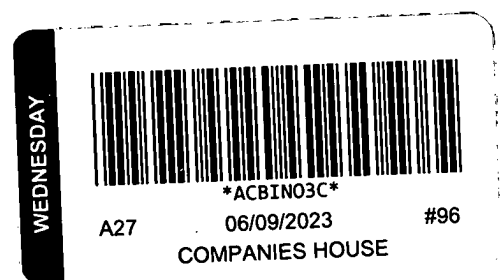


Registration number: 00733503

# Travis Perkins Trading Company Limited

Annual report and financial statements

for the year ended 31 December 2022



# Travis Perkins Trading Company Limited

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# Travis Perkins Trading Company Limited

## Company information

<b>Directors</b>	R. Lavin B.J. Todd A.R. Williams TP Directors Limited
<b>Company secretary</b>	TPG Management Services Limited
<b>Registered office</b>	Lodge Way House Lodge Way Harlestone Road Northampton NN5 7UG
<b>Auditor</b>	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH

# Travis Perkins Trading Company Limited

## Directors' report for the year ended 31 December 2022

The Directors present their Annual report and the audited financial statements for the year ended 31 December 2022.

### Future developments

An indication of future developments of the business is included in the Strategic report on page 4.

### Directors of the Company

The Directors who held office during the year and up to the date of signing these financial statements were as follows:

R. Lavin (appointed 3 October 2022)

B.J. Todd

A.R. Williams

TP Directors Limited

### Directors' liabilities

The Company made qualifying third party indemnity provisions for the benefits of its Directors during the year, which remain in force at the date of this report. This is a qualifying provision for the purposes of the Companies Act 2006.

### Going concern

The Directors have a reasonable expectation that the Company has the resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Thus it continues to adopt the going concern assumption in preparing the annual financial statements. Further details regarding the going concern basis can be found in note 2 to the financial statements.

### Dividends

The Directors do not recommend payment of a final dividend (2021: £nil) of ordinary shares.

A dividend of £3,400,000 (2021: £2,000,000) was paid on preference shares during the year.

### Political donations

During the year the Company made no political donations nor incurred any political expenditure (2021: £nil).

### Employees

Details of the Company's policies on disabled employees and employee consultation are given in the Strategic report on page 10.

### Modern slavery

The Company will not accept slavery or human trafficking and works with suppliers and colleagues to ensure positive steps are taken to ensure that slavery has no place in the business or supply chain. If issues are identified, investigations and remedial actions will be taken. No instances of slavery or human trafficking have been identified.

The Company's approach to this issue is set out in greater detail in the Travis Perkins plc Annual Report, which does not form part of this report.

# Travis Perkins Trading Company Limited

## Directors' report for the year ended 31 December 2022 (continued)

### Corporate Governance

Travis Perkins Trading Company Limited (“Travis Perkins”) is a wholly owned subsidiary of Travis Perkins plc (the “Group”). Under regulation 14 of the The Companies (Miscellaneous Reporting) Regulations 2018, Travis Perkins is required to report on its governance arrangements. As a wholly owned subsidiary of a listed Group, Travis Perkins does not consider it appropriate to report against the UK Corporate Governance Code or other governance codes. Travis Perkins is subject to and abides by the Group policies and procedures of Travis Perkins plc which fully complies with the UK Corporate Governance Code. Details of the Group’s governance arrangements are set out in full in the Travis Perkins plc Annual Report and Accounts 2022.

Although Travis Perkins is a wholly owned subsidiary, the Board of Travis Perkins recognises the importance of good governance for the long-term sustainable success of the Company and ensures that Travis Perkins complies with all Group policies. The governance framework of the Group delegates authority for local decision making to Travis Perkins up to defined levels of cost and impact. The Company has set up its own governance framework within its delegated authority. The Travis Perkins Board and senior management team meets on a monthly basis to oversee the development and implementation of strategy and to monitor the Company’s performance. The Board delegates the management of certain operational matters to management committees and groups comprised of operational leaders and subject matter experts to support it in discharging its obligations. Reports are regularly made to the Group Board by the business about the strategy, performance and key decisions taken by Travis Perkins which provides the Group Board with assurance that the Company is being operated in accordance with the Group governance framework and Group policies.

### Disclosure of information to the Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

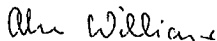
- so far as the Director is aware, there is no relevant audit information of which the Company’s auditor is unaware; and
- the Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

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

### Reappointment of Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 26 May 2023 and signed on its behalf by:



.....  
A.R. Williams  
Director

## **Travis Perkins Trading Company Limited**

### **Strategic report for the year ended 31 December 2022**

The Directors present their Strategic report for the year ended 31 December 2022.

#### **Principal activities**

The Company is a wholly-owned subsidiary of Travis Perkins Merchant Holdings Limited. Travis Perkins plc ("the Group") is the ultimate parent company.

The principal activity of the Company is the marketing and distribution of timber, building and plumbing materials, the supply of materials to specialist joiners, developers and general builders, and the hiring of tools to the building trade and industry generally within the United Kingdom.

#### **Review of the business**

The Company revenue increased by £189.3m to £2,604.7m from £2,415.4m and gross profit increased to £766.4m (2021: £748.1m). Operating profit for the year is £157.4m (2021: £176.3m).

2022 was a challenging year and the Company adapted well to the rapidly changing conditions, making further progress towards its ambition of being the leading partner to the construction industry. The Company saw strong overall growth driven by price inflation which accelerated rapidly through the year.

The Company saw strong overall growth driven by price inflation which accelerated rapidly through the year.

#### **Key performance indicators ('KPIs')**

The Travis Perkins plc group manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the General Merchanting division of Travis Perkins plc, which includes the Company, is discussed in the Group's Annual Report, which does not form part of this report.

## **Travis Perkins Trading Company Limited**

### **Strategic report for the year ended 31 December 2022 (continued)**

#### **Principal risks and uncertainties**

The Company operates in markets and an industry which by their nature are subject to a number of inherent gross risks. The Company is able to mitigate those risks by adopting different strategies and by maintaining a strong system of internal control. However, regardless of the approach that is taken, the Company has to accept a certain level of risk in order to generate suitable returns for shareholders and for that reason the risk management process is closely aligned to the Company's strategy.

The Group has a risk reporting framework that ensures it has visibility of the Company's key risks, the potential impacts on the Company and how and to what extent those risks are mitigated. As part of its risk management process, the principal risks stated in the risk register are reviewed, challenged and updated by the Group Board and monitored throughout the year. The Company maintains a separate risk register. The Group's risk register is used to determine strategies adopted by the Group's various businesses to mitigate the identified risks and are embedded in their operating plans.

