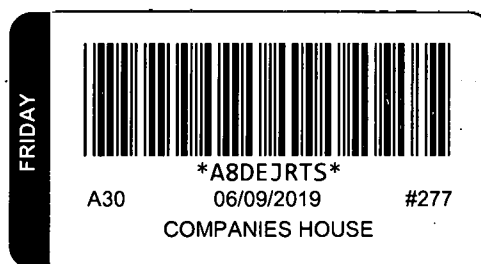


Registration number: 02567566

Catalina Marketing UK Limited

Annual report and financial statements
for the year ended 31 December 2018



Catalina Marketing UK Limited

Contents

	Page
Company information	1
Strategic report	2
Directors' report	3
Independent auditors' report	5
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11

Catalina Marketing UK Limited

Company information

Directors B P A Aguila
W J R Faivre
P Patel

Registered office Pinnacle House
20 Tudor Road
Reading
Berkshire
RG1 1NH

Bankers Barclays Bank Plc
Wytham Court
1 West Way
Oxford
OX3 0JB

Independent Auditors PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place
23 Forbury Road
Reading
Berkshire
RG1 3JH

Catalina Marketing UK Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2018.

Review of the business

During the year, the revenue (a key performance indicator) of the company increased by 6% (2017: decreased by 32%) from £9.5m to £10.1m. The directors believe that the company has maintained its overall market share through its customer retention. Gross Profit has decreased by 7% in 2018 (15% in 2017) due mainly to a higher level of royalty expenses.

Position of the business

The profit for the financial year amounted to £162,618 per the statement of comprehensive income on page 7 (2017: £101,400).

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

	2018	2017
Variation in sales	6%	(32%)
Change in volume of coupons printed	6%	(30%)

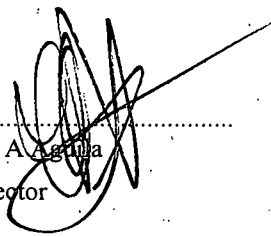
In 2017, the decrease in sales and volume of coupons printed was explained by drastic reduction in marketing budget from our customers to invest directly into pricing. The 2018 slight increase is explained by better market conditions.

Principal risks and uncertainties

The directors of the company manage the group's risks at a group level, rather than an individual business unit level. For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the business.

However, main risk at UK level result from the evolution of the market itself including a growing competition between retailers especially with discounters.

Approved by the Board on 11/01/2019 and signed on its behalf by:


B P A Agulla
Director

Catalina Marketing UK Limited

Directors' report

For the year ended 31 December 2018

The directors present their annual report and audited financial statements of Catalina Marketing UK Limited (the company) for the year ended 31 December 2018.

Directors

The directors of the company who were in office during the year and up to the date of the signing of the financial statements, unless otherwise stated were as follows:

S A Lane (resigned on 27 February 2018)

C G Keller (resigned on 27 February 2018)

B P A Aguila (appointed on 27 February 2018)

W J R Faivre (appointed on 27 February 2018)

P Patel (appointed on 29 April 2019)

Principal activities

The principal activity of the company is the provision of targeted marketing services to the retail industry.

The company has an exclusive license for the UK to market the point of sale marketing system developed by the US parent company Catalina Marketing Corporation, Inc. This proprietary system is used in the delivery of the targeted marketing services offered by the company.

Results and dividends

The results for the financial year ended 31 December 2018 are set out on page 8. The profit for the financial year amounted to £162,618 per the statement of comprehensive income (2017: £101,400).

The directors do not recommend payment of a dividend (2017: £nil).

Future developments

The business continues to work to maximise the potential of the group's innovation in the targeted marketing services sector.

Financial risk management objectives and policies

The company's activities expose it to financial risks, such as credit risk. The company's principal financial assets are bank balances, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience or looking forward, is evidence of a reduction in the recoverability of the cash flows. There is no such evidence of the need for an impairment of trade receivables in the current or previous year.

The risks in respect of liquidity, interest rate, cash flow, foreign exchange and price are managed on a group basis by the parent company.

