue to be an integral part of the UK infrastructure for the foreseeable future.

Strategic Report *(continued)*

Financial Review

Trading conditions in the year were favourable and the Group again delivered a strong financial performance. Revenues were £4,442.4m (2018: £3,377.7m), operating profit was £212.9m (2018: £102.4m) and profit after tax was £92.6m (2018: £13.7m). Fuel sales continued to be strong, exceeding the previous year in terms of both volume sold and margin achieved.

The contributions to profit of non-fuel activities also rose as MFG's ongoing development programme continued developing both the shops and the FTG offerings on the forecourts.

The year was the first full year of trade since the transformational acquisition of the MRH Group in 2018. A key focus for the year was to develop the combined business and build on the integration and realise synergies identified in the previous year. The Competition and Markets Authority (CMA) gave clearance to the deal in 2018 on the basis that 38 sites would need to be divested, this divestment program was successfully completed in the first quarter of 2019, releasing net gains on disposal of £11.7m. MFG subsequently acquired two small networks during the year, adding 18 stations to the portfolio, bringing the total number of sites to 903.

The Group is financed through a combination of equity, externally syndicated bank debt and shareholder loans. In December 2019, the Group undertook a refinancing exercise. The bank facility was renegotiated to comprise a £1,662m Senior Financing Agreement (SFA) with a £325m Second Lien Facilities Agreement (SLFA). A Revolving Credit Facility (RCF) of £230m was renewed at the same time and remains in place. In early 2020, the Group secured additional credit facilities, see note 30.

At 31 December 2019 the bank debt was £1,658.2m (2018: £1,463.8m), repayable in July 2025. Of the available £230m RCF, £90m was drawn and outstanding as at 31 December 2019 (2018: £60m). The Group is compliant with all covenants under the debt agreements and monitors compliance on a regular basis.

In December 2019 the Company paid a dividend of £390m (2018: £Nil).

At 31 December 2019, the Group had net assets of £18.3m (2018: net assets £317.4m), net current liabilities of £171.1m (2018: £28.7m) and non-current debt of £1,750.1m (2018: £1,525.5m).

The Group adopted IFRS 16 as at 1 January 2019. Details of the impact of this change in accounting policy are set out in note 29.

Strategic Report *(continued)*

Key performance indicators

The Group uses a number of key performance indicators ("KPIs") in managing the business.

Fuel trading is evaluated on a site by site basis by management with reference to volumes, gross profit, inventory days and stock-outs as well as by the number of operational sites. The Board monitor performance by site and groups of sites. Performance is also monitored by brand and by original investment. Retail sales are monitored by product type across the different branded sites, whilst product availability and wholesaler delivery metrics are also measured. The FTG business is measured by sales by brand and by site.

Additionally, the number of sites redeveloped and extended, including the new FTG outlets roll out, along with compliance with budgeted development costs and timeframes, are also key performance indicators.

The Group is carefully focused on all aspects of Health and Safety (HSE) and various metrics are used to measure performance and to identify any issues.

The Group continues to seek to optimise profits, effectively managing controllable costs and making efficiency improvements, normalised EBITDA being a primary financial KPI for the business.

EBITDA

		2019	2018	2017
		£m	£m	£
Profit for the year		92.6	13.7	19.6
Add back	Tax	18.9	14.1	4.4
	Finance expense	137.3	82.6	44.8
	Depreciation	42.0	23.1	12.1
	Amortisation	0.9	0.8	0.8
Deduct	Finance Income	(35.9)	(8.1)	(0.6)
Normalised EBITDA		255.8	126.2	81.1
	Exceptional operating expenses	-	25.0	-
	Other differences between statutory and management EBITDA*	(9.7)		
EBITDA		246.1	151.2	81.1

Whilst EBITDA is used by the Board as the primary financial metric to assess the financial success of the business, other key metrics are also considered.

*This includes differences due to the adoption of IFRS 16 (leases) within the statutory accounts only, and gain on disposal of fixed assets.

Strategic Report *(continued)*

Key performance indicators *(continued)*

Other Key Financial indicators

		2019	2018	2017
Financial		£m	£m	£
	Gross Profit	359.2	277.0	122.4
	Profit after Tax	92.6	13.7	19.6
	Cash	103.6	82.1	55.3
	Secured Borrowings	1,748.2	1,523.7	523.2
	Liquidity	243.6	252.1	95.3
	Net Debt	1,644.6	1,441.6	467.9
Non-Financial				
	Total number of sites at year end*	903	925	438
	FTG outlets at year end*	121	103	26
	Sites with EV charging capability at year end*	105	85	3

*FTG and EV capability are included in the total number of sites and are not incremental

The Group focuses on the management of its working capital which is an important KPI for the business. Inventory days were 5.2 days at the end of 2019 (2018: 5.2 days), debtor days were 4.5 days (2018: 8.2 days) and creditor days were 29.0 days (2018: 20.2 days).

Strategy

The Group's strategic goal continues to be to develop the business into the most dynamic and profitable independent forecourt operator in the UK.

The Group continues to look for growth, both through opportunities for development and improvement within the existing site network and, through acquisition of the right sites that are complementary additions.

Allied to this development of the network is to continue to make efficiencies in delivery of traditional road fuels, optimise the working capital involved and strive to improve the profit margin from this income stream.

MFG is also very much alive to the growing environmental challenge and the consequential national move towards an electric motor fleet. MFG have provided Electric Vehicle (EV) charging points since 2017, expanding the offering to further sites through 2019. It is recognised that, whilst, the impact of electrification is still in the early stages to encompass the whole nation, it will be significantly quicker in the major urban centres. Due to the size and geographic focus of its network MFG is in a good position to be at the forefront of the EV market as it evolves. MFG will continue to invest significantly in its network to ensure that our sites remain industry-leading fuel and retail destinations whatever the energy source used by the vehicle.

Strategic Report *(continued)*

Strategy *(continued)*

Underpinning and in support of this strategy MFG is continuing to drive our growing non-fuel revenue streams. A development programme constantly improving and upgrading the in-site facilities will add more FTG outlets, an enhanced shopping experience and additional scope for offering other non-fuel services. This approach is consistent with the EV investment, as the duration of an EV charge is typically longer than for a traditional fuel refill. By providing a centre for the consumers to avail themselves of a range of services whilst re-charging their batteries, the overall experience will benefit consumers who will need to adapt their busy lifestyles to the new driving reality.

Principal risks and uncertainties

The responsibility for risk management and the internal control environment resides with the Board of Directors, and the senior management team implements and maintains the control systems adopted by the Board.

The Group's policy on risk management is to reduce risk where practical and appropriate without unduly hindering growth. The risks detailed below are seen to be the principal risks affecting the Group; they do not include all of the potential risks and the list is not in any order of priority.

Impact of Covid 19

During the first quarter of 2020 the UK Government, in line with many other national Governments, instigated a lockdown of most non-essential activities as part of its efforts to slow the spread of the Covid 19 virus. The Board and management had been monitoring the status of the pandemic ahead of the lockdown and had instigated various measures to protect both employees and customers.

MFG has been recognised as providing an essential service and the network continued to operate its fuels and convenience store offerings, though its Food-to-Go outlets were obliged to close. Social distancing measures have been put in place at the sites and the cashiers have been provided with sneeze guards along with all necessary support from MFG to protect all who use the site. Head office based employees were largely working from home.

There has been a significant financial impact of the lockdown as retail fuel sales have reduced in the period. Commercial fuel sales have also reduced but by less than the retail segment as the haulage industry continues largely as before the lockdown.

Many sites have maintained or increased the footfall through the convenience stores as customers have tended to move away from visiting the large and busy supermarkets, choosing to visit the local convenience store instead. There has also been additional demand for home delivery and MFG have expanded the delivery service from the convenience stores through this period. It is the view of the directors that the sites are an essential part of the fabric of the local community and those communities will be supported by the provision of safe and well stocked convenience stores.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Impact of Covid 19 (continued)

The uncertainty around the length and severity of the lockdown have led the directors to consider the liquidity of the business and this is reviewed on a daily basis. A number of plausible but severe downside scenarios have been modelled that have specific regard to the reduction in volumes of traffic and impact on fuel sales that has been experienced through the lockdown period to date. The Group's forward looking scenarios do not rely on significant uplifts in fuel sales volumes looking forward from that currently experienced in order to ensure liquidity remains at a suitably comfortable and sufficient level for the next twelve months. Government initiatives in response to the economic fallout from the lockdown have been accepted and all discretionary spend has been reviewed and deferred where appropriate. All key suppliers were contacted to understand their response and ability to continue trading through the period and support, both financial and practical, has been provided to the Contract Managers at the sites.

The impact of reduced fuel sales volumes and lower fuel prices on the Group's working capital has been managed through maximising drawdown on the RCF and securing additional credit facilities, so as to maintain a satisfactory cash and liquidity position.

All of these measures give the directors comfort that the Group is sufficiently robust to trade through the lockdown period, meeting all financial covenants, and that the business will be well placed to rebound once the restrictions are loosened and trade returns to normal levels.

Health, Safety and Environmental risk (HSE)

The Group places great importance and focus upon the safety and health of its customers, its employees and all others who may be affected by its business activities.

Environmental awareness in respect of the storage, handling, sale and distribution of hydrocarbon oil and gas products has a high profile within the Group and the directors and management are well aware of the environmental contamination risks arising from these activities.

The Group's policy is to minimise such risks and measures are in place to:

- maintain and empower a team of specialists to manage and oversee all HSE matters
- prevent HSE incidents occurring
- minimise the financial effects of any incident that does occur (including the maintenance of an insurance policy to provide cover for the costs of major incidents of environmental damage).

The directors are all of the opinion that this focus on HSE matters is an important factor in the mitigation of HSE risk and that there is a low risk of HSE matters having a material impact on customers, employees, the public or the environment, or on the financial results and position of the Group.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Macro-Economic Conditions

The Group's financial performance is sensitive to geopolitical events, including fluctuations in commodity prices, currency fluctuations, diminished consumer spending and the wider economic outlook of the UK. If the Group is unable to react and adapt to fluctuations whilst maintaining customer confidence, this could have a material adverse effect on financial performance, cashflow, and future prospects.

Management continuously monitor the macro-economic environment and trends within the UK. The Group's offering is constantly reviewed to ensure it continues to meet customer expectations with relation to price, relevance and quality.

Throughout the year Brexit and the related political and economic uncertainty continued to be areas under review. MFG monitored the developments and continued to assess the potential impact from any of the possible outcomes. Due to the nature of the Group's activities, and the fact that it is a UK retail business, it is well insulated against most of the potential negative outcomes, nonetheless the issue remains as an area of focus.

At a national level, the risk of industrial action in the fuels supply chain could also prove impactful. Concerted action by refining staff, terminal staff and/or tanker drivers may disrupt supply to the extent that it may not be sufficient to fulfil demand. Historical precedent demonstrates that reduced supply becomes self-fulfilling, as consumers typically resort to panic-buying. Were this to happen again, sites could be without fuel for a number of days, thereby adversely affecting financial performance. MFG monitors the state of industrial relations through membership of trade bodies and close links to suppliers and the relevant Government agencies.

Technological Change

Technology in the automotive sector is changing rapidly as a result of environmental factors rising to the top of the global agenda and consumer behaviour is changing as a consequence. It is anticipated this trend will continue and there will be increasing pressure for carbon footprints to be reduced. Changing attitudes towards hydrocarbon fuel products and the development of more efficient and greener technology will drive changes for the traditional forecourt industry reducing sales of liquid fuels. The Group continues to monitor these changes to the industry and consumer trends and have proactively instigated programmes to meet these challenges.