In common with most large organisations the Company is subject to general commercial risks; for example, political and economic developments, changes in the cost of goods for resale, increased competition in its markets and the threat of emerging and disruptive competitors, material failures in the supply chain, failure to secure supply of goods for resale on competitive terms, cyber-security breaches and failure of the IT infrastructure.

The risk environment in which the Company operates does not remain static. During the year, the Directors have reviewed the principal risks and made a number of changes.

The nature of risk is that its scope and potential impact will change over time. As such the list below should not be regarded as a comprehensive statement of all potential risks and uncertainties that may manifest themselves in the future. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, could also have an adverse effect on the Company's future operating results, financial condition or prospects.

The Directors are required to undertake a robust assessment of the emerging risks that may impact the Company. The Directors regularly consider the latest risk research alongside views on emerging risks collated from assessments made by the business unit and functional leadership teams. The list below sets out, in no particular order, the current principal risks that are considered by the Board to be material. These key risks have been determined for the Group and are considered applicable to the Company.

## **Travis Perkins Trading Company Limited**

### **Strategic report for the year ended 31 December 2022 (continued)**

- Long term market trends and the changing customer and competitor landscape
- Macroeconomic volatility leading to availability challenges and inflation
- Supply chain resilience risks including supplier dependency, relationship, overseas sourcing and disintermediation leading to adverse impacts on ranging and price
- Change management risk: business transformation and improvement projects fail to deliver the expected benefits, cost more or take longer to implement than anticipated
- Growing risks in relation to Environmental, Social and Governance matters require us to regularly identify our most material responsibilities and challenges in order to target investment and manage them well
- Failure of critical IT systems and infrastructure: system failures or outages could disrupt the day-to-day operations and, in turn, impact customer service and financial performance
- Cyber threat & data security: theft and sale of personal data as well as risks of data loss or leakage
- Health, safety & well-being: unsafe practices result in harm to colleagues, customers, suppliers or the public
- Legal compliance: changing regulatory framework increases the risk of non-compliance and fines

## **Travis Perkins Trading Company Limited**

### **Strategic report for the year ended 31 December 2022 (continued)**

#### **S172 statement**

##### **Engaging with stakeholders**

Travis Perkins Trading Company Limited (“Travis Perkins”) is a wholly owned subsidiary of Travis Perkins plc (the “Group”) and therefore is subject to and abides by all Group policies and procedures. The governance framework of the Group delegates authority for local decision making to Travis Perkins up to defined levels of cost and impact. Reports are regularly made to the Group Board by the business units about the strategy, performance and key decisions taken which provides the Group Board with assurance that proper consideration is given to stakeholder interests in decision making.

The Board of Travis Perkins places significant importance on the strength of its relationships with all its stakeholders to promote the sustainable success of the Company. In order to fulfil their duties, the Directors of Travis Perkins, and the Group itself take care to have regard to the likely consequences on all stakeholders of the decisions and actions which they take. Such considerations ensure the business is making decisions with a longer term view in mind and with the sustainable success of the business at its core. Reports are regularly made to the Group Board by Travis Perkins about strategy, performance and key decisions taken, to provide the Group Board with assurance that proper consideration is given to stakeholder interests in decision making.

Where possible, decisions are carefully discussed with affected groups and are therefore fully understood and supported when taken. Details of the Company’s key stakeholders and how we engage with them are set out below.

##### **Shareholders**

We rely on the support of our shareholder, Travis Perkins Merchant Holdings Limited, and its opinions are important to us. We have an open dialogue with our shareholder through regular one-to-one meetings and reporting to the Group Board. Discussions cover a wide range of topics including financial performance, strategy, outlook, governance and ethical practices.

##### **Colleagues**

Our people are key to the Company’s success and we want them to be successful individually and as a team. We work hard to engage with and listen to our people in a number of different ways, including through colleague listening groups, ‘You Talk We Listen’ surveys, regional groups and forums, sales boards, an ‘ask the MD’ email, commercial and supply colleague groups, head office huddles and a newspaper. Key areas of focus include business updates, new products and services, health and wellbeing, development opportunities, pay and benefits. Regular reports about what is important to our colleagues are made to the Board ensuring consideration is given to colleague needs.

##### **Customers**

Our Customers fall into two key categories - ‘generic’ and ‘bespoke’. Our generic customers comprise primarily professional tradespeople and self-builders. For our bespoke customers we provide a supply chain and procurement service to the repairs and maintenance market. These arrangements are more complex and contracts have detailed requirements and tightly defined terms and conditions and may require liaison with banks in relation to funding (for example for regional housing projects). Some of our customers are Housing Associations and we must be mindful of the increased restrictions in the way they are managed and how they must procure.

## **Travis Perkins Trading Company Limited**

### **Strategic report for the year ended 31 December 2022 (continued)**

#### **Suppliers**

We work with a large number of suppliers based around the world. We undertake risk assessments on all our suppliers as we recognise the importance of their role in our continued success. If an assessment deems a supplier high risk, this brings a higher level of monitoring and scrutiny to manage the relationship and the supply. Other suppliers are required to sign up to a statement of expectations. We work closely with our suppliers using innovation days to feedback market intelligence and to help inform the range for the following year. We have a number of own brand products and we pride ourselves on working closely with the manufacturers to ensure the integrity of the products we supply.

#### **Communities and the environment**

We engage with the communities in which we operate to build trust and understand the local issues that are important to them. Key areas of focus include how we can support local causes and issues, create opportunities to recruit and develop local people and help to look after the environment. In consultation with our colleagues we select one main charity partner to work with across the business but also work with local charities and organisations at a site level to raise awareness and funds. The impact of decisions on the environment both locally and nationally is taken into account with plans to reduce plastic packaging and usage where possible and research the potential use of electric vehicles to reduce the impact on the carbon emissions.

#### **Government and regulators**

We engage with the government and regulators through a range of industry consultations, forums, meetings and conferences to communicate our views to policy makers relevant to our business. Key areas of focus during 2022 were around a national retrofit strategy, green skills, decarbonisation of specialist fleets and health and safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

#### **Decision making in practice**

One of the key decisions made by the Board during the year was expansion of our value-added services to improve profitability and deepen our customer proposition with new and existing customers. This required review and discussion within the Board.

