

Registration number: 00733503

Travis Perkins Trading Company Limited

Annual report and financial statements

for the year ended 31 December 2019



Travis Perkins Trading Company Limited

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Travis Perkins Trading Company Limited

Company information

Directors	B.J. Todd M.R. Meech A.R. Williams TP Directors Limited
Company secretary	TPG Management Services Limited
Registered office	Lodge Way House Lodge Way Harlestone Road Northampton NN5 7UG
Auditors	KPMG LLP Statutory Auditor 15 Canada Square Canary Wharf London E14 5GL

Travis Perkins Trading Company Limited

Directors' report for the year ended 31 December 2019

The Directors present their Annual report and the audited financial statements for the year ended 31 December 2019.

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 were as follows:

A.D. Buffin (resigned 26 February 2019)

J.P. Carter (resigned 1 May 2019)

I.J Trevor (resigned 28 June 2019)

B.J. Todd (appointed 11 June 2019)

M.R. Meech

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

Subsequent to the balance sheet date, the UK's economic outlook has deteriorated as a consequence of the COVID-19 pandemic and the measures taken by the government to control the spread of the virus. In these circumstances, neither the Company nor its customers have been able to trade in a normal manner.

In late March and early April 2020, the Group's Merchant businesses operated a "service-light" operating model, focusing on serving customers through remote, non-contact channels with sites primarily running call/click and collect or direct delivery services to support essential construction programmes. Since 20 April 2020 the Group has been carefully opening more of its Merchant branch network, with branches continuing to operate the service-light, non-contact operating model.

The impact of this pandemic on the Company and the going concern basis of preparation is discussed in note 2.

The Directors have adopted the going concern principle in preparing these financial statements on the basis of support arrangements made available by the ultimate parent undertaking, Travis Perkins plc.

Dividends

An interim dividend of £50,000,000 (988p per ordinary share) (2018: £150,000,000; 2,965p per ordinary share) was paid during the year. The Directors do not recommend payment of a final dividend (2018: £nil).

A dividend of £2,100,000 (2018: £2,170,000) was paid on preference shares during the year.

Political donations

During the year the Company made no political donations nor incurred any political expenditure.

Employees

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

Travis Perkins Trading Company Limited

Directors' report for the year ended 31 December 2019 (continued)

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.

Corporate Governance

Travis Perkins Trading Company Limited ("Travis Perkins") is a wholly owned subsidiary of Travis Perkins plc (the "Group"). Under the The Companies (Miscellaneous Reporting) Regulations 2018 regulation 14, 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 2019.

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 auditors

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

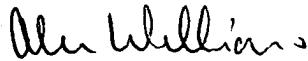
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor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

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 28 May 2020 and signed on its behalf by:



.....
A.R. Williams
Director

Travis Perkins Trading Company Limited

Strategic report for the year ended 31 December 2019

The Directors present their Strategic report for the year ended 31 December 2019.

Principal activities

The Company is a wholly owned subsidiary of Travis Perkins plc, the ultimate parent company.

The principal activity of the Company is the marketing and distribution of timber, building and plumbing materials 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 £49.5m to £2,244.0m from £2,194.5m and gross profit increased to £600.6m (2018: £579.4m). The mix of sales growth varied by customer type, with stronger growth in larger, national customers, and through the Managed Services proposition providing service to local councils and housing authorities.

Operating profit decreased from £73.0m to £4.7m loss, this was primarily driven by higher adjusting items costs mainly in relation to the impairment of a cancelled ERP platform.

The Company has a strong heritage of a deep understanding of trade customers, and a proven track record of providing excellent customer service. During 2019 greater empowerment has been given to branch managers, enabling them to make quicker, more relevant decisions on behalf of customers and the branch. The main areas of progress have been around definition and local stocking of the right product ranges to satisfy local customers, and in the right stock depth to engender real credibility, particularly in heavyside categories.

The Travis Perkins transactional website continues to grow strongly. The proposition of an extensive online range, supported by the heavyside and lightside distribution network, and delivered through a reliable delivery service or through Click & Collect is receiving positive feedback from customers.