MFG has invested heavily in site facilities with a view to rebalancing the business towards non-fuel revenues which now account for a significant proportion of the Group's profit. This policy of diversification is to be accelerated over the next few years as MFG continues the development and upgrading of the sites as a cornerstone of the Group's strategy.

Furthermore MFG sees its forecourt network becoming a significant and integral part of the UK EV charging infrastructure. This growing market is an opportunity and the Group is accelerating investment, with charging facilities being rolled out at a number of carefully selected sites. The forecourt of the future will need to cater for various different energy sources and MFG aims to be at the forefront of this development.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Regulatory requirements and legislative change

The Group operates in a highly regulated sector, fuel storage and sales and FTG outlets are subject to stringent laws and regulations designed to protect consumers. Any transgression of these regulations increases the risk profile at the sites and could potentially lead to serious incidents, potentially causing operational disruption, reputational damage and an adverse impact on the financial position. In all areas of the business MFG see safety as paramount and have procedures and controls in place to ensure the safety of customers, employees and the general public is not compromised in any way. These procedures and controls are regularly reviewed and adherence to them is constantly monitored.

Legislative change is an area which is kept under review. The nature of the business dictates that many of the products sold are prone to changes in legislation. Changes to the fuel specifications, obligations to hold minimum stocks and bio-fuels content changes could all impact the Group either in terms of working capital requirement or capital expenditure required to facilitate compliance with new regulations. Changes to legislation pertaining to alcohol, tobacco, high sugar content food and drinks, coffee etc could all adversely affect the Group’s sales as these are generally impulse driven purchases.

Financial risks

Interest rate risk

The Group is financed through externally syndicated bank debt and is therefore exposed to rising interest rates. Whilst the UK has witnessed historically low interest rates for an extended period of time, changes in interest rates over time are an inevitability. Interest on the bank debt is calculated and paid on a quarterly basis. To mitigate this the Group has hedging arrangements in place to limit its exposure to the uncertainty of future interest cash outflows. Management regularly review both the level of debt hedged and the daily cash forecasts and are comfortable with the current level of exposure. Interest rate risk is managed by derivative financial instruments - see Notes 3.7 and 22.5.

Covenant compliance risk

The bank loans are subject to a number of covenants. A breach of these could trigger a demand for early repayment of the loans. To mitigate this the management team review the performance and ongoing liquidity of the business on a regular basis. Daily cash forecasts are prepared and updated business forecasts are reviewed on a quarterly basis.

Liquidity risk

Liquidity risk occurs when a business cannot meet its short-term debt obligations. The Group is consistently cash generative and uses a mixture of cash balances, long-term and short-term debt finance in order to maintain liquidity, ensuring that there are sufficient funds available for on-going operations and future developments. Short-term flexibility is maintained through overdraft facilities. The Group regularly monitors cash flow forecasts and maintains funds on demand to meet all working capital requirements and the servicing of financial obligations.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Financial risks *(continued)*

Credit Risk

Credit risk is defined as the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The majority of sales are by cash or credit card with banks with high credit ratings assigned by international credit rating agencies. Therefore, the Group's credit risk is mainly limited to those sales which are not by cash or credit card.

The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by regular reviews of counterparties.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The current year included a modest allowance against trade debtors of £218,000 (2018: £240,000). Management considered that there is a possibility that these debts may not be recoverable and provided against this.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as the price of crude oil and competitor sales pricing, as well as interest and foreign exchange rates. Market movements are monitored closely and the pricing of fuel is regularly adjusted to maintain the particular market profile of each brand whilst also generating a consistent gross margin.

Capital risk management

The Company and Group are funded by equity and loans. The components of shareholders' equity are:

- Share capital
- Share premium
- Retained reserves or deficit, reflecting comprehensive income to date less distributions.

The objective when managing capital is to maintain adequate financial flexibility to preserve the ability to meet financial obligations, both current and long term. The capital structure is managed and adjusted to reflect changes in economic conditions. Commitments are funded from existing cash and cash equivalent balances, primarily arising from equity sources.

Financing decisions are made based on forecasts of the expected timing and level of capital and operating expenditure required to meet commitments and development plans.

Strategic Report *(continued)*

Future developments

The 2020 financial year started well for the Group. The performance in the first quarter of the year was strong and the trends prevalent in 2019 continued.

On 23 March 2020 the UK government instigated a nationwide lockdown in response to the Covid 19 global pandemic. The Group is recognised as providing an essential service and has remained open for business but the directors are closely monitoring the situation as it continues to develop and will respond accordingly as and when circumstances change.

The Group continues to focus on its customers and works hard to identify the requirements and demands of the local communities it serves. The understanding of these needs enables the Group to continue to work with our Contract Managers to optimise the overall business and to provide the wide range of offerings today's ever more demanding customer desires.

Notwithstanding the Covid 19 pandemic, the Directors are confident that the business is robust and performance will be strong once the lockdown restrictions are relaxed.

Statement pursuant to section 172 Companies Act 2006

The following governance report has been prepared for the purpose of adhering to the Section 172 requirements.

Governance Report

The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity. From the 1st January 2019 the Group adopted and adheres to the Wates Corporate Governance Principles issued as guidance for large private companies.

Ownership

The Company was formed when Clayton Dubilier & Rice (CD&R) acquired a controlling interest in the Motor Fuel Group in July 2015. Founded in 1978, CD&R is a private equity firm with a history of working with management teams to build stronger, more profitable businesses. CD&R's investors include leading financial institutions, university endowments and corporate and public pension funds. The investment was made through CD&R Firefly Holdings Sàrl whose principal investor is Clayton Dubilier and Rice Fund IX.

CD&R is one of the oldest private equity firms, based in North America. CD&R works to make companies grow and prosper by partnering with families, founders or corporate owners. Value is created by collaborating with management to spur operational performance improvements, by accelerating growth strategies, injecting new talent and boosting productivity. The firm executes a consistent investment strategy across North America and Europe, focusing on market-leading businesses in the consumer/retail, healthcare, industrial, and services sectors.

Board

The directors, who held office during the financial year, and since the end of the financial year, were as follows:

Gregory Laï

Gregory is a Partner at CD&R and is based in London. He plays a key role in the acquisition and oversight of several of the Firm's holdings, including the investments in B&M Retail, BUT, Exova, HD Supply, Westbury Street Holdings and MFG. Previously, Gregory worked in the Investment Banking Division of Citigroup as well as Mubadala Development Company. Gregory graduated from ESCP-EAP European School of Management in Paris.

Marco Herbst

Marco joined CD&R's London office in 2006. He plays a key role in several of CD&R's investments, including B&M Retail, BUT International and MFG, as he did with the investment in British Car Auctions. Previously, he worked for Duke Street Capital, where his responsibilities included transaction origination, execution and transformation. Marco also worked at Merrill Lynch & Co., advising financial institutions across Europe on acquisitions as well as debt and equity transactions. Marco is a graduate of Universitá Commerciale Luigi Bocconi in Milan, Italy.

Governance Report *(continued)*

Directors of CD&R Firefly Holdco Limited *(continued)*

Stakeholder engagement

The Board considers the successful maintenance of relationships with its multiple stakeholders to be integral to the long term success of the business and also to be an important part of the local communities it strives to serve. The impact on stakeholders of business decisions is considered at quarterly formal Board meetings. These formal meetings are supplemented with additional monthly Board updates which are used to review, consider and challenge the operational and financial decisions made by the business.

Stakeholder	Stakeholder's key interests	Reason for engagement	Ways of engagement
Customers	• Competitive prices • Safety • Convenience • Choice • Customer service	Understanding consumer behaviour and the changing trends in the marketplace allows MFG to develop the right offering to enhance the overall customer experience.	• Customer feedback • Social media engagement • Promotions • Loyalty schemes
Employees	• Pay and Benefits • Job satisfaction • Career development • Security • Well being	Well trained and motivated staff are the key to the success of the business.	• Staff are highly motivated and well rewarded for success • Benefits package and encouragement of participation in pension schemes. • Career progression opportunities and support for development • Strong managerial capacity • Expansion of in-house capacities in business-critical functions • Communication between Board and workforce through regular executive team communications, both verbally and via email • The Board consider workforce suggestions via an anonymous suggestion box
Contract Managers	• Opportunity for success • Support and guidance • Site developments • Training • Uniform and appropriate third party contracts	Collaborative approach with Contract Managers ensures best practice, adherence to legislation and guidelines and mutually beneficial operating and financial outcomes.	• Support provided by MFG industry experts • Robust and economically beneficial third-party contract arrangements

			• Well established operating model that evolves consistently to the benefit of both parties. • Training and assistance provided allowing for development of individuals and their businesses.
Suppliers - **Fuel** - **Non Fuel**	• High sales volumes • Brand awareness/ protection • Long term relationships • Adherence to payment terms • High sales volumes • Evolution of relationships • Adherence to payment terms • Promotional activity • Product trials	Strong, cohesive relationships with the supply chain ensure security of supply, competitive pricing and promotional support. The MFG business leverages the brand value of national and internationally recognised brand names so it is vital to the success of the MFG business and important to the suppliers that both parties work collaboratively for the mutual benefit of both.	• Close working relationships with major fuel suppliers through regular communications • Promotional and marketing support • Quality management systems • Training of key staff representing third party brands • Adherence to and support of third party strategies in support of their brands
Communities	• Alignment of product offering to local community needs • Environmental, Social, Governance (ESG) factors	MFG stations are an important part of the fabric of the local community and offer a number of services no longer available on the high street as consumer trends and patterns change. Sites need to supply appropriate goods and services for the communities living around them. The sites need to be safe, free from pollution and the Group needs to safeguard those that work and visit by upholding the highest standards with regard to ESG factors.	• The Contract Manager arrangement empowers the Manager to determine the appropriate products to sell, supported by the Regional MFG teams. • Training, procedures, audits and regular reviews focus on ESG matters. • Compliance with regulations and third party review.
The Environment	• Pollution • Spills • Carbon measurement • Efficient water usage	Commitment to minimising environmental implications of the operation.	• Highly trained, well-resourced in-house environmental expertise. • Extensive use of third party environmental consultants. • Ongoing environmental spend, tank relinings, pump and line improvements

			● Equipment replacement policy to improve energy efficiency. ● Programme of Electric Vehicle charging points installations. ● Compliance with internationally recognised standards. ● Risk assessments, procedures, training
Landlords	• Timely payments of rents • Care and Maintenance of sites	Collaborative approach required for successful operation of leasehold sites.	● Strong business relationships and regular communications ● Timely and accurate payment ● Responsible custodianship of sites
Government	• Taxation • Planning • Carbon reduction • EV infrastructure	Policies and regulatory change are prevalent in the business MFG engages in, strict adherence is critical for the success of the business. MFG strategy is to be regarded as being a good corporate citizen and to pay its fair share of tax.	● Published tax strategy ● Use of third party expertise ● Strong relationships ● Reputation for integrity and honesty ● Energy efficiency programs

Anti-corruption and anti-bribery matters

The directors take the matters of anti-corruption and anti-bribery very seriously and there are stringent processes in place throughout the Group to prevent any transgressions. Communications to employees about these matters are made and there is a whistle-blowing policy in place.

Governance Report *(continued)*

Environmental

The Group is committed to ensure that any negative environmental consequences of its operations are minimised. The Group, as far as practical, pursues the following objectives:

- Reduction in consumption of raw materials and energy
- Reduction in emission of harmful products to the atmosphere
- Recycling of waste where possible.