## Travis Perkins Trading Company Limited

### Strategic report for the year ended 31 December 2022 (continued)

Stakeholder	Stakeholder views	Conclusions
Shareholders	Our shareholder wants us to operate in the most cost effective way, thereby creating value for shareholders and ensuring the long term sustainable success of the company.	In order to achieve lasting and sustainable success for the business, it is crucial to operate in a manner that maximises cost-effectiveness and efficiency. Investing in value-added services is in line with our purpose and strategic direction, and it contributes to the creation of future value.
Colleagues	Our colleagues want to be kept informed of changes to the business and to be listened to in relation to changes which will affect them and their teams. They also want the business to provide security and opportunities to develop.	Travis Perkins places great importance on the success of its colleagues. In order to effectively deliver value-added services, it is crucial to establish clear and effective communication channels. These channels ensure that every employee understands the company's direction, specific goals, and how they can best contribute to their achievement.
Customers	Our customers want propositions that work for them and for the business to operate in an ethical way.	Customers would benefit from value-added services providing them with services to support their businesses outside of product procurement.
Suppliers	Our suppliers want to have confidence that the business will continue to trade with them in the long term.	A stronger and more diverse customer base would bring significant benefits to suppliers. It would provide them with increased confidence in continuing their business relationship with the company over the long term. By expanding the customer base, the business can create a more stable and sustainable partnership with suppliers, leading to mutual growth.
Communities	Our communities want our continued support with local causes and issues. They want us to be considerate of their local communities.	The decision made by Travis Perkins did not have an impact on the work carried out by the company in the community and its collaboration with charity partners. These initiatives and partnerships remained unaffected, allowing Travis Perkins to continue its positive contributions and support to the community and its charitable endeavours.
Government and regulatorsoverment and regulators	The government and regulators want us to operate in an ethical way and comply with laws and regulations.	The business must be compliant and cognisant of many regulations and legislation that apply to the business and be able to implement changes in a timely manner.

# Travis Perkins Trading Company Limited

## Strategic report for the year ended 31 December 2022 (continued)

### Non-financial and sustainability information

#### Corporate responsibility

##### Environmental matters

The Travis Perkins plc group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities.

The Company operates in accordance with group policies, which are described in the Group's Annual Report, which does not form part of this report. Initiatives designed to minimise the Company's impact on the environment include improving energy use efficiency, reducing the amount of CO2 emissions and minimising the consumption of water and the production of waste (both hazardous and non-hazardous).

##### Company employees

Details of the number of employees and related costs can be found in note 10 to the financial statements.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

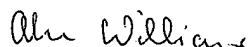
The Company's employment policies have been designed to meet the needs of its business, and follow best practice whilst complying with both current and anticipated legislation. Applied consistently throughout the Company they provide a fair framework within which employees work.

The Company is firmly committed to ensuring that the manner in which it employs staff is fair and equitable. Its equal opportunities policy is designed to ensure that no person or group of individuals will be treated less favourably because of their race, colour, ethnic origin, gender or sexual orientation, age or disability.

The Company maintains a policy of regular consultation and discussion with its employee on a wide range of issues that are likely to affect their interests and ensure that all employees are aware of the financial and economic performance of their business units and of the Company as a whole.

With branches throughout the United Kingdom, the Company recognises its role in and responsibilities towards local communities. Branches are encouraged to support their local communities through involvement in local affairs, such as by sponsoring organisations or donating materials to projects.

Approved by the Board on 26 May 2023 and signed on its behalf by:



A.R. Williams  
Director

## **Travis Perkins Trading Company Limited**

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Strategic report, the Directors report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting standard applicable in the UK and Republic of Ireland*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **Independent Auditor's Report to the Members of Travis Perkins Trading Company Limited**

### **Opinion**

We have audited the financial statements of Travis Perkins Trading Company Limited ('the Company') for the year ended 31 December 2022, which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going Concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- Long term market trends and the changing customer and competitor landscape
- Supply chain resilience risks including supplier dependency, relationship, overseas sourcing and disintermediation leading to adverse impacts on ranging and price
- Macroeconomic volatility leading to availability challenges and inflation

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

## **Independent Auditor's Report to the Members of Travis Perkins Trading Company Limited (continued)**

### **Fraud and breaches of laws and regulations - ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of Directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for Directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no material judgments involved and sales comprise a high number of individually low value transactions. We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

**Independent Auditor's Report to the Members of Travis Perkins Trading Company  
Limited (continued)**

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## **Independent Auditor's Report to the Members of Travis Perkins Trading Company Limited (continued)**

### **Strategic report and Directors' report**

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports, and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report or the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 11, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view, 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Independent Auditor's Report to the Members of Travis Perkins Trading Company Limited (continued)**

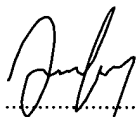
### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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



.....  
**James Tracey (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

26 May 2023

## Travis Perkins Trading Company Limited

### Profit and loss account and total comprehensive income for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Turnover	4	2,604.7	2,415.4
Cost of sales		<u>(1,838.3)</u>	<u>(1,667.3)</u>
<b>Gross profit</b>		<u>766.4</u>	<u>748.1</u>
Selling and distribution costs		(452.2)	(422.8)
Other administrative expenses		(186.4)	(192.3)
Adjusting items	5	-	11.2
Administrative expenses		(186.4)	(181.1)
Other operating income	6	<u>29.6</u>	<u>32.1</u>
<b>Operating profit</b>	7	157.4	176.3
Net interest income	12	<u>4.2</u>	<u>2.0</u>
<b>Profit before taxation</b>		161.6	178.3
Tax	13	<u>(33.4)</u>	<u>(39.8)</u>
<b>Profit for the financial year</b>		128.2	138.5
Remeasurement of defined benefit pension schemes	17	(112.3)	72.1
Tax relating to components of other comprehensive income	13	<u>28.1</u>	<u>(26.9)</u>
<b>Total comprehensive income for the year</b>		<u><u>44.0</u></u>	<u><u>183.7</u></u>

The above results were derived from continuing operations.

The notes on pages 20 to 42 form an integral part of these financial statements.

