

Table of Contents

UNITED SUPERMARKETS, L.L.C.
Notes to Financial Statements
(Dollars in thousands)

Property and equipment: Property and equipment are stated at cost. Depreciation is provided on a straight-line basis. Fixtures and equipment and transportation equipment are depreciated over lives ranging from 3 to 20 years. Capitalized leases (buildings and equipment) are amortized over the lives of the respective leases. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter. Buildings are depreciated over 20 or 30 years.

Maintenance, repairs and minor replacements are charged to expense as incurred; major replacements and betterments that extend asset lives are capitalized. The cost of assets sold, retired, or otherwise disposed of is removed from the accounts at the time of disposition, and any resulting gain or loss is reflected in income for the period. Total depreciation and amortization for the eleven-month period ended December 28, 2013 and for the year ended January 26, 2013, was approximately \$26,365 and \$27,480, including approximately \$3,418 and \$3,886, respectively, of depreciation allocated to cost of sales. Depreciation and amortization expense includes a portion related to capital leases, which was approximately \$1,436 and \$1,706 for the eleven-month period ended December 28, 2013 and for the year ended January 26, 2013, respectively. Property and equipment at December 28, 2013 and January 26, 2013 consisted of the following:

	December 28, 2013	January 26, 2013
Fixtures and equipment	\$ 293,507	\$ 273,829
Capitalized leases	37,819	37,858
Leasehold improvements	70,420	63,128
Land and buildings	69,109	64,259
Transportation equipment	16,076	13,927
Construction-in-progress	16,966	4,170
Total property and equipment	503,897	457,171
Less accumulated depreciation and amortization	(294,249)	(272,439)
Total property and equipment, net	\$ 209,648	\$ 184,732

Long-lived assets: Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from estimated future cash flows. Impairments, if any, are measured as the difference between the carrying value and the fair value of the related asset(s). Based on the Company's analysis, there has been no impairment of long-lived assets as of December 28, 2013 and January 26, 2013.

Preopening store costs: Preopening store costs are expensed as incurred.

Company owned life insurance: The Company has purchased life insurance policies to fund possible retirement benefits for certain team members that have a nonqualified retirement plan with the Company. The cash surrender value of these policies is included in other assets in the Company's balance sheets.

Income taxes: Deferred taxes are based on the estimated future tax effects of differences between the financial reporting and tax bases of assets and liabilities. For federal income tax purposes, the Company has elected to be taxed as a corporation.