The Group contracts with an expert environmental consulting firm to provide advice and services to manage environmental risks associated with operations across the service station network focussed particularly on mitigation of contaminated land risk. During 2019, the Group has been working with both its environmental consultants and specialist departments within its insurance broker to develop its in house environmental, health and safety systems to the internationally recognised standards prescribed in ISO14001 and ISO45001. This has involved considerable alteration to existing systems of work and the policies which govern them, and achieving the standards is considered as a major corporate objective by the Group, which it anticipates will occur during 2020.

Current initiatives in furtherance of this goal include:

- Environmental risk assessment to prioritise tank relining and engineering programmes. The tank relining programme is ongoing, and the Group anticipates a significant number of tanks being relined in 2020.
- Replacement of fuel infrastructure including pumps and lines to
  - Reduce environmental risk profile by providing secondary containment, and
  - Reduce energy consumption by greater technological efficiency
- Programme of groundwater monitoring and installation of groundwater monitoring wells across a proportion of the higher-risk environmental sites in the network
- Continuing programme of investigation and risk management for newly acquired sites
- Installation of Danfoss energy reduction systems to heating, ventilation, air conditioning, chiller and lighting systems
- Replacement of halogen lighting with LED systems which provide greater energy efficiency.
- Conducting Phase 1 and Phase 2 land quality assessments as needed to meet and discharge planning condition requirements for the Group's shop redevelopment programme

Governance Report *(continued)*

Employees

The Group is committed to ensuring that employment is based on equal opportunity for all employees irrespective of gender, sexual orientation, race, colour, disability, marital status, religion or age. The Group seeks to 'promote from within' to provide staff development opportunity and will seek to offer new roles internally where possible.

The Group seeks to ensure that disabled people, whether applying for a vacancy or already in employment, receive equal opportunities in respect of those vacancies that they are able to fill and are not discriminated against on the grounds of their disability. The Group's offices provide inclusive access for disabled staff, and its service stations are assessed to ensure inclusive access for all its customers. If members of staff become incapacitated or disabled the Group continues employment where possible and undertakes the necessary adjustments to facilitate continuing employment. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Further information on the engagement of employees can be found in the Directors' Report.

The Company has no employees.

Gender Diversity

The Group recognises the value of a diverse workforce and looks to offer equal opportunities to everyone. The Group has a culture that embraces diversity and fosters inclusion. Diversity is seen as a strength and the Group works hard to ensure a fair and inclusive environment for all, where the unique insights, perspectives and backgrounds of individuals are valued. Having these values as an integral part of our operations gives the Group a better understanding of the needs of the varied customers across the different local communities served and means the Group can benefit from a wider talent pool. The Group provides equal opportunity in franchisee selection and in recruitment, career development and reward of all employees.

The number of employees in the Group by gender at 31 December 2019 was as follows:

	Male	Female	Total
Executive directors	-	-	-
Key management personnel	4	-	4
Other employees	336	291	627
Total	340	291	631

Pension arrangements

The Group operates defined contribution pension schemes for its employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

Governance Report *(continued)*

Social, community and human rights issues

The Group conducts its business in an ethically aware manner so as not to detrimentally affect the quality of life enjoyed by the communities it operates in.

The Group strives to:

- Respond quickly to issues or concerns raised by neighbours pertaining to the business.
- Engage with communities and support relevant and appropriate activities both at local and national level.
- Abide by local planning and other by-laws prevalent where the sites are based.
- Support community activity through actions and sponsorship as and where appropriate.
- Maintain properties, land and boundaries in such a condition so as not to degrade the visual amenities of the neighbours, or affect or endanger the surrounding communities.

The Group considers its fuel stations to be focal points within the local communities they serve. Consequently the Group works hard to provide retail offerings that are in line with the specific demands of the local community. This is particularly pertinent in the more rural parts of the country where the convenience aspect of the local service station is becoming more important to the community with the demise of the traditional village institutions.

MFG takes the opportunity to use its forecourts to raise support for a number of nationally recognised charities. Various methods of payment are available to customers to enable them to make charitable donations. During 2019 more than £600,000 was raised.

Charity partners supported in 2019

The Group fully acknowledges the human rights of every individual.

The Group is committed to ensuring that there is no modern slavery or human trafficking in any part of the business. The Group is committed to acting ethically and with integrity in all of its business relationships and has a policy of zero tolerance towards slavery and human trafficking. Management is satisfied that actual or potential breaches of human rights is not a material issue within the Group's operations.

Approved by the Board and signed on its behalf by

Marco Herbst (Director)

14 July 2020

Directors' Report

The directors present their report and audited consolidated financial statements of CD&R Firefly Holdco Limited (**the 'Company'**) and its subsidiaries, (together, **the 'Group'**) for the year to 31 December 2019.

CD&R Firefly Holdco Limited is a private company limited by shares, incorporated in England and domiciled in the United Kingdom.

The registered office is Cleveland House, 33 King Street, London, SW1Y 6RJ.

The immediate parent undertaking is CD&R Tiger Jersey Holdco Limited, incorporated in Jersey.

In the opinion of the directors the ultimate controlling party is the ultimate parent company, CD&R Firefly Holdings Sàrl, registered in Luxembourg.

Results for the year, financial risk management and future developments of the Group and the Company can be found in the Strategic Report on pages 4 to 17.

Dividends

The directors declared an interim dividend of £390,000,000 which was paid in the year (2018: £nil). No final dividend is recommended.

Charitable and political donations

The Group made charitable donations of £15,000 in the year (2018: £nil). No political donations were made in the year (2018: £nil).

Directors

The following persons served as directors during the year and up to the date of signing:

- Gregory Laï
- Marco Herbst

Gregory Laï, and Marco Herbst are employees and representatives of CD&R who supervise its investment in the Group on CD&R's behalf.

Directors' Report *(continued)*

Key management personnel

The following individuals were the key management personnel of the Group during the year:

• William Bannister	Chief Executive Officer
• Thomas Biggart	Chief Investment Officer
• Jeremy Clarke	Chief Operating Officer
• Simon Lane	Chief Financial Officer

During the Covid 19 outbreak the directors are taking all necessary measures to protect the workforce and minimise the risk of virus transmission. Initially this was in the form of providing additional cleaning and disinfection measures along with the encouragement of social distancing at the sites and in the Head Office. All necessary equipment has been procured and a full remote working plan was implemented for those that could work from home when it became a requirement to do so.

Corporate Governance

In June 2018 the Government introduced secondary legislation requiring all companies of a significant size to report on their corporate governance arrangements for periods commencing on or after 1 January 2019. Full details are contained within the Governance report set out on pages 18-24 which forms part of this directors' report and is incorporated into it by cross reference.

The directors agreed that the Group should adopt and follow the Wates Corporate Governance Principles for large private companies. This is a voluntary framework which adopts the 'comply or explain' approach.

The approach is based upon six broad principles which the directors have adopted, they are:-

- Purpose and leadership – An effective board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.
- Board composition – Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.
- Director responsibilities - The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.
- Opportunity and risk – A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, establishing oversight for the identification and mitigation of risks.
- Remuneration – A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.
- Stakeholder relationships and engagement – Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders including the workforce, and having regard to their views when taking decisions.

Directors' Report *(continued)*

Employee engagement

The Group's employees are essential to the long term success of the business. The Board consider and review employee interests as a matter of course at the quarterly Board meetings. The impact on the workforce is considered when key decisions are made, the Board take the view that a motivated workforce is fundamental to the overall success of the business.

Regular updates from the Board are given to the employees through close engagement with the senior leadership team and the collaborative environment fostered by the senior team enables all employees to be informed and understand the decision making process.

Opportunities for employees to give their opinions are encouraged and a mechanism to do so is provided through an online employee portal. In addition to an employee suggestion facility the portal provides access to employee specific information, company updates and an employee benefits function. There is also a whistleblowing facility available to employees.

The Governance Report has further disclosures with respect to the recruitment of disabled persons, and those who become disabled while employed by the Company.

Supplier Engagement

The Board are aware that the business relationships it maintains with its suppliers are integral to the success of the business. To that end the Board and senior management team engage regularly with the key suppliers, fostering and developing relationships. The success of the business is based on a collaborative, partnership approach, the Group benefits from the strength of many of its branded partners so a focus on actively supporting these brands contributes directly to the success of the Group.

Payment of trade payables

An important part of a successful relationship with third party suppliers is the accurate and timely payment of invoices. This is a key focus for the business and is an internal KPI that the Board monitors.

The Group has a number of fuel contracts which have varying credit terms. Standard non-fuel payment terms as applied by the Group are for payment 30 days following receipt of invoice.

Creditor days at the end of 2019 were 29.0 days (2018: 20.2 days).

Directors' Report *(continued)*

Independent auditors

PricewaterhouseCoopers LLP were re-appointed as auditors to the Company and Group in 2019. Certain information required to be contained in this Directors' Report may be found in the accompanying Strategic Report.

This Directors' Report and the accompanying financial statements on pages 33 to 79 were approved by the Board on 13 July 2020 and signed on its behalf by

Marco Herbst

Marco Herbst (Director)

14 July 2020

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

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

Approved by the Board and signed on its behalf by

Marco Herbst

Marco Herbst (Director)

14 July 2020

Independent auditors' report to the members of CD&R Firefly Holdco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- CD&R Firefly Holdco Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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 group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Independent auditors' report to the members of CD&R Firefly Holdco Limited *(continued)*

Report on the audit of the financial statements *(continued)*

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report to the members of CD&R Firefly Holdco Limited *(continued)*

Responsibilities for the financial statements and the audit *(continued)*

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andrew Latham

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Embankment Place

14 July 2020

Consolidated Income Statement

	Note	**Group 2019 £000**	Group 2018 £000
Continuing operations			
Revenue		**4,442,412**	3,377,731
Cost of sales		**(4,083,247)**	(3,100,685)
Gross profit		**359,165**	277,046
Operating expenses		**(146,262)**	(149,660)
Exceptional operating expenses	6	**-**	(24,992)
Operating profit	6	**212,903**	102,394
Finance income	9	**35,916**	8,058
Finance expense	9	**(137,314)**	(82,611)
Profit before income tax		**111,505**	27,841
Income tax expense	10	**(18,866)**	(14,121)
Profit for the year, attributable to equity owners of Parent		**92,639**	13,720

In accordance with the exemption under s408 of the Companies Act 2006, no Company-only Income Statement is shown (see Note 11).

Consolidated Statement of Comprehensive Income

	Note	**Group 2019 £000**	Group 2018 £000
Profit for the year		**92,639**	13,720
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Deferred tax on gains on prior MRH revaluation of land and buildings	10.3	**(1,758)**	4,035
Total other comprehensive income for the year		**(1,758)**	4,035
Total comprehensive income for the year, attributable to equity owners of Parent		**90,881**	17,755

In accordance with s408 of the Companies Act 2006, no Company-only Statement of Comprehensive Income is shown (see Note 11).