## Travis Perkins Trading Company Limited

**(Registration number: 00733503)**  
**Balance sheet as at 31 December 2022**

	Note	2022 £m	2021 £m
<b>Fixed assets</b>			
Tangible fixed assets	14	182.9	179.0
Intangible assets	15	16.9	22.8
Investments	16	6.8	6.8
Retirement benefit assets	17	<u>110.0</u>	<u>218.8</u>
		<u>316.6</u>	<u>427.4</u>
<b>Current assets</b>			
Stocks	18	349.8	385.7
Debtors (including £4.9m (2021: £83.5m) due after more than one year)	19	834.2	699.5
Cash at bank and in hand		<u>26.2</u>	<u>31.1</u>
		1,210.2	1,116.3
<b>Creditors: Amounts falling due within one year</b>	20	<u>(737.4)</u>	<u>(764.0)</u>
<b>Net current assets</b>		<u>472.8</u>	<u>352.3</u>
<b>Total assets less current liabilities</b>		789.4	779.7
<b>Provisions for liabilities</b>	21	<u>(50.8)</u>	<u>(87.9)</u>
<b>Net assets</b>		<u><u>738.6</u></u>	<u><u>691.8</u></u>
<b>Capital and reserves</b>			
Called up share capital	23	49.2	49.2
Share premium reserve	24	53.0	53.0
Capital redemption reserve	24	0.5	0.5
Profit and loss account	24	<u>635.9</u>	<u>589.1</u>
Shareholders' funds		<u><u>738.6</u></u>	<u><u>691.8</u></u>

The financial statements of Travis Perkins Trading Company Limited, registered number 00733503, were approved and authorised by the Board on 26 May 2023 and signed on its behalf by:

*A.R. Williams*

.....  
A.R. Williams  
Director

The notes on pages 20 to 42 form an integral part of these financial statements.

**Travis Perkins Trading Company Limited**

**Statement of changes in equity for the year ended 31 December 2022**

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2021	49.2	53.0	0.5	400.9	503.6
Profit for the year	-	-	-	138.5	138.5
Other comprehensive income	-	-	-	45.2	45.2
Total comprehensive income	-	-	-	183.7	183.7
Dividends paid on preference shares	-	-	-	(2.0)	(2.0)
Share-based payment transactions	-	-	-	6.5	6.5
At 31 December 2021	<u>49.2</u>	<u>53.0</u>	<u>0.5</u>	<u>589.1</u>	<u>691.8</u>
Profit for the year	-	-	-	128.2	128.2
Other comprehensive income	-	-	-	(84.2)	(84.2)
Total comprehensive income	-	-	-	44.0	44.0
Dividends paid on preference shares	-	-	-	(3.4)	(3.4)
Share-based payment transactions	-	-	-	6.2	6.2
At 31 December 2022	<u>49.2</u>	<u>53.0</u>	<u>0.5</u>	<u>635.9</u>	<u>738.6</u>

# Travis Perkins Trading Company Limited

## Notes to the financial statements for the year ended 31 December 2022

### 1 General information

The Company is a private company limited by share capital, incorporated in the United Kingdom under the Companies Act 2006.

The address of its registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 4 to 10.

### 2 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.

#### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### Basis of preparation

These financial statements have been prepared using the historical cost convention.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £100,000.

#### Summary of disclosure exemptions

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

#### Group accounts not prepared

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

# Travis Perkins Trading Company Limited

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### Going concern assessment by the Directors of the Company

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the 12 months from the date of signing this Annual report and financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

In arriving at their opinion the Directors considered:

- that the Company is part of the Travis Perkins plc Group (the "Group"). The Company is a guarantor company for the Group's borrowing facilities and the Company's ability to operate as a going concern is directly linked to the Group's position
- that the company has produced cash flow forecasts which are included in those of the Group
- the Group's cash flow forecasts and revenue projections
- reasonable potential changes in trading performance
- the committed facilities available to the Group and the covenants thereon
- the Group's robust policy towards liquidity and cash flow management
- the Group management's ability to successfully manage the principal risks and uncertainties during periods of uncertain economic outlook and challenging macro-economic conditions

The downside scenarios tested, outlining the impact of severe but plausible adverse scenarios based on a severe recession and housing market weakness, show that there is sufficient headroom for liquidity and covenant compliance purposes for at least the next 12 months from the date of approval of these financial statements.

The Group going concern assessment was completed for the Group accounts published in February. The Directors have made appropriate inquiries of the Group subsequent to the date of that assessment and up to the date of signing these financial statements and have not identified any matters which impact their conclusion regarding the ability of the Group to continue as a going concern.

Travis Perkins plc has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the 12 months from the date of signing these financial statements by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation. Depreciation is charged on a straight-line basis so as to write off the cost of assets, other than land and tangible fixed assets under construction, over their estimated useful lives, as follows:

Asset class	Depreciation rate
Short leasehold property	Over the term of the lease
Plant and equipment	10% - 25% per annum

# Travis Perkins Trading Company Limited

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### **Intangible fixed assets - goodwill**

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis over its useful economic life, which is twenty years. The Company has deemed twenty years to be the useful economic life based on the fact that the brand is a significant brand in its sector with significant history and significant growth prospects. Provision is made for any impairment.

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

#### **Intangible fixed assets - other**

Intangible fixed assets are shown at historical cost less accumulated amortisation and any accumulated impairment losses.

Amounts paid to third parties in respect of the development of assets not controlled by the Company are expensed over the period where the Company receives the benefit of the use of these assets.

The directly attributable costs incurred for the development of computer software owned by, and for use within the business, are capitalised and written off over their useful life, which ranges from 3 years to 10 years.

Interfaces are amortised over the lower of the remaining estimated useful lives of the systems they operate between. Costs relating to research, maintenance and training are expensed as they are incurred. No amortisation is charged on assets under construction.

#### **Amortisation**

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Software	10%-33% per annum

#### **Financial instruments**

##### ***Recognition and measurement***

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Investments in subsidiary undertakings are stated at cost less provision for impairment where appropriate. Investments held as current assets are stated at the lower of cost and net realisable value.

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined using the weighted average method.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired the carrying amount is reduced to its selling price less costs to sell; the impairment loss is recognised immediately in the profit and loss account.

# Travis Perkins Trading Company Limited

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in operating profit in the profit and loss account as a charge to administrative expenses.

##### *a) Non-financial assets*

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

The recoverable amount of goodwill is derived from the measurement of the present value of the future cash flows of the cash-generating units ('CGUs') of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in a previously recognised impairment loss, the prior impairment loss is tested to determine whether a reversal is required. An impairment loss is reversed on an individual impaired asset (other than goodwill) to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### *b) Financial assets*

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

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

#### Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognised at the lower of their fair value at the inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is recognised as a finance lease obligation.