Directors' indemnities

The company maintains liability insurance for its directors and officers. The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Going concern

The directors have considered the application of the going concern basis of accounting and believe that for the foreseeable future the company will have available resources to meet its liabilities as they fall due, largely from group financing and cashflows from the company's operations.

Catalina Marketing UK Limited

Directors' report (continued)

For the year ended 31 December 2018

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 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 company and of the profit or loss of the 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, 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 company will continue in business.

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

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

Disclosure of information to auditors

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 company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board on 11/08/2019 and signed on its behalf by:

B P A Aguilera
Director

Catalina Marketing UK Limited

Independent auditors' report to the members of Catalina Marketing UK Limited

Report on the financial statements

Opinion

In our opinion, Catalina Marketing UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement 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 company 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

ISAs (UK) require us to report to you when:

- 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 company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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

Catalina Marketing UK Limited

Independent auditors' report to the members of Catalina Marketing UK Limited (continued)

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 2018 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 company and its 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 in respect of the financial statements set out on page 4, 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

Catalina Marketing UK Limited

Independent auditors' report to the members of Catalina Marketing UK Limited (continued)

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Claire Turner (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Reading

1 August 2019

Catalina Marketing UK Limited

Statement of comprehensive income For the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue	5	10,153,441	9,540,919
Cost of sales		(4,244,797)	(3,184,899)
Gross profit		5,908,644	6,356,020
Administrative expenses		(5,701,841)	(6,133,559)
Operating profit	6	206,803	222,461
Finance income	7	11,968	2,724
Finance costs	8	(14,359)	(12,032)
Profit before taxation		204,412	213,153
Tax on profit	12	(41,794)	(111,753)
Profit for the financial year		162,618	101,400
Other comprehensive income, net of tax		-	-
Total comprehensive income		162,618	101,400

The notes on pages 11 to 26 form an integral part of the financial statements.

The results for the financial years shown above are derived entirely from continued activities.

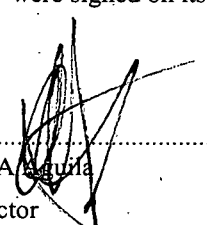
Catalina Marketing UK Limited

Statement of financial position As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	14	1,649,981	2,358,210
Current assets			
Inventories	15	64,433	268,610
Trade and other receivables	16	6,797,187	4,480,899
Cash at bank and in hand		1,923,996	2,074,610
		<u>8,785,616</u>	<u>6,824,119</u>
Creditors: amounts falling due within one year	17	<u>(5,006,834)</u>	<u>(3,916,182)</u>
Net current assets		<u>3,778,782</u>	<u>2,907,937</u>
Net assets		<u>5,428,763</u>	<u>5,266,145</u>
Equity			
Called up share capital	18	11,141	11,141
Share premium account		214,556	214,556
Retained earnings		5,203,066	5,040,448
Total shareholders' funds		<u>5,428,763</u>	<u>5,266,145</u>

The financial statements on pages 8 to 26 of Catalina Marketing UK Limited (registration number: 02567566) were approved by the Board of Directors and authorised for issue on 01/08/2019

They were signed on its behalf by:


B P A. Aguilera
Director

Catalina Marketing UK Limited

Statement of changes in equity For the year ended 31 December 2018

	Called up share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
At 1 January 2017	11,141	214,556	4,939,048	5,164,745
Profit for the financial year	-	-	101,400	101,400
Total comprehensive income	-	-	101,400	101,400
At 31 December 2017	<u>11,141</u>	<u>214,556</u>	<u>5,040,448</u>	<u>5,266,145</u>
	Called up share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
At 1 January 2018	11,141	214,556	5,040,448	5,266,145
Profit for the financial year	-	-	162,618	162,618
Total comprehensive income	-	-	162,618	162,618
At 31 December 2018	<u>11,141</u>	<u>214,556</u>	<u>5,203,066</u>	<u>5,428,763</u>

Catalina Marketing UK Limited

Notes to the financial statements For the year ended 31 December 2018

1 General information

The company is a private company limited by share capital incorporated in the United Kingdom.