Consolidated and Company Statements of Financial Position

	Note	**Group 2019**	Group 2018	**Company 2019**	Company 2018
		£000	£000	**£000**	£000
Assets					
Non-current assets					
Property, plant and equipment	12	**1,575,892**	1,526,996	**-**	-
Right-of-use asset	12	**77,654**	-	**-**	-
Intangible assets	13	**487,147**	458,144	**-**	-
Investments	15	**-**	-	**295,840**	295,840
Total non-current assets		**2,140,693**	1,985,140	**295,840**	295,840
Current assets					
Inventories	16	**57,810**	62,012	**-**	-
Trade and other receivables	17	**73,305**	99,333	**32**	32
Assets held for sale		**-**	42,763	**-**	-
Cash and cash equivalents	18	**103,639**	82,110	**-**	-
Total current assets		**234,754**	286,218	**32**	32
Total assets		**2,375,447**	2,271,358	**295,872**	295,872
Liabilities					
Trade and other payables	19	**(376,299)**	(264,908)	**-**	-
Accruals		**(29,536)**	(50,013)	**-**	-
Total current liabilities		**(405,835)**	(314,921)	**-**	-
Net current (liabilities) / assets		**(171,081)**	(28,703)	**32**	32
Non- current liabilities					
Provisions	20	**(25,833)**	(11,445)	**-**	-
Deferred tax liability	10	**(104,269)**	(102,122)	**-**	-
Lease liabilities	12	**(71,090)**	-	**-**	-
Borrowings	21	**(1,750,144)**	(1,525,475)	**(1,933)**	(1,726)
Total non-current liabilities		**(1,951,336)**	(1,639,042)	**(1,933)**	(1,726)
Total liabilities		**(2,357,171)**	(1,953,963)	**(1,933)**	(1,726)
Net assets		**18,276**	317,395	**293,939**	294,146
Equity					
Share capital	23	**2,958**	2,958	**2,958**	2,958
Reserves		**15,318**	314,437	**290,981**	291,188
Equity attributable to equity owners of parent	26	**18,276**	317,395	**293,939**	294,146

The Company reported a profit for the financial year ended 31 December 2019 of £389,793,000 (2018: loss of £219,000).

The financial statements on pages 33 to 79 have been approved by the Board of Directors and authorised for issue on 14 July 2020, and are signed on its behalf by

Marco Herbst

Marco Herbst (Director)

Consolidated and Company Statements of Changes in Equity

	Group			
	Share capital	Share premium	Retained income / (accumulated deficit)	**Equity attributable to equity owners of Parent**
	£000	£000	£000	**£000**
As at 1 January 2018	17	500	4,932	**5,449**
Profit for the year	-	-	13,720	**13,720**
Other comprehensive income	-	-	4,035	**4,035**
Total comprehensive income for the year	-	-	17,755	**17,755**
Shares issued in year	2,941	-	-	**2,941**
Share premium (note 24)	-	291,250	-	**291,250**
As at 31 December 2018	2,958	291,750	22,687	**317,395**
Profit for the year	-	-	92,639	**92,639**
Other comprehensive expense	-	-	(1,758)	**(1,758)**
Total comprehensive income for the year	-	-	90,881	**90,881**
Share premium reduction (note 24)	-	(200,000)	200,000	**-**
Dividend paid	-	-	(390,000)	**(390,000)**
As at 31 December 2019	**2,958**	**91,750**	**(76,432)**	**18,276**

Consolidated and Company Statements of Changes in Equity

	Company			
	Share capital	Share premium	Accumulated loss	**Equity attributable to equity owners of Parent**
	£000	£000	£000	**£000**
As at 1 January 2018	17	500	(343)	**174**
Loss for the year	-	-	(219)	**(219)**
Other comprehensive income	-	-	-	**-**
Total comprehensive loss for the year	-	-	(219)	**(219)**
Shares issued in year	2,941	-	-	**2,941**
Share premium (note 24)		291,250		**291,250**
As at 31 December 2018	**2,958**	**291,750**	**(562)**	**294,146**
Profit for the year	-	-	389,793	**389,793**
Other comprehensive income	-	-	-	**-**
Total comprehensive income for the year	-	-	389,793	**389,793**
Share premium reduction (note 24)	-	(200,000)	200,000	**-**
Dividend paid	-	-	(390,000)	**(390,000)**
As at 31 December 2019	**2,958**	**91,750**	**199,231**	**293,939**

Consolidated Statement of Cash Flows

	Note	**Group 2019 £000**	Group 2018 £000
Net cash flows from operating activities			
Profit before income tax		**111,505**	27,841
Non-cash adjustments			
Depreciation and amortisation	12,13	**42,835**	23,946
Profit on disposal of property, plant and equipment		**(15,707)**	(263)
Net finance costs		**101,398**	74,553
Working capital adjustments			
Decrease / (increase) in inventories		**6,071**	(3,901)
Decrease / (increase) in trade and other receivables		**27,337**	(32,039)
Increase / (decrease) in trade and other payables		**47,506**	(12,066)
Cashflow generated by operating activities		**320,945**	78,071
Interest paid		**(91,568)**	(53,841)
Income tax paid		**(20,698)**	(11,524)
Net cash generated by operating activities		**208,679**	12,706
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(46,525)**	(31,120)
Purchase of intangibles		**(1,175)**	(468)
Disposal of property, plant and equipment		**61,740**	49,189
Bank interest received		**342**	271
Acquisition of subsidiaries	14	**(51,510)**	(763,671)
Acquisition of subsidiaries, deferred tax	10,14	**(136)**	97,363
Net cash used by investing activities		**(37,264)**	(648,436)
Cash flows from financing activities			
Proceeds from borrowings		**308,242**	368,343
Repayment of borrowings		**(60,000)**	-
Principal elements of lease payments		**(8,128)**	-
Proceeds from share issue		**-**	294,193
Dividends paid		**(390,000)**	-
Net cash generated by financing activities		**(149,886)**	662,536
Net increase in cash and cash equivalents		**21,529**	26,806
Cash and cash equivalents brought forward		**82,110**	55,304
Cash and cash equivalents carried forward	18	**103,639**	82,110

The Company has taken advantage of the exemption in IAS1 'Presentation of financial statements', section 10(d) and IAS 7 'Statement of Cash Flows' not to show the Company's statement of cash flows.

Notes to the financial statements

1 General information

CD&R Firefly Holdco Limited (**the** '**Company'** or **the 'Parent'**) is a private company limited by shares incorporated and domiciled in England and Wales. The Company's registered office is Cleveland House, 33 King Street, London, SW1Y 6RJ.

The principal activity of the Company is to act as an intermediate holding company to a group of companies (**the Group**). The principal activity of the Group is petrol forecourt retailing.

2 Summary of significant accounting policies

The principal accounting policies have been applied consistently in the preparation of these consolidated financial statements and are set out below:

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with applicable International Financial Reporting Standards (**IFRSs**), International Accounting Standards (**IASs**) and International Financial Reporting Standards Interpretations Committee (**IFRS IC**) interpretations (collectively **IFRS**) as adopted for use in the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated in the accounting policies, and are presented in pounds sterling (**£**). Amounts are generally expressed in thousands (**£'000**), with rounding accordingly.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group accounting policies. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the company and consolidated financial statements are disclosed in Note 4.

The separate Company financial statements are presented as required by the Companies Act 2006 and have been prepared on the historical cost basis, and accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework".

The principal accounting policies have been applied consistently in both the current and prior year, with the exception of the adoption of IFRS 16.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation (continued)

Financial reporting standard 101 – reduced disclosure exemptions:

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 – Financial Instruments – Disclosures;
- Paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement* (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The following paragraphs of IAS 1, *Presentation of financial statements*
    - 10(d) (statement of cash flows)
    - 111 (cash flow statement information), and
    - 134-136 (capital management disclosures)
- IAS 7, *Statement of cash flows*
- Paragraph 17 of IAS 24, *Related party disclosures* (key management compensation)
- The requirements in IAS 24, *Related party disclosures* to disclose related party transactions entered into between two or more members of a group

2.2 Going concern

As part of their going concern review the directors have followed the guidelines published by the Financial Reporting Council entitled *Going Concern and Liquidity Risk Guidance for Directors of UK Companies 2009*.

At the reporting date, notwithstanding the net liabilities shown in the Statement of Financial Position, the Group had cash resources (being cash, cash equivalents and money market investments) as set out in Note 18.

The directors monitor future cash requirements against current resources and the availability of future funding, and have prepared detailed financial forecasts and cash flows looking to the end of May 2021. The impact of Covid 19 has been considered in these forecasts. In developing these forecast's they make enquiries and form assumptions as to future revenues and expenditures based upon their view of the current and future economic conditions that will prevail over the forecast period.

The main part of the Group's bank debt is due for repayment in 2025 on a bullet basis as set out in Note 21. In response to the impact of Covid 19 and the Government's policy responses, additional credit facilities have been secured subsequent to the year end to provide the Group with additional liquidity.

Having considered uncertainties under the current economic environment, and after making enquiries, the directors have a reasonable expectation that resources are adequate to continue in operation for the foreseeable future. Furthermore, the cash flows support the repayment of loans as due as well as compliance with loan covenants until then. Accordingly, they have adopted the going concern basis in preparing the consolidated financial statements. The effects of Covid 19 on the year ended 31 December 2019 are deemed to be non-adjusting and the financial statements have not been updated to reflect the impact.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all investees that it controls (**the 'Subsidiaries'**), made up to the accounting reference date each year. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a Subsidiary begins when the Company obtains control over an investee and ceases when the Company loses control of that Subsidiary. Specifically, the results of Subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company loses control.

Where control changes during an accounting period, revenue and costs of the trading Subsidiaries acquired have been allocated to pre and post-acquisition periods.

Where necessary, adjustments are made to the financial statements of Subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets, and liabilities, investment and equity, income expenses and dividends, together with cash flows relating to such transactions, are eliminated on consolidation.

2.4 Investments

In the Company's financial statements, investments in Subsidiaries are stated at cost, provision being made where appropriate to recognise a permanent diminution in value.

2.5 Business combinations

Acquisitions of subsidiaries and other businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of (a) the acquisition-date fair values of assets transferred, (b) liabilities incurred to the former owners of the acquiree, and (c) the equity interest issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement.

2 Summary of significant accounting policies *(continued)*

2.5 Business combinations (continued)

The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

a) assets or liabilities related to deferred tax or to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
b) assets or disposal groups that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of any previously held equity interest, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The allocation of goodwill is at a cash generating unit level. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of (a) the consideration transferred, (b) the amount of any non-controlling interests in the acquiree and (c) the fair value of any previously held interest in the acquiree, the excess is recognised immediately in the consolidated Statement of Comprehensive Income as a bargain purchase gain.

Goodwill is tested for impairment on an annual basis.

2.6 Currencies

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (**the functional currency**) which is UK sterling (**£**). They are presented in UK sterling, as described in Note 2.1 (**the presentational currency**).

2.7 Intangible assets

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Acquired brands (including trade marks): 20 years
- Acquired customer relationships: 20 years
- Software: 5-10 years

See Notes 2.9 and 13 for the Group policy and accounting treatment with respect to impairment.

Acquired intangibles comprise brands and customer relationships purchased as part of acquisitions of businesses and are capitalised and amortised over their useful economic lives on a straight-line basis. In these consolidated financial statements the brand refers to the Murco brand and the customer relationships mainly refer to the dealership contracts. These intangible assets had been acquired previously by Scimitar Topco Limited, a Subsidiary.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

2.7 Intangible assets (continued)

Intangible assets are stated at cost less, where appropriate, accumulated amortisation and provision for impairment in value or estimated loss on disposal. In respect of customer relationships, the value attributed is based on the future economic benefit that is expected to be derived from them, calculated as the present value of future cash flows after a deduction for contributory assets.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortisation is charged to operating expenses in the consolidated Statement of Comprehensive Income.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Such assets acquired in a business combination are initially recognised at their fair value at acquisition date.

Depreciation is charged to write off the costs of assets over their estimated useful lives, starting from the month they are first used, as follows:

- Freehold land: not depreciated
- Freehold buildings: straight-line over 50 years
- Leasehold buildings: straight-line over the term of the lease
- Leasehold land: not depreciated
- Plant and machinery: straight-line over 3 to 10 years
- Fixtures and Fittings: straight-line over 3 to 10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included within the statement of comprehensive income when the asset is derecognised.

2.9 Impairment of non-current assets

At each reporting date, the directors review the carrying amounts of all non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the directors estimate the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

2.9 Impairment of non-current assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

2.10 Inventories

Inventories are comprised of fuel.