Lease payments are apportioned between finance costs in the profit and loss account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

#### Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

# Travis Perkins Trading Company Limited

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss account, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge, including UK corporation tax and foreign tax, is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Defined benefit pension obligation

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. Re-measurement comprising actuarial gains and losses, the effects of assets ceilings and minimum funding payments and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income. Re-measurement recorded in the statement of other comprehensive income is not recycled. Net interest is calculated by applying a discount to the net defined benefit liability or asset. Net interest expense is recognised within finance costs.

# Travis Perkins Trading Company Limited

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, having been adjusted to reflect an estimate of shares that will eventually vest and for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Group also provides employees with the ability to purchase the Group's ordinary shares at 80% of the current market value. These are measured at fair value at the date of the grant and expensed on a straight-line basis over the vesting period.

As the Company is part of a group share-based payment plan it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the Group. This allocation is based on individual employees and where their services are rendered for group companies.

#### Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation because of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value.

Should a provision ultimately prove to be unnecessary then it is credited back into the income statement. Where the provision was originally established as an adjusting item, any release is shown as an adjusting credit

#### Supplier income

Supplier income comprises fixed price discounts, volume rebates and customer sales support.

Fixed price discounts and volume rebates received and receivable in respect of goods which have been sold are initially deducted from the cost of inventory and therefore reduce cost of sales in the profit and loss account when the goods are sold. Where goods on which the fixed price discount or volume rebate has been earned remain in inventory at the year-end, the cost of that inventory reflects those discounts and rebates.

The Company receives customer sales support payments that are made entirely at the supplier's option, that are requested by the Company when a specific product is about to be sold to a specific customer and for which payment is only received after the sale has been completed. All customer sales support receipts received and receivable are deducted from cost of sales when the sale to the third party has been completed, i.e. when the customer sales support payment has been earned.

Supplier income receivable is netted off against trade creditors when there is a legally binding arrangement in place and it is management's intention to do so, otherwise amounts are included in other debtors in the balance sheet.

Other promotional arrangements are not significant.

# Travis Perkins Trading Company Limited

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 2 Accounting policies (continued)

#### Adjusting items

Adjusting items are those items of income and expenditure that, by reference to the Company, are material in size and unusual in nature or incidence and that in the judgement of the Directors should be disclosed separately on the face of the financial statements to ensure both that the reader has a proper understanding of the Company's performance and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the Directors for designation as adjusting items include, but are not limited to, significant restructurings, onerous contracts, write-downs or impairments of current and non-current assets, the costs of acquiring and integrating businesses, gains or losses on disposals of investments, re-measurement gains or losses arising from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not achieved or is not effective, material pension scheme curtailment gains and the effect of changes in corporation tax rates on deferred tax balances.

#### Customer rebates

Where the Company has rebate agreements with its customers, the value of customer rebates paid or payable, calculated in accordance with the agreements in place, is deducted from turnover in the year in which the rebate is earned. Unutilised customer rebates are included within the accruals and deferred income balance.

#### Revenue recognition

Turnover is recognised when goods or services are received by the customer and the risks and rewards of ownership have passed to them. Turnover is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of customer rebates, discounts and value added tax. The Company supplies all goods and services within the United Kingdom.

#### Share capital

Equity instruments represent the ordinary share capital of the Company and are recorded at the proceeds received, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### Business combinations

Group reconstructions are accounted for using the merger accounting method. The carrying values of the assets and liabilities of the parties to the combination are not adjusted to fair value and are transferred at book value.

### 3 Critical accounting judgements and key sources of estimation uncertainty

These financial statements have been prepared in accordance with the Company's accounting policies, which are described in note 2. The preparation of financial statements requires the Directors to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Future events and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, and current and expected economic conditions. The Directors frequently re-evaluate these significant factors and make adjustments as facts and circumstances dictate.

Some financial information is produced by finance systems that were first implemented by the Group over 30 years ago. As the business has grown, these have been amended to cope with significantly higher transaction levels and more complicated ways of doing business. This has made the systems unwieldy and could result in a material misstatement in the information calculated by those systems in areas such as supplier income, stocks and goods received not invoiced accruals.

The Directors believe that the following items are critical due to the degree of estimation required and / or the potential material impact the judgements may have on the Company's financial position and performance.

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Pension arrangements

The Company has chosen to adopt assumptions that the Directors believe are generally in line with comparable companies. If the difference between actual inflation is greater than that assumed, or if long-term interest rates are lower than assumed, or if the average life expectancy of pensioners increases, then the pension deficit could be materially greater/lower than currently stated in the balance sheet.

##### Stocks

In determining the cost of inventories the Directors have to make estimates to arrive at cost and net realisable value.

The Company has entered into a large number of rebate and fixed price discount agreements, the effects of which have to be offset against the gross invoice price paid for goods. The calculation of the value deferred into stock is complicated due to the number, nature and structure of the agreements in place. However, a well tested methodology is consistently applied.

Furthermore, determining the net realisable value of the wide range of products held in many locations requires judgement to be applied to determine the likely saleability of the product and the potential price that can be achieved. In arriving at any provisions for net realisable value the Directors take into account the age, condition and quality of the product stocked and the recent trend in sales.

#### 4 Turnover

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2022	2021
	£m	£m
Sale of goods	2,466.8	2,291.6
Provision of services	137.9	123.8
	<u>2,604.7</u>	<u>2,415.4</u>

#### 5 Adjusting items

	2022	2021
	£m	£m
Branch closures and restructuring	<u>-</u>	<u>(11.3)</u>

##### Branch closures and restructuring

There were no adjusting items in 2022.

During 2021 the Company was able to exit the leases of a number of branches closed in 2020 for less than the contractual lease liability, which has generated a credit of £11.3m.

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 6 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022	2021
	£m	£m
Head office recharges	<u>29.6</u>	<u>32.1</u>

Other operating income relates to recharges from the Company to other group entities for head office, supply chain and other management services provided.

#### 7 Operating profit

Operating profit is stated after charging/(crediting):

	2022	2021
	£m	£m
Depreciation of tangible fixed assets	37.0	39.5
Amortisation of goodwill	2.5	2.6
Amortisation of other intangible assets	4.4	8.4
Operating lease expense - property	13.5	11.7
Operating lease expense - plant and equipment	5.7	9.1
Impairment of trade receivables	<u>5.3</u>	<u>1.6</u>

#### 8 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2022	2021
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>520,000</u>	<u>490,000</u>

These fees were borne by another group company. Auditor's remuneration for non-audit services is disclosed within the Travis Perkins plc Annual Report. No non-audit services were provided by the auditor directly to the Company in either the current or prior year.