The address of its registered office is:

Pinnacle House
20 Tudor Road
Reading
Berkshire
RG1 1NH

The nature of the company's operations and its principal activities are set out in the strategic report and directors' report on pages 2 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2 Changes in accounting policy

IFRS 9 and IFRS 15 are new accounting standards effective for the year ended 31 December 2018 and they have not had a material impact on the company. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2018 that have had a material impact on the company.

3 Accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3 Accounting policies (continued)

Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from contracts with customers' (Diaggregation of revenue, contract asset/liabilities and details of performance obligations).
- 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).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- 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.

Where relevant, equivalent disclosures have been given in the group financial statements of Checkout Holding Corp. The group financial statements of Checkout Holding Corp are available to the public and can be obtained as set out in note 22.

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3 Accounting policies (continued)

The principal accounting policies adopted are set out below.

Going concern

The company meets its day-to-day working capital requirements through trading cash-flows. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue

Revenue comprises amounts derived from the principal activity, defined in the directors' report on page 3, of the company and is stated net of value added tax. Revenue is recognised when the service is delivered, in this case when the coupon is printed. A Customer Relation Management ('CRM') solution has been delivered to one of our customers which included Catalina CRT servers and printers and consulting services. Revenue has been recognised at the time of delivery and customer acceptance of the solution. A maintenance fee has been billed when the work was performed.

Amounts received in advance are included in deferred income; amounts received in arrears are included in accrued income.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3 Accounting policies (continued)

Tax (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. 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 profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the end of each reporting period. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3 Accounting policies (continued)

Depreciation

Depreciation is calculated so as to write off the cost of tangible assets (other than assets under construction) less residual values on a straight-line basis over their expected useful economic lives. The principal annual periods used for this purpose are:

Asset class	Depreciation rate
Leasehold improvements	7 years
Fixtures and fittings	7 years
Computer equipment - CMC6 colour printers	7 years
Computer equipment - Store servers	5 years
Computer equipment - others	3 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on first in first out basis. In respect of work in progress and finished goods, cost includes overheads, transportation, and duty costs where appropriate. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective inventories.

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3 Accounting policies (continued)

Trade and other receivables

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

Trade and other receivables are recognised initially at the fair value. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The company applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, 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.

Creditors

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

Creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term except where another systematic basis is more representative of time pattern in which economic benefits from the lease asset are consumed.

Share capital

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

Defined contribution pension obligation

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3 Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and Financial assets 'at amortised cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

Financial assets at amortised cost

The company classifies its financial assets as amortised cost only if both of the following criteria are met:

- The asset is held within business model whose objective is to collect the contractual cash flows and;
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Impairment of financial assets

Assets carried at amortised cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

3 Accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form a basis for making the judgements about carrying value of assets and liabilities that are not readily apparent from other sources.

The directors have reviewed the estimates and assumptions used in the preparation of the financial statements.

There are no significant judgements or estimates that required to be made or which are considered to have a significant effect on the financial statements through a material change in the next 12 months.

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

5 Revenue

The total revenue of the company for the year has been derived from the principal activity wholly undertaken in the United Kingdom:

	2018	2017
	£	£
Coupons	<u>10,153,441</u>	<u>9,540,919</u>

6 Operating profit

Operating profit has been arrived at after charging:

	2018	2017
	£	£
Foreign exchange losses	27,186	53,915
Depreciation of tangible assets	1,044,928	1,080,448
Operating lease expense - property	377,951	342,055
Inventories recognised as an expense	<u>739,557</u>	<u>697,264</u>

7 Finance income

	2018	2017
	£	£
Other finance income	<u>11,968</u>	<u>2,724</u>

8 Finance costs

	2018	2017
	£	£
Interest payable to group undertakings	<u>14,359</u>	<u>12,032</u>

Interest payable to group undertakings is payable to Catalina Marketing Corporation Inc. on the trading balances outstanding for more than 1 month. These amounts are unsecured with no fixed date of repayment. The interest rate charged is 90 day LIBOR + 200bp using the LIBOR rate on the most recent business day immediately preceding the first day of each month. The interest rate ranged from 3.69% (2017: 3.00%) to 4.74% (2017: 3.69%) and was 4.74% (2017: 3.69%) at the financial year-end.