Inventories are reported at the lower of cost (purchase price and/or production cost) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling expenses.

The cost of inventory is calculated using a weighted cost method for each litre of fuel, with cost including direct materials and, where applicable, an attributable portion of variable and overhead expenses that have been incurred in bringing the inventories to their present location and condition. Adjustments are made for any inventories where net realisable value is lower than cost, or which are considered obsolete. Any inventories which the directors consider are not saleable are written off in the Statement of Comprehensive Income.

2.11 Revenue and income recognition

Revenue for the Group comprises the retail sale of fuel through forecourts, commission relating to sales by the forecourt shop operators, fuel sales through the dealership network, ATM income, rental income, facility income and bunkering income.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for fuel supplied, stated net of discounts and value added tax. The Group recognises revenue when (a) it can be reliably measured, (b) it is probable that future economic benefits will flow to the Group and (c) when specific criteria have been met for each of the Group’s activities.

Commissions include rebates, also known as over-riders, relating to sales by third parties to the forecourt shop operators. Over-riders and rebates are accrued monthly and invoiced on a quarterly basis in arrears.

Any element of consideration contingent upon future events is included in sales only to the extent that future significant reversal is highly improbable.

Having assessed the Group's revenue arrangements against specific criteria, the directors have concluded that it is acting as a principal rather than agent in its revenue arrangements to date, except in the case of commissions.

Interest income represents interest receivable on cash balances and on loans to related parties and is recognised as it is earned.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

2.12 Cost of sales

Cost of sales consists of the purchase cost of fuel sold and other expenses that are directly related to sales. It is stated net of VAT, discounts and expected rebates relating to those purchases.

2.13 Current and deferred tax

The income tax charge or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities for the year.

a) Current tax

Current tax is based on taxable income for the year and any adjustment to tax from previous periods. Taxable income differs from net income in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods or that are never taxable or deductible. The calculation uses the latest tax rates for the year that have been enacted by the reporting date.

b) Deferred tax

Deferred tax is calculated at the latest tax rates that have been substantively enacted by the reporting date that are expected to apply when settled. It is charged or credited in the Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in these consolidated financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. It is not discounted.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the asset can be utilised. Such assets are reduced to the extent that it is no longer probable that the asset can be utilised.

Deferred tax assets and liabilities are offset when there is an enforceable right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to the same taxation authority on either the same taxable entity or different taxable entities settling on a net basis.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

2.14 Leases

As explained in note 12, the Group has changed its accounting policy for leases where the Group is the lessee. The impact of the change is described in note 29.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date of which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The right-of-use asset is depreciated on a straight-line basis over the period of the lease.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The principal will amortise the lease liability over the lease term.

2.15 Payroll expense and related contributions

Wages, salaries, payroll tax, bonuses, and employee benefits are accrued in the year in which the associated services are rendered.

2.16 Pension costs and other employee benefits

The Group operates a defined contribution pension scheme and a private medical scheme. The charge represents the amounts payable by the Group to the schemes in respect of the year.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 Summary of significant accounting policies *(continued)*

2.17 Provisions

Provisions for environmental restoration, restructuring costs, onerous leases and legal claims are recognised where: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.18 Accruals

Accruals represents expenses in the period in which they are incurred.

2.19 Accounting developments

(a) The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

i. New standards, amendments and interpretations, adopted by the Group, which have had a material impact on the consolidated financial statements of the Group:
- IFRS 16 *Leases*

ii. New standards, amendments and interpretations, adopted by the Group, which have not had a material impact on the consolidated financial statements of the Group:
- *Prepayment Features with Negative Compensation* – Amendments to IFRS 9
- *Long-term Interests in Associates and Joint Ventures* – Amendments to IAS 28
- *Annual Improvements to IFRS Standards 2015 – 2017 Cycle*
- *Plan Amendment, Curtailment or Settlement – Amendments to IAS 19*
- Interpretation 23 *Uncertainty over Income Tax Treatments*

(b) New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

- Amendments to IFRS 3, 'Business combinations', definition of a business
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' definition of material
- Amendments to the Conceptual framework
- IFRS 17, 'Insurance contracts'

3 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.1 Trade and other receivables

Trade and other receivables are recognised initially at fair value through profit or loss. Appropriate provisions for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, credit card receivables and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.3 Trade and other payables

Trade and other payables are measured at fair value through profit or loss.

3.4 Borrowings

Borrowings are initially recorded at fair value net of transaction costs, including facility fees incurred, and subsequently measured at amortised cost using the effective interest method. Where a loan is obtained at interest rates different from market rates, the loan is remeasured at origination to its fair value, which is calculated as future interest payments and principal repayments discounted at market interest rates for similar loans. Subsequently, the carrying amount of the borrowings is adjusted for amortisation of the origination gain or loss, and the amortisation is recorded as finance income cost using the effective interest yield method on the asset/liability.

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

3.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity, as a deduction from the proceeds.

3 Financial instruments *(continued)*

3.6 Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.7 Hedges and other derivative financial instruments

The Group uses derivative financial instruments such as interest rate caps and swaps to hedge its interest rate risks. Such instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Income Statement.

At the inception of a hedge relationship, the Group formally designates and documents the relationship between the instrument and the hedged item to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

All derivatives held are categorized within level 2 of the fair value hierarchy (Note 3.9) as they are measured using readily available information in public markets.

3.8 Fair value estimation - receivables and payables

The carrying values of trade receivables and payables are assumed to approximate their fair values because the short-term nature of such assets renders the impact of discounting to be negligible.

3 Financial instruments *(continued)*

3.9 Fair value estimation - financial liabilities and derivatives

A fair value hierarchy is used with three levels of inputs. Specific valuation techniques are:

- Level 1 (listed equity investments classified as available-for-sale financial assets, investees and financial assets designated at fair value through profit or loss). Fair value is based on quoted market prices at the reporting date. A market is active if quoted prices are readily available from an exchange, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regular market transactions on an arm's length basis.
- Level 2 (financial instruments not traded in an active market but where all significant inputs are based on observable market data). Fair value is determined by valuation techniques that maximize the use of observable market data and rely as little as possible on entity-specific estimates.
- Level 3 (If significant inputs are not based on observable market data). Fair value is based upon discounted cash flow forecasts.

4 Critical accounting estimates and judgements

Details of significant accounting judgements and critical accounting estimates are set out in these Company and consolidated financial statements. These include the following which are accounting judgements unless otherwise described:

4.1 Impairment of assets

The impairment review process involves the directors making judgements about, inter alia, future cash flows and, where appropriate, the discount rate to be applied to those cash flows. This is done as at each reporting date as set out in Note 2.9.

The following accounting judgements are set out within the consolidated financial statements only:

4.2 Intangible asset life

Intangible assets are amortised over their estimated useful lives as explained in Note 2.7 and Note 13. In the case of acquired brands, this estimation reflects the directors' expectation of customer loyalty, taking into account observations from previous acquisitions. This is an accounting estimate.

4.3 Segments

The directors consider that the revenues and the profit or loss of the Group are attributable to the one principal activity of petrol forecourt retailing and in the judgement of the directors the Group is considered to be one cash generating unit.

4 Critical accounting estimates and judgements *(continued)*

4.4 Financial instruments

In the judgement of the directors, derivatives have only been used for economic hedging purposes and not as speculative investments, as set out in Note 3.7.

4.5 Discount rate

Leases are recognised as a right-of-use asset and a corresponding liability. Assets and liabilities arising from a lease are initially measured on a present value basis. The future minimum lease payments are discounted using the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.38217%.

4.6 Onerous leases

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, the Company recognises a provision in its financial statements for the loss it expects to make on the contract.

5 Segmental analysis

All revenue and profits arise from one business stream, being petrol forecourt retailing, which includes associated commission over-riders and rent from site operators; consequently the Group does not prepare a segmental analysis. All assets and liabilities are located in the country of domicile, being the UK, and all activity occurs there. All segmental income arises from the same assets, being the fuel stations and hence no segmental analysis of net assets arises. The Board review this as one business stream and forecast on that basis.

Notes to the financial statements (continued)

6 Operating Profit

Operating profit is stated after charging /(crediting) items as follows:

	Group	Group
	2018	2018
	£000	£000
Inventory recognised as an expense	**4,083,247**	3,100,685
Employee costs – Note 8	**21,450**	19,669
Establishment and general:		
-Profit on disposal of property, plant and equipment	**(15,707)**	(263)
-Auditors remuneration – Note 7	**395**	748
-Operating lease costs (short term leases) – Note 12	**496**	5,356
-Depreciation of right-of-use assets – Note 12	**6,395**	-
-Depreciation of owned property, plant and equipment – Note 12	**35,567**	23,111
-Amortisation and impairment of intangible assets – Note 13	**873**	835

Other operating expenses comprise site operating costs, including fuel commissions, business rates, utilities, repairs and maintenance; legal and professional fees and head office costs.

There were no exceptional operating costs in the year (2018: £25.0m comprised professional fees, stamp duty and redundancy costs in relation to the purchase and integration of the MRH group).

7 Auditors' remuneration

	Group	Group
	2019	2018
	£000	£000
The Group obtained the following services from the auditors and their associates:		
Current year audit of the Company's and Group's financial statements	**8**	8
Current year audit of the Subsidiaries' financial statements	**344**	502
Other audit-related assurance services	**43**	238
Total auditors' remuneration	**395**	748

The auditors' remuneration for the Company has been borne by one of the subsidiaries.

Notes to the financial statements *(continued)*

8 Employees and remuneration

The Company has no employees.

8.1 Number of employees

Monthly average number of employees (including directors)	**Group 2019 Number**	Group 2018 Number
Directors and senior managers	**27**	22
Other employees	**519**	422
	546	444

The Company has no employees. The business operates primarily a commission operator business model. As such, the commission operators and the site staff employed by them are not employees of the Group and are not included above. The average number of employees has increased as compared with the average for the prior year, primarily as a result of the acquisition, in June 2018, of MRH.

8.2 Remuneration

	Group 2019 £000	Group 2018 £000
Aggregate remuneration of employees (including directors)		
Wages and salaries	**18,922**	17,196
Social security costs	**1,588**	2,189
Pension contributions	**613**	224
Other benefits	**327**	60
	21,450	19,669

During the year the Group operated two defined contribution pension schemes in the UK, one of which is closed to new joiners. Pension benefits are provided through these schemes, whereby retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee. The assets of the schemes are held separately from those of the Group in independently administered funds.

8.3 Directors' and key management personnel remuneration

	Group 2019 £000	Group 2018 £000
Remuneration of the directors and key management personnel		
Wages and salaries	**2,944**	2,786
Social security costs	**345**	356
Pension contributions	**49**	45
	3,338	3,187
Remuneration of highest paid director	**-**	-

There are no transactions with any director in the year which require disclosure. The salaries of the executive directors were not paid by the Group.