#### 9 Directors' remuneration

One of the Directors (2021: two) are paid by other group companies and received total emoluments (including non-performance related bonuses) of £1.1m (2021: £2.4m), and performance-related bonus of £nil (2021: £nil) during the year, but it is not practicable to allocate their remuneration from other group companies for services rendered. In addition, none (2021: none) are contributing towards the Travis Perkins Pension Plan, which is a defined contribution scheme, in respect of their service to other group companies.

The remuneration paid directly to the Directors by the Company for the year was as follows:

	2022	2021
	£m	£m
Salary	0.2	0.2
Other emoluments	<u>0.1</u>	<u>-</u>
	<u>0.3</u>	<u>0.2</u>

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 9 Directors' remuneration (continued)

During the year, two (2021: one) Directors paid directly by the Company, are contributing towards the Travis Perkins Pension Plan.

Two Directors paid directly by the Company exercised share options during the year (2021: One). One Director paid by another group company exercised share options during the year (2021: two).

#### 10 Staff costs

The average number of persons employed by the Company (excluding Directors) during the year, analysed by category, was as follows:

	2022 No.	2021 No.
Administration and support	1,014	999
Sales	8,907	8,800
	<u>9,921</u>	<u>9,799</u>

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2022 £m	2021 £m
Wages and salaries	317.5	305.4
Social security costs	29.0	27.6
Pension costs	13.8	12.7
Share-based payment expenses (note 11)	6.2	6.5
	<u>366.5</u>	<u>352.2</u>

#### 11 Share-based payments

The total expense recognised in the profit and loss account for the year was £6.2m (2021: £6.5m).

##### a) SAYE

The employee Save-As-You-Earn (SAYE) share purchase plan is open to all employees with at least three months' service and provides for the purchase of shares at a price equal to the three day average market price before the date of invitation to the plan, less 20%. Employees may participate in the Employee Share Savings Plan for a three or five year period.

##### b) Nil price options

The Group operates a restricted share plan, a share matching scheme, a performance share plan and a deferred share bonus plan for senior employees. Options are granted at a price equal to the average quoted market price of Travis Perkins plc shares on the date of grant and there is no exercise price. The vesting period is three years and is subject to performance conditions. Options are forfeited if the employee leaves the Group before the options vest.

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 12 Net interest income

	2022 £m	2021 £m
<b>Interest receivable and similar income</b>		
Interest income on pension scheme assets (note 17)	4.2	2.1
<b>Interest payable and similar charges</b>		
Interest obligations under finance leases and hire purchase contracts	-	(0.1)
<b>Net interest income</b>	4.2	2.0

#### 13 Tax

Tax charged/(credited) in the profit and loss account and other comprehensive income

	2022 £m	2021 £m
<b>Current taxation</b>		
UK corporation tax	28.7	33.2
UK corporation tax adjustment to prior periods	0.7	0.9
Total current tax	29.4	34.1
<b>Deferred taxation</b>		
Origination and reversal of timing differences	5.6	2.7
Arising from prior periods	(1.6)	3.0
Total deferred taxation	4.0	5.7
Total tax recognised in profit and loss account	33.4	39.8
Total tax recognised in other comprehensive income	(28.1)	26.9
Total tax	5.3	66.7

The total tax recognised in other comprehensive income, £28.1m income (2021: £26.9m charge) relates to deferred tax.

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 13 Tax (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021: higher than the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	2022 £m	2021 £m
Profit before tax	<u>161.6</u>	<u>178.3</u>
Corporation tax at standard rate	30.7	33.9
Loss on disposal of fixed assets	1.2	0.5
Effect of expenses not deductible for tax purposes	0.8	0.9
UK deferred tax expense relating to changes in tax rates or laws	1.4	0.1
Decrease from effect of tax incentives	(1.6)	(0.7)
(Decrease)/increase in tax from adjustment for prior periods	(1.0)	3.9
Tax increase/(decrease) from effect of exercise of employee share options	0.7	(0.1)
Other tax effects for reconciliation between accounting profit and tax expense/(income)	<u>1.2</u>	<u>1.3</u>
Total tax charge	<u>33.4</u>	<u>39.8</u>

On 3 March 2021 it was announced that the UK corporation tax rate will increase in April 2023 to 25%, this was substantively enacted on 24 May 2021. Any deferred tax balances have been calculated at the rates substantively enacted for the periods in which they are expected to unwind.

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 13 Tax (continued)

##### Tax relating to items recognised in other comprehensive income or equity

	2022 £m	2021 £m
Deferred tax related to items recognised as items of other comprehensive income	(28.1)	26.9

#### 14 Tangible fixed assets

	Short leasehold property £m	Plant and equipment £m	Total £m
<b>Cost</b>			
At 1 January 2022	65.6	403.5	469.1
Additions	8.9	46.4	55.3
Disposals	(17.7)	(3.5)	(21.2)
At 31 December 2022	56.8	446.4	503.2
<b>Depreciation</b>			
At 1 January 2022	18.4	271.7	290.1
Charge for the year	0.2	36.8	37.0
Eliminated on disposal	(1.3)	(5.5)	(6.8)
At 31 December 2022	17.3	303.0	320.3
<b>Net book value</b>			
At 31 December 2022	39.5	143.4	182.9
At 31 December 2021	47.2	131.8	179.0

The net book values include no freehold land and buildings.

The net carrying amount of assets held under finance leases included in plant and machinery is £nil (2021: £1.3m).

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 15 Intangible fixed assets

Goodwill is amortised over its useful economic life and the remaining amortisation period is between 1 and 13 years.

Computer software is amortised over its useful economic life of 3 to 10 years.

	Goodwill £m	Software £m	Total £m
<b>Cost</b>			
At 1 January 2022	70.0	69.7	139.7
Additions	-	1.0	1.0
	70.0	70.7	140.7
At 31 December 2022	70.0	70.7	140.7
<b>Amortisation</b>			
At 1 January 2022	55.8	61.1	116.9
Charge for the year	2.5	4.4	6.9
	58.3	65.5	123.8
At 31 December 2022	58.3	65.5	123.8
<b>Net book value</b>			
At 31 December 2022	11.7	5.2	16.9
At 31 December 2021	14.2	8.6	22.8

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 16 Investments

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Cost	<u>6.8</u>	<u>6.8</u>

The carrying value of the investments in subsidiary undertakings is supported by their underlying net assets.

As part of the on-going group simplification, the Company dissolved E. East & Son Limited on 15 February 2022.