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

9 Staff costs

The average monthly number of employees (including executive directors) was:

	2018 No.	2017 No.
Directors	-	1
Executive Administration	1	1
Retail	18	17
Operations	5	6
Analyst	2	6
Client Services	10	6
	<u>36</u>	<u>37</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,755,134	2,027,347
Social security costs	119,240	169,899
Other pension costs	96,237	118,298
	<u>1,970,611</u>	<u>2,315,544</u>

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £	2017 £
Remuneration	27,443	190,625
Loss of office	177,911	-
	<u>205,354</u>	<u>190,625</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2018 No.	2017 No.
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

10 Directors' remuneration (continued)

In respect of the highest paid director:

	2018 £	2017 £
Remuneration	25,903	177,469
Company contributions to money purchase pension schemes	1,540	13,156
Loss of office	177,911	-

No share options have been exercised.

11 Auditors' remuneration

	2018 £	2017 £
Services provided by the company's auditors:		
- Fees payable for the audit of the company's annual financial statements	35,800	29,400

12 Tax on profit

Tax charged for the year in the statement of comprehensive income:

	2018 £	2017 £
Current tax		
UK corporation tax	87,220	133,083
UK corporation tax adjustment in respect of prior years	(1,266)	40,735
Total current tax	85,954	173,818
Deferred tax		
Current year	(49,355)	(46,979)
Adjustment in respect of previous years	-	(20,569)
Effect of changes in tax rates	5,195	5,483
Total deferred tax (see note 13)	(44,161)	(62,065)
Tax charge in the statement of comprehensive income	41,794	111,753

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

12 Tax on profit (continued)

The tax on profit before taxation for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The charge for the year can be reconciled to the profit in the statement of comprehensive income as follows:

	2018 £	2017 £
Profit before taxation	204,412	213,153
Corporation tax at standard rate	38,838	41,032
Effects of:		
Adjustments in respect of prior years	(1,266)	20,166
Expenses not deductible	1,300	45,603
Losses		(524)
Tax rate changes	5,196	5,483
Amounts not recognised	(2,273)	-
Other	(1)	-
Tax charge for the year	41,794	111,753

Further changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the end of each reporting period their effects are not included in these financial statements.

13 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting year.

	Accelerated capital allowances £	Total £
At 1 January 2017	53,287	53,287
Credited to statement of comprehensive income	62,065	62,065
At 31 December 2017	115,352	115,352
Credited to statement of comprehensive income	44,160	44,160
At 31 December 2018	159,512	159,512

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

13 Deferred tax (continued)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2018 £	2017 £
Deferred tax assets	159,512	115,402
	<u>159,512</u>	<u>115,402</u>

At the end of the reporting period, a deferred tax asset has been recognised in respect of £159,512 (2017: £115,402) in relation to fixed asset timing differences. A deferred tax of asset of £55,153 has not been recognised in respect of the losses (2017: ££57,187) as it is not considered probable that there will be future taxable profits available to be offset. These losses may be carried forward indefinitely.