9 Finance income and expense

9.1 Income

	Group 2019 £000	Group 2018 £000
Interest and similar income	**334**	271
Revaluation of financial assets and liabilities	**35,582**	7,787
	35,916	8,058

9.2 Expense

	Group 2019 £000	Group 2018 £000
Bank interest paid	**85,710**	51,373
Interest and finance charges paid / payable for lease liabilities not at fair value through profit and loss	**3,569**	-
Interest payable on loans from parent undertaking	**207**	4,300
Fair value movement in derivatives – Note 22.5	**29,565**	11,452
Foreign exchange hedging fee	**-**	4,315
Loan arrangement fee	**4,546**	4,146
Other interest and similar charges	**13,717**	7,025
	137,314	82,611

10 Taxation

10.1 Income tax expense

	Group 2019 £000	Group 2018 £000
Current tax		
- Current year	**19,279**	11,608
- Prior year	**(666)**	297
Deferred tax		
- Credit for year – Note 10.3	**253**	2,216
Net income tax expense	**18,866**	14,121
Tax on items charged or (credited) to equity – Note 10.3	**1,758**	(4,035)
Total tax	**20,624**	10,086

Notes to the financial statements *(continued)*

10 Taxation *(continued)*

10.2 Factors affecting the tax charge

The income tax charge differs from the theoretical charge arising from applying UK corporate tax rates to the profits for the reasons below:

	Group 2019	Group 2018
Corporate tax rate being the average UK corporation tax rate during the year	**19.00%**	19.00%
	£000	£000
Profit before income tax	**111,505**	27,841
Tax charge at the UK corporate tax rate	**21,186**	5,290
Fixed asset differences	**(1,597)**	-
Non-deductible expenditure	**(787)**	2,891
Tax rate differences	**(51)**	(409)
Movement in unprovided deferred tax	**806**	1,136
Adjustments in respect of previous years	**309**	1,163
Chargeable gains	**758**	25
Deferred tax (charged) / credited directly to equity	**(1,758)**	4,035
Other reconciling items	**-**	(10)
Tax charge for the year before and after group relief	**18,866**	14,121

10.3 Deferred tax

	Group 2019 £000	Group 2018 £000
Movements in deferred tax liabilities were as follows:		
Deferred tax liability brought forward	**102,122**	6,578
Acquired with Subsidiaries	**136**	97,363
Charged / (released) to comprehensive income in the year	**2,011**	(1,819)
Deferred tax liability carried forward	**104,269**	102,122

The amount arising on acquisition relates to the future taxable profits represented by the identifiable tangible assets in Note 14. This liability is being amortised over the expected useful lives of those assets.

Notes to the financial statements *(continued)*

10 Taxation *(continued)*

10.3 Deferred tax (continued)

Amounts expensed / (credited) to the income statement in the year were as follows:

	Group 2019 £000	Group 2018 £000
Origination and reversal of temporary differences, net	**(1,403)**	1,370
Effect of changes in tax rate on opening liability	**(132)**	(25)
Adjustments in respect of previous years	**1,788**	871
	253	2,216

Amounts credited to the statement of comprehensive income in the year were as follows:

	Group 2019 £000	Group 2018 £000
Origination and reversal of temporary differences, net	**(1,758)**	4,035
	(1,758)	4,035

The origination and reversal of temporary differences above relates to accelerated capital allowances and potential capital gains resulting from the fair value adjustment to land and buildings within the MRH group, prior to its acquisition by MFG.

There are unrecognised deferred tax assets of £6.3m at the year end (2018: £2.0m). No deferred tax is expected to be settled within 12 months (2018: £nil).

10.4 Factors that may affect future tax charges

The effective rate of UK corporate tax for the financial year was as shown above. The UK Government had enacted a further reduction from the present rate of 19% to 17% with effect from April 2020. However the government’s budget announcement of 11 March 2020 proposed that the tax rate will now remain at 19% and will not be further reduced. The impact of this change, if enacted, would be to increase the recognised deferred tax liability by £12.3m to £116.6m.

11 Company results

	2019 £000	2018 £000
Total comprehensive income / (expense)	**389,793**	(219)

The Company’s income for the year included a dividend received of £390m (2018 - £Nil).

Notes to the financial statements *(continued)*

12 Property, plant and equipment (Group)

(a)

	Freehold land and buildings £000	Leasehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	**Total £000**
Cost					
As at 1 January 2019	1,328,156	95,881	130,402	14,008	**1,568,447**
Additions in the year	14,363	1,970	26,358	3,834	**46,525**
Acquired with subsidiaries	40,612	1,300	980	745	**43,637**
Disposals	(770)	(8)	(7,259)	(747)	**(8,784)**
Reclassification	(58,606)	65,383	(8,636)	1,859	**-**
As at 31 December 2019	1,323,755	164,526	141,845	19,699	**1,649,825**
Accumulated depreciation					
As at 1 January 2019	14,934	1,759	22,718	2,040	**41,451**
Charge for the year	11,124	1,032	20,847	2,564	**35,567**
Disposals	-	(25)	(2,869)	(191)	**(3,085)**
Reclassification	(942)	1,111	(167)	(2)	**-**
As at 31 December 2019	25,116	3,877	40,529	4,411	**73,933**
Carrying amount					
As at 1 January 2019	1,313,222	94,122	107,684	11,968	**1,526,996**
As at 31 December 2019	1,298,639	160,649	101,316	15,288	**1,575,892**

The depreciation charges have been included in operating expenses in the Statement of Comprehensive Income. The value of land included in land and buildings which is not depreciated is £967.4m (2017: £925.6m).

During the year it was identified that leasehold properties with very long terms had been incorrectly classified as freehold. These have been reclassified.

These Group assets were pledged in security for the bank loan (Note 21).

Notes to the financial statements *(continued)*

12 Property, plant and equipment (Group) *(continued)*

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery	Fixtures and fittings	**Total**
	£000	£000	£000	£000	**£000**
Cost					
As at 1 January 2018	386,615	37,922	35,030	6,484	**466,051**
Additions in the year	7,347	3,256	13,987	6,530	**31,120**
Acquired with subsidiaries	974,966	62,030	84,777	1,542	**1,123,315**
Disposals	(4,191)	(169)	(3,392)	(548)	**(8,300)**
Transfer to assets held for sale	(36,581)	(7,158)	-	-	**(43,739)**
As at 31 December 2018	1,328,156	95,881	130,402	14,008	**1,568,447**
Accumulated depreciation					
As at 1 January 2018	8,908	1,255	10,444	846	**21,453**
Charge for the year	6,881	652	13,863	1,715	**23,111**
Disposals	(15)	(12)	(1,589)	(521)	**(2,137)**
Transfer to assets held for sale	(840)	(136)	-	-	**(976)**
As at 31 December 2018	14,934	1,759	22,718	2,040	**41,451**
Carrying amount					
As at 1 January 2018	377,707	36,667	24,586	5,638	**444,598**
As at 31 December 2018	1,313,222	94,122	107,684	11,968	**1,526,996**

The assets that were transferred into assets held for sale in 2018 were all sold in Q1 2019.

Notes to the financial statements *(continued)*

12 Property, plant and equipment (Group) *(continued)*

(b) Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2019	1 January 2019*
	£000	£000
Right of use assets		
Buildings	**76,920**	82,342
Vehicles	**734**	1,271
	77,654	83,613
Lease liabilities		
Current	**8,400**	8,128
Non-current	**71,090**	75,485
	79,490	83,613

*In the prior year, the Group recognised lease assets and lease liabilities only in relation to leases that were classified as 'finance leases' under IAS 17 *Leases*. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 29.

Additions to the right-of-use assets during the 2019 financial year were £0.4m.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019	2018
	£000	£000
Depreciation charge of right of use assets		
Buildings	**5,858**	-
Vehicles	**537**	-
	6,395	-
Interest expense (included in finance costs)	**3,569**	
Expense relating to short-term leases (included in costs of goods sold and administrative expenses)	**496**	

Notes to the financial statements *(continued)*

12 Property, plant and equipment (Group) *(continued)*

(b) Leases *(continued)*

(iii) The Group's leasing activities and how these are accounted for

The Group leases offices, petrol stations, equipment and vehicles. Rental contracts are typically made for fixed periods, which can be for any length of time, from less than 5 years to 999 years. Some of the leases contain extension or break options.

Contracts may contain both lease and non-lease components. The group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 29 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date of which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable
- Lease payments to be made under reasonably certain extension options

The lease payments are discounted using the lessee's incremental borrowing rate , being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses its incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Payments associated with short term leases are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

Leases of low value equipment (comprising IT equipment and other low value assets) have been recognised on a straight-line basis as an expense in profit or loss.

Notes to the financial statements *(continued)*

12 Property, plant and equipment (Group) *(continued)*

(b) Leases *(continued)*

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations.

In determining the lease term, management considers that the group is reasonably likely to exercise an extension option, and reasonably likely to not exercise a termination option.

Management considers that the lessor is reasonably likely to exercise a termination option.

13 Intangible assets (Group)

	Goodwill	Brands	Dealer relation-ships	Software	**Total**
	£000	£000	£000	£000	**£000**
Cost					
As at 1 January 2019	444,357	1,200	15,500	-	**461,057**
Additions	28,294	-	-	1,582	**29,876**
As at 31 December 2019	472,651	1,200	15,500	1,582	**490,933**
Accumulated amortisation and Impairment					
As at 1 January 2019	-	210	2,703	-	**2,913**
Charge for the year	-	60	775	38	**873**
As at 31 December 2019	-	270	3,478	38	**3,786**
Carrying Amount					
As at 1 January 2019	444,357	990	12,797	-	**458,144**
As at 31 December 2019	472,651	930	12,022	1,544	**487,147**

The intangible assets arising on acquisition during the year are set out in Note 14. The fair values established upon the June 2018 acquisition of the MRH group were subsequently revised to increase a provision in respect of an underlying onerous contract, following its appraisal in 2019, increasing both the provision and the goodwill by £20.9m.

Goodwill arises on acquisition as the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed (Note 2.5). It represents the present value of future net profits expected from those net assets due to (a) synergies and efficiencies that can be driven from the expanded group and (b) the application of the Group's operational strategy to those assets.

Notes to the financial statements *(continued)*

13 Intangible assets (Group) *(continued)*

Goodwill is tested for impairment on an annual basis. An impairment test is a comparison of the carrying value of assets to their recoverable amount. Where an asset's carrying value is higher than the recoverable amount, an impairment results. Any amortisation and impairment charges are included in operating expenses in the Statement of Comprehensive Income.

Growth rates and discount rates used in the impairment calculations are determined internally and reviewed and considered for appropriateness each year. We have used a growth rate of 2.5% which was an estimate of inflation based on historic wages. We have used a discount rate of 4.94% which was the WACC based on the external loans held in the year.

Recoverable amounts have been measured based on value in use over the remaining life of each asset. Forecasts for the remaining life of each asset have been used (maximum 20 years), based on annual budgets and strategic projections representing the best estimate of future performance until 2024. The remaining lives are forecast to be 16.5 years for brands and dealer relationships. When testing the continuing carrying value attributed to goodwill, the directors believe that it is appropriate to consider the Group as one cash generating unit (CGU) as fuel and other contracts are not negotiated on a site by site basis.

The directors have not identified any plausible changes to key assumptions that would render the recoverable amounts of the intangible assets below their carrying values.

	Goodwill	Brands	Dealer relation-ships	**Total**
	£000	£000	£000	**£000**
Cost				
As at 1 January 2018	187,597	1,200	15,500	**204,297**
Additions	468	-	-	**468**
Arising on acquisitions	256,292	-	-	**256,292**
As at 31 December 2018	444,357	1,200	15,500	**461,057**
Accumulated amortisation and impairment				
As at 1 January 2018	-	150	1,928	**2,078**
Charge for the year	-	60	775	**835**
As at 31 December 2018	-	210	2,703	**2,913**
Carrying Amount				
As at 1 January 2018	187,597	1,050	13,572	**202,219**
As at 31 December 2018	444,357	990	12,797	**458,144**

Notes to the financial statements *(continued)*

14 Business combinations

The Group completed the acquisition of two petrol forecourt groups in 2019, perceiving there were synergies that could be achieved through integration of their operational activities with those of the existing Group. It is not possible to identify separately the revenues and profits attributable to the acquired entities since the acquisition date as they have not been run separately post acquisition. Acquisition costs have been included within legal and professional costs.