#### Details of undertakings

The registered office of all subsidiary undertakings is Lodge Way House, Lodge Way, Harlestone Road, Northampton, England, NN5 7UG, apart from the following:

TP General Partner (Scotland) Limited: 50 Mauchline Street, Glasgow, Scotland, G5 8HQ

The Company also has an investment in The Cobtree Scottish Limited Partnership. This is a Limited Partnership registered in Scotland.

Details of the investments in subsidiary undertakings are as follows:

<b>Subsidiary Undertaking</b>	<b>Country of incorporation</b>	<b>Holding</b>	<b>Percentage of shares held</b>	<b>Nature of business</b>
Travis Perkins Capital Partner Limited	England and Wales	Ordinary shares	100%	Dormant
TP General Partner (Scotland) Limited	Scotland	Ordinary shares	100%	Dormant

#### 17 Pension schemes

The Company's employees are able to contribute to the Travis Perkins Pension Plan (the "Plan"). The Plan is defined contribution scheme. Contributions disclosed in note 10 of £13.8m (2021: £12.7m) were made to the plan scheme during the year.

The Travis Perkins Pensions and Dependants Benefit Scheme (the "Group Scheme") is closed to new members and further accrual. The Group Scheme is a 1/60th scheme for the majority of members and further accrual. Employees are entitled to start drawing a pension, based on their membership of the Scheme, on their normal retirement date. If employees choose to retire early and draw their pension, then the amount they receive is scaled down accordingly.

The date of the most recent comprehensive actuarial valuation was 30 September 2020. A full actuarial valuation of the Group Scheme was carried out on 30 September 2020 and it was updated to 31 December 2022 by a qualified actuary.

The Company operates an additional defined benefit pension scheme ("the Platinum scheme") that has scheme assets fair valued at £6.6m (2021: £8.0m) and a surplus of £2.6m (2021: £1.9m)

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 17 Pension schemes (continued)

##### *Balance sheet position and movements during the year*

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit schemes and the movements during the year:

	<b>2022</b>			<b>2021</b>		
	<b>Gross assets</b>	<b>Gross obligations</b>	<b>Net</b>	<b>Gross assets</b>	<b>Gross obligations</b>	<b>Net</b>
At 1 January actuarial asset/(deficit)	1,334.5	(1,115.7)	218.8	1,359.7	(1,214.1)	145.6
<i>Amounts recognised in income:</i>						
Current service costs and administrative expenses	(1.0)	(0.2)	(1.2)	(1.1)	(0.3)	(1.4)
Interest income/(interest cost)	25.6	(21.4)	4.2	18.8	(16.7)	2.1
<i>Other movements:</i>						
Contributions from sponsoring companies	0.5	-	0.5	0.4	-	0.4
Benefits paid	(38.8)	38.8	-	(38.7)	38.7	-
<i>Amounts recognised in other comprehensive income:</i>						
Return on plan assets (excluding amounts included in net interest)	(481.6)	-	(481.6)	(4.6)	-	(4.6)
Actuarial (loss)/gain arising from changes in demographic assumptions	-	5.7	5.7	-	(11.9)	(11.9)
Actuarial gain/(loss) arising from changes in financial assumptions	-	419.7	419.7	-	74.7	74.7
Actuarial gain arising from experience adjustments	-	(56.1)	(56.1)	-	13.9	13.9
Gross pension asset/(liability) at 31 December	<u>839.2</u>	<u>(729.2)</u>	<u>110.0</u>	<u>1,334.5</u>	<u>(1,115.7)</u>	<u>218.8</u>

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 17 Pension schemes (continued)

##### *Principal actuarial assumptions*

The principal assumptions at the statement of financial position date are as follows:

	2022	2021
	%	%
Rate of increase of pensions in payment 1997-2006	3.00	3.00
Rate of increase of pensions in payment post 2006	2.10	2.05
Inflation assumption – CPI	2.60	2.50
Inflation assumption – RPI	3.10	3.10
Discount rate	4.80	1.95

##### *Post retirement mortality assumptions*

The Directors have agreed with the TP DB Schemes' Trustees that, following the elimination of the deficit in the scheme, no further contributions from the Group are currently required. The ongoing management and administrative expenses of the TP DB Scheme are also now being met by the scheme.

Actuarial gains and losses have been included in the statement of comprehensive income.

The yield curve used in setting the discount rate, which includes bonds with an average AA rating and excludes bonds which are sub-sovereign or issued by universities to reflect the credit risk of the defined benefit schemes. In respect of longevity, the valuation adopts the S3PA year of birth tables with improvements in life expectancy to continue in the medium term, with base year appropriate to the member's date of birth.

The weighted average life expectancy of 65-year-old members for the mortality tables used to determine pension liabilities at 31 December 2022 was 21.2 years for men and 23.2 years for women (2021: 21.5 years for men and 23.6 years for women). The mortality assumptions have been adjusted to reflect the effects of Covid-19 as it has been determined that the impact of the pandemic on long-term mortality outcomes has moved from a 'neutral' to 'negative' outlook. In particular, this takes into account: the possible mortality impact of Covid-19 becoming endemic; data on waning vaccine effectiveness (noting that waning may be mitigated, at least in part, by future booster programmes); the potential impact of new variants; and knock-on impacts of Covid-19 on the healthcare system.

##### *Reconciliation of scheme assets and liabilities to assets and liabilities recognised*

The amounts recognised in the statement of financial position are as follows:

	2022	2021
	£m	£m
Fair value of scheme assets	839.2	1,334.5
Present value of defined benefit obligation	(729.2)	(1,115.7)
Total defined benefit pension scheme surplus	110.0	218.8
Related deferred tax liability	(27.5)	(54.7)
Defined benefit pension scheme net surplus	82.5	164.1

There are no restrictions on the current realisability of the pension surplus.

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 17 Pension schemes (continued)

##### *Analysis of assets*

The major categories of scheme assets are as follows:

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Cash and cash equivalents	5.6	2.6
Domestic equities	2.6	2.7
Corporate bonds	367.6	411.2
Diversified growth fund	0.9	1.0
Liability driven investment	267.2	1,507.7
SPV asset	25.1	34.1
Repurchase agreements	-	(800.8)
Secured finance	170.0	176.0
	<b>839.0</b>	<b>1,334.5</b>

	<b>2022</b>		<b>2021</b>	
	<b>£m</b>		<b>£m</b>	
Actual return on scheme assets	456.0	34.2%	14.2	1.0%

##### *Sensitivities*

The estimated effects of changing the key assumptions (discount rate, inflation and life expectancy) on the balance sheet position as at 31 December 2022.