14 Tangible assets

	Leasehold improvements £	Computer equipment/ Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2018	230,029	12,618,704	12,848,733
Additions	-	336,699	336,699
At 31 December 2018	<u>230,029</u>	<u>12,955,403</u>	<u>13,185,432</u>
Accumulated depreciation			
At 1 January 2018	205,322	10,285,201	10,490,523
Charge for the year	6,954	1,037,974	1,044,928
At 31 December 2018	<u>212,276</u>	<u>11,323,175</u>	<u>11,535,451</u>
Carrying amount			
At 31 December 2018	<u>17,753</u>	<u>1,632,228</u>	<u>1,649,981</u>
At 31 December 2017	<u>24,707</u>	<u>2,333,503</u>	<u>2,358,210</u>

15 Inventories

	2018 £	2017 £
Other stock	<u>64,433</u>	<u>268,610</u>

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

15 Inventories (continued)

There are no material differences between balance sheet value of inventories and their replacement costs.

16 Trade and other receivables

	2018 £	2017 £
Trade receivables	2,322,857	1,942,737
Amounts owed by group undertakings	3,314,486	1,326,430
Deferred tax assets	159,512	115,352
Prepayments and accrued income	1,000,110	909,495
Corporation tax debtor	222	186,885
	<u>6,797,187</u>	<u>4,480,899</u>

Amounts owed by group undertakings relate to the recharge of costs borne by the UK on behalf of other group entities. They are unsecured, interest free and repayable on demand.

17 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	93,034	5,628
Amounts owed to Catalina Marketing Corporation Inc.	3,204,900	2,621,366
Loan from Catalina Marketing Worldwide Inc.	674,167	674,167
Accruals and deferred income	571,716	386,802
Social security and other taxes	463,017	228,219
	<u>5,006,834</u>	<u>3,916,182</u>

Amounts owed to Catalina Marketing Corporation Inc. include the trading balances outstanding for more than month. These amounts are unsecured with no fixed date of repayment. The interest rate charged is 90 day LIBOR + 200bp using the LIBOR rate on the most recent business day immediately preceding the first day of each month.

The interest rate ranged from 3.69% (2017: 3.00%) to 4.74% (2017: 3.69%) and was 4.74% (2017: 3.69%) at the financial year-end.

The loan from Catalina Marketing Worldwide Inc. is unsecured, non-interest bearing and payable on demand, as confirmed by the parent undertaking. The directors consider the loan for £674,167 to be a current liability on the basis that it is repayable on demand. This is consistent with the prior year.

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

18 Called up share capital

Allotted, called up and fully paid shares

	2018 No.	2018 £	2017 No.	2017 £
Ordinary shares of £0.01 each	<u>1,114,102</u>	<u>11,141</u>	<u>1,114,102</u>	<u>11,141</u>

19 Obligations under leases and hire purchase contracts

Operating leases

At the end of each reporting period the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	183,967	200,000
One to five years	<u>213,900</u>	<u>397,867</u>
	<u>397,867</u>	<u>597,867</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £263,185 (2017: £243,210).

20 Retirement benefit schemes

Defined contribution schemes

The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the financial year end, included in 'Accruals and deferred income' (note 17) are £10,265 (2017: £25,246).

The total cost charged to the statement of comprehensive income of £167,727 (2017: £182,426) represents contributions payable to these schemes by the company at rates specified in the rules of the plans.

Catalina Marketing UK Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

21 Financial instruments

The company has the following financial instruments that are debt instruments measured at amortised cost.

Financial assets

Financial assets measured at amortised cost

	2018 £	2017 £
Cash and cash equivalents	1,923,997	2,074,610
Trade receivables		
	<u>5,637,343</u>	<u>3,269,167</u>
	<u>7,561,340</u>	<u>5,343,777</u>

Financial liabilities

Financial liabilities measured at amortised cost

	2018 £	2017 £
Creditors: amounts falling due within one year	<u>5,006,834</u>	<u>3,916,182</u>

22 Controlling party

The immediate parent company is Catalina Marketing International B.V., a company incorporated in Netherlands.

The ultimate parent undertaking and controlling party as at 31 December 2018 is Berkshire Partners LLC, a company incorporated in USA.

Checkout Holding Corp. is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2018. PDM Intermediate Holdings B Corporation is the parent undertaking of the largest group of undertakings to consolidate these financial statements. The financial statements of Checkout Holding Corp are available from the Dutch Chamber of Commerce.