The acquired assets and liabilities were as follows:

	Book value	Fair value adjustment	**Fair value**
	£000	£000	**£000**
Tangible fixed assets	27,930	15,708	**43,638**
Inventories	1,869	-	**1,869**
Trade debtors	870	-	**870**
Other debtors and prepayments	438	-	**438**
Cash	3,004	-	**3,004**
Trade creditors	(4,284)	-	**(4,284)**
Other creditors	(356)	-	**(356)**
Accruals and deferred income	(459)	-	**(459)**
Corporation tax	(185)	-	**(185)**
VAT and PAYE	(106)	-	**(106)**
Deferred tax	(136)	-	**(136)**
Net assets acquired	**28,585**	**15,708**	**44,293**
Cash consideration on completion			**51,646**
Net assets acquired per above			**(44,293)**
Goodwill arising on 2019 acquisitions			**7,353**

The fair value of the tangible fixed assets is based on valuation exercises by an external party, carried out prior to each acquisition.

Notes to the financial statements *(continued)*

14 Business combinations *(continued)*

	Fair value adjustment	**Fair value**
	£000	**£000**
Provisions	(20,019)	**(20,019)**
Deferred tax	(922)	**(922)**
Net assets acquired	(20,941)	**(20,941)**
Goodwill arising on 2018 acquisition		**(20,941)**

The fair values established upon the June 2018 acquisition of the MRH group were subsequently revised to increase a provision in respect of an underlying onerous contract, following its reappraisal in 2019, increasing both the provision and the goodwill by £20.9m.

15 Investments

The Company's investments at both 31 December 2019 and 2018 comprise shares in CD&R Firefly 2 Limited (Note 28).

16 Inventories

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£000	£000	**£000**	£000
Finished goods – fuel	**57,810**	61,577	**-**	-
Consumables	**-**	435	**-**	-
	57,810	62,012	**-**	-

Inventories expensed in the Statement of Comprehensive Income are shown within cost of sales. Cost of sales is wholly related to the purchase of fuel. All inventories are carried at the lower of cost and net realisable value. No inventories were provided against in the year.

Notes to the financial statements *(continued)*

17 Trade and other receivables

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£000	£000	**£000**	£000
Trade receivables	**54,526**	76,310	**-**	-
Other receivables	**2,015**	7,662	**32**	32
Accrued income and prepayments	**16,764**	9,986	**-**	-
Derivatives – note 22.5	**-**	5,375	**-**	-
	73,305	99,333	**32**	32

The directors believe that the carrying value of receivables represents their fair value. In determining the recoverability of a receivable, the directors consider any change in its credit quality from the date credit was granted up to the reporting date.

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£000	£000	**£000**	£000
Trade receivables	**54,744**	76,550	**-**	-
Loss allowance	**(218)**	(240)	**-**	-
	54,526	76,310	**-**	**-**

Notes to the financial statements *(continued)*

17 Trade and other receivables *(continued)*

As at 31 December 2019, £6.3m (2018: £5.6m) of receivables were past due but not considered to be impaired. The age profile of these trade receivables is as follows:

	2019 Group £000	2018 Group £000	**2019 Company £000**	2018 Company £000
Up to three months	**3,458**	4,179	-	**-**
Three to six months	**2,873**	1,412	-	**-**
Total	**6,331**	5,591	-	**-**

The largest single receivable at the reporting date was from a fuel card company and as such the concentrated credit risk is considered moderate.

	2019 Group £000	2018 Group £000	**2019 Company £000**	2018 Company £000
Largest receivable	**10,266**	15,152	**-**	**-**

Details of the credit risk management policies are shown in Note 22.6.

18 Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Cash and cash equivalents	**103,639**	82,110	**-**	-

The cash and cash equivalents currently earn a minimal level of interest. The directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

Notes to the financial statements *(continued)*

19 Trade and other payables

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£000	£000	**£000**	£000
Trade payables	**324,290**	241,660	**-**	-
Corporation tax payable	**4,940**	7,025	**-**	-
Other tax and social security	**2,162**	5,267	**-**	-
Lease liabilities	**8,400**	-	**-**	-
Other creditors	**11,481**	10,120	**-**	-
Derivatives - Note 22.5	**25,026**	836	**-**	-
	376,299	264,908	**-**	-

20 Provisions

	Onerous Lease	**Environmental provision**	**Total**
	£000	**£000**	**£000**
Beginning of year	3,930	7,515	**11,445**
Provided in the year	20,941	-	**20,941**
Released in the year	(3,853)	(2,700)	**(6,553)**
	21,018	**4,815**	**25,833**

The onerous lease provision relates to 'above market' fuel contracts recognised on business combinations.

The provision for environmental costs is in respect of estimated investigation and remediation costs of freehold and leasehold properties.

Notes to the financial statements *(continued)*

21 Borrowings

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£000	£000	**£000**	£000
Non-current				
Secured bank loan	**1,658,211**	1,463,749	**-**	-
Secured bank overdraft	**90,000**	60,000	**-**	-
Preference shares	**1,933**	1,726	**1,933**	1,726
Total borrowings	**1,750,144**	1,525,475	**1,933**	1,726

The earliest that the lenders of the above non-current borrowings require repayment is as follows:

	Group	Group	**Company**	Company
	2019	2018	**2019**	2018
Between one and two years	**£000**	£000	**£000**	£000
Preference shares (note 23.1)	**1,933**	1,726	**1,933**	1,726
	1,933	1,726	**1,933**	1,726
Between two and five years:				
Secured bank overdraft	**90,000**	60,000	**-**	-
	90,000	60,000	**-**	-
After five years:				
Secured bank loan	**1,658,211**	1,463,749	**-**	-
	1,658,211	1,463,749	**-**	-

In December 2019 the Group conducted a refinancing exercise, replacing all previous facilities with the following:

The new banking arrangements comprise:

- £700m senior secured loan B1 facility – interest of 4.5% over LIBOR, subject to certain conditions, repayable in 2025
- €751m senior secured loan B2 facility – interest of 3.5% over EURIBOR, subject to certain conditions, repayable in 2025
- £230m senior secured revolving credit facility (RCF) – interest of 3.25% over LIBOR, facility available until 2024, amounts repayable at the end of each interest period unless rolled over
- £50m senior secured letter of credit facility, facility available until 2024
- £325m second lien term loan facility – interest of 7.75% over LIBOR, repayable in 2026

Notes to the financial statements *(continued)*

21 Borrowings *(continued)*

At year end the drawn balance on the RCF was £90m and the other facilities were fully drawn.

One of the conditions subsequent to the availability of the facilities referred to above was that the Group companies grant a standard security over the properties held by the Group.

22 Financial instruments

There is an exposure to the risks associated with holding financial instruments. The policies for managing those risks and the methods to measure them are described in the Strategic report. Further information in respect of these risks is presented below and throughout these Financial Statements.

22.1 Capital risk management

Funding to date has been by equity and loans. Loans were outstanding as shown in Note 21.

22.2 Principal financial instruments

The principal financial instruments were as follows:

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£000	£000	**£000**	£000
Trade and other receivables	**56,541**	83,972	**32**	32
Accrued income and prepayments	**16,764**	9,986	**-**	-
Trade and other payables	**360,797**	252,616	**-**	-
Accruals	**29,536**	50,013	**-**	-
Cash and cash equivalents	**103,639**	82,110	**-**	-

22.3 Financial assets

The following financial assets were held, all classified as loans or receivables:

	Group 2019	Group 2018	**Company 2019**	Company 2018
Cash and cash equivalents	**103,639**	82,110	**-**	-
Trade receivables	**54,526**	76,310	**-**	-
Accrued income and prepayments	**16,764**	9,986	**-**	-
Other receivables	**2,015**	7,662	**32**	32
Assets held for sale	**-**	42,763	**-**	-

Notes to the financial statements *(continued)*

22 Financial instruments *(continued)*

22.4 Financial liabilities

The following financial liabilities were held, all classified as other financial liabilities:

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£000	£000	**£000**	£000
Trade payables	**324,290**	241,660	**-**	-
Other payables	**11,481**	10,120	**-**	-
Accruals	**29,536**	50,013	**-**	-
Lease liability – within one year	**8,400**	-	**-**	-
Lease liability – greater than one year	**71,090**	-	**-**	-
Loans	**1,750,144**	1,525,475	**1,933**	1,726

The repayment dates of the loans are as per Note 21 above. The maturity of the lease liability is disclosed in the table below. All other financial liabilities are expected to be repayable within 12 months.

22.5 Market risk – derivatives

There is an exposure to the market risk of changes in interest rates arising from borrowings. Loans with variable rates expose the Group to cash flow interest rate risk. The Group mitigated this through a 5 year derivative financial instrument, comprised of a “floor and cap arrangement” effective from July 2015 of £260m for years 1 and 2 and an interest swap of £185m for years 3 to 5. These derivatives were still in place at 31 December 2019.

In June 2018 the Group entered into a number of transactions to hedge against currency and interest rate exposure on the new debt. These comprise:

- Currency exposure hedging of the Euro debt tranche (total €565.44m), in place until December 2020,
- Interest rate hedging - swaps covering a total of £500m of debt, in place until December 2020,
- Interest rate cap – initially covering £550m of debt, reducing to £200m in 2019 and £50m in 2020.

All financial instruments are level 2, as defined in Note 3.9. They are valued using mark-to-market on a quarterly basis.

Notes to the financial statements *(continued)*

22 Financial instruments *(continued)*

22.5 Market risk – derivatives (continued)

The relevant fair values are as follows:

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£000	£000	**£000**	£000
Liability brought forward	**836**	3,248	**-**	-
Movements in year:				
- Interest rate cap	**(41)**	47	**-**	-
- Interest rate swap	**10**	(2,459)	**-**	-
- Currency swap	**24,221**	-	**-**	-
Liability carried forward	**25,026**	**836**	**-**	**-**

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£000	£000	**£000**	£000
Asset brought forward	**5,375**	-	**-**	-
Movements in year:				
- Interest rate swap	**(796)**	7	**-**	-
- Currency swap	**(4,579)**	5,368	**-**	-
Asset carried forward	**-**	5,375	**-**	-

Notes to the financial statements *(continued)*

22 Financial instruments *(continued)*

22.5 Market risk – derivatives (continued)

Interest rate risk

The sensitivity analysis below describes possible movements in interest rates with all other variables held constant, showing the impact on profit before tax:

	2019	2018
	£'000	£'000
Increase of 100 basis points in EUR curve	**(2,718)**	(4,202)
Decrease of 100 basis points in EUR curve	**5,057**	10,679
Increase of 100 basis points in GBP curve	**6,999**	12,329
Decrease of 100 basis points in GBP curve	**(7,057)**	(11,522)

Foreign exchange risk

The sensitivity analysis below describes possible movements in EUR / GBP spot rates with all other variables held constant, showing the impact on profit before tax:

	2019	2018
	£'000	£'000
Appreciation of EUR of 10% vs GBP	**(45,249)**	(49,756)
Depreciation of EUR of 10% vs GBP	**55,440**	60,812

22.6 Credit risk

Careful consideration is given to the choice of bank to hold the Group's cash balances in order to minimise credit risk. Cash is held with a number of major UK banks, and the amounts held at the reporting date can be seen in the financial assets table (Note 22.3).

There was no significant concentration of credit risk at the reporting date other than as described at Note 17.

The carrying amount of financial assets, net of any allowances for losses, represents the maximum exposure to credit risk without taking account of the value of any collateral obtained.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The directors consider the above measures to be sufficient to control the credit risk exposure. No collateral is held as security in relation to its financial assets.