<b>Assumption</b>		<b>2022</b>
		<b>£m</b>
Discount rate	Increase of 0.25%	(26.6)
	Decrease of 0.25%	27.7
Inflation	Increase of 0.25%	15.2
	Decrease of 0.25%	(17.4)
Life expectancy (longevity)	Increase of 1 year	24.8
	Decrease of 1 year	(25.2)

#### 18 Stocks

Stocks consist of goods for resale. There is no material difference between the balance sheet valuation of stocks and their replacement cost.

Inventories are stated after provisions for impairment of £12.1m (2021: £15.3m).

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Goods for resale	349.8	385.7

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 19 Debtors

	2022 £m	2021 £m
Trade debtors	269.9	248.9
Other debtors	28.0	61.1
Prepayments and accrued income	30.6	23.8
Amounts owed by group undertakings (2022: £nil (2021: £82.8m) due after more than one year)	500.8	365.0
	829.3	698.8
Non-current prepayments	4.9	0.7
	834.2	699.5

Amounts owed by group undertakings include loans and trade balances. The loans are interest free and have no fixed date for repayment.

Trade debtors are stated after provisions for impairment of £15.8m (2021: £11.1m).

#### 20 Creditors: amounts falling due within one year

	2022 £m	2021 £m
<b>Due within one year</b>		
Trade creditors	287.5	326.2
Amounts due to group undertakings	316.1	260.8
Finance lease liabilities	-	2.4
Bank overdrafts	-	24.2
Corporation tax liability	8.0	0.5
Other payables	37.1	29.1
Accruals and deferred income	49.6	77.0
Other taxation and social security	39.1	43.8
	737.4	764.0

Amounts due to group undertakings include loans and trade balances. The loans are interest-free and have no fixed date for repayment. No security has been given in relation to any creditors.

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 21 Provisions

	Property £m	Deferred tax £m	Insurance £m	Total £m
At 1 January 2022	20.7	56.7	10.5	87.9
Charged/ (credited) to the profit and loss account	1.4	(24.1)	3.2	(19.5)
Utilised during the year	(3.5)	-	-	(3.5)
Transfers to Travis Perkins Property company	(15.5)	-	1.4	(14.1)
At 31 December 2022	<u>3.1</u>	<u>32.6</u>	<u>15.1</u>	<u>50.8</u>

The property provision relates to onerous rent and rates and dilapidations. The onerous rent and rates provisions will be utilised over the life of the properties to which they relate.

The insurance provision relates to outstanding insurance claims where the final settlement is uncertain.

#### 22 Deferred tax

	Provided		Unprovided	
	2022 £ m	2021 £ m	2022 £ m	2021 £ m
Capital allowances in excess of depreciation	(5.3)	(1.9)	-	-
Share options	0.8	1.4	-	-
Pension obligations	(27.6)	(54.7)	-	-
Other timing differences	(0.5)	(1.5)	-	-
	<u>(32.6)</u>	<u>(56.7)</u>	<u>-</u>	<u>-</u>

There are no unused tax losses or unused tax credits.

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 23 Share capital

##### Allotted, called up and fully paid shares

	No.	2022 £ m	No.	2021 £ m
Ordinary shares of £1 each	5,059,260	5.1	5,059,260	5.1
Preference shares of £1 each	44,096,385	44.1	44,096,385	44.1
	<u>49,155,645</u>	<u>49.2</u>	<u>49,155,645</u>	<u>49.2</u>

##### Rights, preferences and restrictions

There were no changes to share capital during the year.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital. Dividends are payable at the discretion of the Company's directors.

Preference shareholders have priority over ordinary shareholders in respect of the right to receive a distribution of assets upon the winding up of the Company, up to a maximum value of £1 per share. Thereafter, all shares rank equally. The preference shares have no voting rights and no automatic rights to dividends, and are accordingly classified as equity rather than debt.

#### 24 Reserves

The share premium account records the amount above the nominal value received for shares sold. The share premium account cannot be distributed under the Companies Act 2006.

The capital redemption reserve represents contributions received from the Company's parent undertaking.

The profit and loss account represents cumulative profits or losses.

#### 25 Dividends

	2022 £ m	2021 £ m
Final dividend of 7.7p (2021: 4.6p) per each preference share	<u>3.4</u>	<u>2.0</u>

## Travis Perkins Trading Company Limited

### Notes to the financial statements for the year ended 31 December 2022 (continued)

#### 25 Dividends (continued)

#### 26 Contingent liabilities

At 31 December 2022 the Company, together with several other subsidiaries in the Travis Perkins' group have guaranteed:

- £430.0m (2021: £550.0m) of UK guaranteed notes, issued by Travis Perkins plc
- A £15.0m (2021: £15.0m) overdraft facility advanced to the Group is guaranteed by the Company, along with other group companies. At the year-end the overdraft facility was not utilised.
- A £75m term loan
- The Group's £400.0m UK syndicated bank facility. At 31 December 2022 the facility was undrawn (2021: undrawn)
- An interest rate swap

In August 2022 the Group obtained a five year term loan of £75m repayable in August 2027, and entered into an interest rate swap to hedge the risk relating to the variable element of the interest rate on the loan.

Along with other group companies the Company is also guarantor of certain agreements entered into during the normal course of business by the Group which at the year-end totalled approximately £32m (2021: £32m).

Further details of the Group's borrowings are given in the financial statements of Travis Perkins plc.

#### 27 Commitments

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £3.4m (2021: £34.3m) relating to property, plant and equipment.

##### Operating leases

The Company had the following future minimum lease payments under non-cancellable operating leases:

	2022	2021
	£m	£m
Not later than one year	16.6	17.3
Later than one year and not later than five years	49.9	44.5
Later than five years	50.5	42.3
	<u>117.0</u>	<u>104.1</u>

#### 28 Related party transactions

The Company has taken advantage of the exemption contained within FRS 102 and not disclosed transactions or balances with companies that are fellow wholly-owned subsidiaries of Travis Perkins plc.

## **Travis Perkins Trading Company Limited**

### **Notes to the financial statements for the year ended 31 December 2022 (continued)**

#### **29 Parent and ultimate parent undertaking**

The immediate parent undertaking is Travis Perkins Merchant Holdings Limited. The ultimate parent undertaking, controlling party and smallest and largest group to consolidate these financial statements is Travis Perkins plc, a company registered in England and Wales.

Copies of the Travis Perkins plc group financial statements are available from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.