The Group mitigates credit risk for dealerships and commission sales, where considered necessary, by holding cash bonds as security.

Notes to the financial statements *(continued)*

22 Financial instruments *(continued)*

22.7 Liquidity risk management

The directors manage liquidity risk by regularly reviewing cash requirements by reference to short term cashflow forecasts and medium term working capital projections. The forecasts reflect the Group's debt finance plans and covenant compliance.

22.8 Maturity of financial assets and liabilities

All of the non-derivative financial liabilities and assets at the reporting date are either payable or receivable within one year, except for borrowings as disclosed in Note 21.

23 Share capital

23.1 Number of shares in issue authorised and fully paid

	Group 2019	Group 2018	**Company 2019**	Company 2018
	Number	Number	**Number**	Number
Ordinary share of £1.00	**-**	-	**-**	-
A Ordinary shares of 1p issued at £1.00 each	**121,836**	121,836	**121,836**	121,836
B1 Ordinary shares of 1p issued at £1.0003 each	**294,526,835**	294,526,835	**294,526,835**	294,526,835
B2 Ordinary shares of 20p issued at £1.00 each	**61,048**	61,048	**61,048**	61,048
C Ordinary shares of £1.00 each issued at par	**5**	5	**5**	5
Subtotal ordinary shares	**294,709,724**	294,709,724	**294,709,724**	294,709,724
Preference shares of 0.0001p issued at £1.00 each	**1,164,432**	1,164,432	**1,164,432**	1,164,432
Total shares	**295,874,156**	295,874,156	**295,874,156**	295,874,156

The ‘A’ shares are non-voting but do entitle the shareholder to a dividend.

The ‘B1’ shares have voting rights and also entitle the shareholder to a dividend.

The ‘B2’ shares are non-voting but do entitle the shareholder to a dividend.

The ‘C’ shares have voting rights, allowing the shareholder to exercise 5% of the total voting rights capable of being cast at a general meeting and also entitle the shareholder to a dividend.

The ‘Preference Shares’ are non-voting unless: (1) the Company does not pay all of the Redemption Sum payable to the Preference shareholders; (2) any indebtedness of any Group Company has become repayable before its specified maturity date or has been the subject of a demand for repayment; (3) the business of the meeting includes the consideration of a resolution for the winding-up or dissolution of the Company or the appointment of an administrator. The ‘Preference shares’ receive a fixed cumulative preferential dividend at the rate of 12% per annum of the issue price.

Notes to the financial statements *(continued)*

23 Share capital *(continued)*

23.1 Number of shares in issue authorised and fully paid (continued)

No shares were issued in the year. In the prior year, 1,980 A Ordinary shares and 294,191,267 B1 Ordinary shares were issued for a consideration of £294,193,247.

The preference shares are treated as debt – see Note 21.

23.2 Nominal value of shares in issue, fully paid

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
A Ordinary shares	**1**	1	**1**	1
B1 Ordinary shares	**2,945**	2,945	**2,945**	2,945
B2 Ordinary shares	**12**	12	**12**	12
C Ordinary shares	**-**	-	**-**	-
Subtotal ordinary shares	**2,958**	2,958	**2,958**	2,958

24 Share premium

	Group 2019 £000	Group 2018 £000	**Company 2019 £000**	Company 2018 £000
Brought forward	**291,750**	500	**291,750**	500
Arising during the year	**-**	291,250	**-**	291,250
Share premium reduction	**(200,000)**	-	**(200,000)**	-
Carried forward	**91,750**	291,750	**91,750**	291,750

The Company carried out a share premium reduction of £200m in December 2019.

25 Ultimate controlling party

The immediate parent undertaking is CD&R Tiger Jersey Holdco Limited, incorporated in Jersey.

In the opinion of the directors the ultimate controlling party is the ultimate parent company, CD&R Firefly Holdings Sàrl, registered in Luxembourg.

Notes to the financial statements *(continued)*

26 Reconciliation of movement in shareholder funds

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£000	£000	**£000**	£000
Brought forward	**317,395**	5,449	**294,146**	174
Shares issued in the year	**-**	2,941	**-**	2,941
Share premium (note 24)	**-**	291,250	**-**	291,250
Dividend paid	**(390,000)**	-	**(390,000)**	-
Comprehensive income / (loss) for the year	**90,881**	17,755	**389,793**	(219)
Carried forward	**18,276**	317,395	**293,939**	294,146

27 Related party transactions

Disclosures required in respect of IAS24 Related Party Disclosures regarding remuneration of key management personnel are covered by the disclosure of directors' and key management personnel remuneration in Note 8.3.

During the year one non-executive director subscribed in cash for shares in a parent company. The value of the shares was £3,953.

28 Principal subsidiaries

The Company owns 100% of the issued shares of the following Subsidiaries, all incorporated in England & Wales except where indicated:

Directly Held	**Company Number**
CD&R Firefly 2 Limited[1]	09547855

Indirectly Held	**Company Number**
CD&R Firefly 3 Limited[1]	09547822
CD&R Firefly 4 Limited[1]	09547863
CD&R Firefly Bidco Limited	09580601
Scimitar Topco Limited	07869343
Motor Fuel Limited	05206547
Scimitar Midco Limited	07777382
Scorpion Midco Limited	08575198
Motor Fuel Group Limited	06231901
LSF9 Robin Topco Limited	09770836
St Albans Operating Company Limited	09146965
Highway Stops Limited	02409154
Fuel Stops UK Limited	04511403

Motor Fuel (No. 2) Limited	09581137
Roadside Group Limited	03079092
Elite Fuels Limited	03080543
Scorpion PFS1 Limited	08476359
Leopard PEL Limited	03391904
Kerr 1 Limited	10717536
Burns & Co Limited	01454826
Manor Service Stations Limited	01938740
Scorpion Topco Limited	08575174
Scimitar PFS1 Limited	07777403
St Albans Dealership Company Limited	09147000
Motor Fuel (No.1) Limited	06523149
Leopard No 2 Investments Limited (Incorporated in Scotland)[2]	SC342459
Kerr 2 Limited	00687187
Motor Fuel (No. 3) Limited	07532478
Motor Fuel (No. 4) Limited	09976564
Motor Fuel (No. 5) Limited	06255272
Motor Fuel (No. 6) Limited	07317793
LSF9 Robin Midco Limited	09770842
LSF9 Robin Newco 1 Limited	10491759
LSF9 Robin Newco 2 Limited	10501307
LSF9 Robin Investments Limited	09770848
MRH (GB) Limited	06360543
Malthurst (UK) Limited	03473591
Retro Properties Limited	05179558
Lupo Limited	05166720
BNV Limited	08210135
Malthouse Estates Limited	08328610
Malthurst South East Limited	09471633
Malthurst Anglia Limited	09471584
Refined Holdings Limited	05193623
Malthurst Retail Limited	03313799
Malthurst Petroleum Limited	00762360
Malthurst Limited	03445529
Chartman Holdings Limited	09892309
Chartman Limited	02192424
Clearwater Investors Limited (Bermuda)	FC028849
Peregrine Retail Limited	03327423
Matrix (Highlands) Limited	02558700
Isle of Wight Fuels Limited	08011071
Roberts Garages Limited (Jersey)[3]	15450
Petroleum Distributions Limited (Jersey)[4]	4103
PDR Limited (Jersey)[4]	114694
MB Boiler Services Limited (Jersey)[4]	46167
Guernsey Petroleum Distributions Limited (Guernsey)[5]	615
RGF Limited (Jersey)[3]	118854
MRH Forecourts Limited	05303330
RFF Limited	08318618
Zain Investments Limited	FC033560
Spring Petroleum Company Limited	04342974
Haley Hill Service Station Limited	04151848

Mercury Forecourts Limited	06605317
Refined Estates Trading Limited	06379764
Malthurst Properties Limited	06360537
Refined Petroleum Trading Limited	06379865
Refined Estates Limited	04193995
Refined MP Limited	02847780
Refined Petroleum Limited	04998448
Kennet Limited	SC086158
Malthurst Services Limited	03700779
Malthurst Fuels Limited	04526281

The principal retail trade is carried out by Motor Fuel Limited. The other companies which trade are mainly either holding companies or property rental companies.

The Company also indirectly controls the following partnerships which are wholly owned within the Group and the Group is entitled to 100% of any distributions:

Goldstar Fuel LLP	OC 354035	Exempt
Goldstar FSL LLP	OC 357674	Exempt

All subsidiary undertakings are incorporated in England and Wales unless otherwise stated and, if trading, have been included in the consolidation.

The registered office for all subsidiary undertakings is Gladstone Place, 36 – 38 Upper Marlborough Road, St Albans, Hertfordshire, United Kingdom, AL1 3UU with the exception of the following:

[1] Registered office is at Cleveland House, 33 King Street, London, SW1Y 6RJ

[2] 3 St David's Business Park, Dunfermline, Fife, United Kingdom, KY11 9PF

[3] Springfield Road, St Helier, Jersey, JE2 4LE

[4] La Collette, St Helier, Jersey, JE2 3NB

[5] Bulwer Avenue, St Sampson, Guernsey, GY2 4LF

All subsidiaries, excluding CD&R Firefly 4 Limited and CD&R Bidco Limited are exempt from audit, having either taken the exemption in Section 477 or 479A of the UK Companies Act 2006 (the Act) or in Article 113 (1) of the Companies (Jersey) Law 1991 from the requirements in the Act for their individual financial statements to be audited.

The guarantees given by the Company under section 479C of the Act are disclosed in Note 30.

Notes to the financial statements *(continued)*

29 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 *Leases* on the group's financial statements.

As indicated in accounting policies above, the Group has adopted IFRS 16 *Leases* using the modified retrospective approach. Prior periods have not been restated.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases
- Excluding initial direct costs for the measurement of the right of use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an arrangement contains a lease.*

(ii) Measurement of lease liabilities

	2019
	£000
Operating lease commitments disclosed as at 31 December 2018	**117,276**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**83,821**
(Less): short-term leases not recognised as a liability	**(208)**
Lease liability recognised as at 1 January 2019	**83,613**
Of which are:	
Current lease liabilities	**8,128**
Non-current lease liabilities	**75,485**
	83,613

(iii) Measurement of right-of-use asset

The associated right-of-use assets for leases were measured on a modified retrospective basis.

Notes to the financial statements *(continued)*

29 Changes in accounting policies *(continued)*

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right of use assets – increase by £83.6m
- Lease liabilities – increase by £83.6m

The net impact on retained earnings on 1 January 2019 was £nil.

(v) Lessor accounting

The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

30 Contingent liabilities and guarantees

Under the terms of the secured bank loans, all entities in the Group guarantee the bank debts of the Group.

In accordance with Section 479C of the Companies Act 2006, the Company has provided a guarantee over the liabilities of certain Subsidiaries as shown in Note 28.

31 Post Balance Sheet Events

In March 2020 the UK Government declared a formal lockdown in response to the global Covid 19 pandemic. The petrol filling stations were deemed to be an essential service and remained open. Retail fuel sales were reduced as a consequence of the lockdown and the food to go outlets were required to close, however the convenience store side of the business traded strongly as the general public moved away from visiting the big supermarkets and shopped in the smaller, more local convenience stores.

The Group put in place a number of measures to manage liquidity and cash flow during this period as detailed in the strategic report. In addition to those measures the Group announced in April 2020 that it had secured additional liquidity through a one year increment to the existing RCF facility of £80m. This incremental facility provides additional financial support and should only be required in the event there is a further material change to trading patterns.

The Directors have considered the impact of Covid 19 and the lockdown on the accounts and have taken the view that no accounting adjustments are required to the 2019 accounts on the basis that the sites remain open and continue to trade.