Subsequent to the balance sheet date, the UK's economic outlook has deteriorated as a consequence of the COVID-19 pandemic and the measures taken by the government to control the spread of the virus. In these circumstances, neither the Company nor its customers have been able to trade in a normal manner.

The impact of this pandemic on the Company and the going concern basis of preparation is discussed in note 2.

Key performance indicators ('KPIs')

The Travis Perkins plc group (the "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 Merchandising 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 2019 (continued)

Principal risks and uncertainties

The Company operates in markets and an industry which by their nature are subject to a number of inherent risks. The Company is able to mitigate those risks by adopting different strategies and by maintaining a strong system of internal control which is routinely tested and assured. However, regardless of the approach that is taken, the Company must 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. As part of the ongoing risk review process, the Directors identify new risks, assess the inherent risk associated with each risk, and determine whether the risk trend facing the Company is increasing, decreasing or unchanged. Whilst the risk profile remains relatively stable to 2018, key changes have been identified as follows:

- One additional principal risk has been identified in relation to IT systems and infrastructure
- The inherent risk associated with business transformation has been reassessed to 'high'
- The inherent risk associated with cyber threats and data security has been reassessed to 'high'.

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.

Set out below, in no particular order, are the current principal risks that are considered by the Board to be material. Their potential impacts and the factors that mitigate them are detailed in the Travis Perkins plc Annual Report & Accounts. 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 2019 (continued)

- Changing customer and competitor landscape
- Talent management, the ability to recruit, develop, retain and motivate suitably qualified and experienced staff is an important driver of overall performance
- Supplier dependency, relationship, overseas sourcing and disintermediation leading to adverse impacts on ranging and price
- Unsafe practices result in harm to colleagues, customers, suppliers or the public
- Business transformation and improvement projects fail to deliver the expected benefits, cost more or take longer to implement than anticipated
- Uncertainty caused by the UK's decision to leave the European Union
- Market conditions leading to demand uncertainty
- Execution of planned disposals and potential acquisitions fails to deliver the expected benefits to the expected cost and timescale
- System failures or outages could disrupt the day-to-day operations and, in turn, impact customer service and financial performance
- Data security
- The changing regulatory framework increases the risk of non-compliance and fines

The Group disclosed in its 2019 Annual Report that it was monitoring the potential impact of coronavirus carefully. This has subsequently become a principal risk. A description of this risk, its ongoing impact and the Group's response is discussed in more detail in note 2.

Travis Perkins Trading Company Limited

Strategic report for the year ended 31 December 2019 (continued)

S172 statement

Engaging with stakeholders

The Company 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 the Company 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 Directors place significant importance on the strength of the Company's relationships with all its stakeholders to promote the sustainable success of the Company. In order to fulfil their duties, the Directors take care to have regard to the likely consequences on all stakeholders of the decisions and actions which the Company takes. 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.

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 they are engaged with is set out below.

Shareholders

The Company relies on the support of its shareholder, Travis Perkins plc, and their opinions are important to the Company. The Company have an open dialogue with its 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

The Company's people are key to the its success and want them to be successful individually and as a team. The Company works hard to engage with and listen to its 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 colleagues are made to the Board ensuring consideration is given to colleague needs.

Customers

The Company's customers fall into two key categories - 'generic' and 'bespoke'. The Company's generic customers comprise primarily professional tradespeople and self-builders. For the Company's bespoke customers it provides 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 the Company's customers are Housing Associations and the Company 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 2019 (continued)

Suppliers

The Company works with a large number of suppliers based around the world. The Company undertakes risk assessments on all its suppliers as recognises the importance of its role in the Company's 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. The Company works closely with its suppliers using innovation days to feedback market intelligence and to help inform the range for the following year. The Company has a number of own brand products and prides itself on working closely with the manufacturers to ensure the integrity of the products the Company supply.

Communities and the environment

The Company engages with the communities in which it operates to build trust and understand the local issues that are important to the Company. Key areas of focus include how the Company can support local causes and issues, create opportunities to recruit and develop local people and help to look after the environment. In consultation with the Company's colleagues the Company selects 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

The Company engages with the government and regulators through a range of industry consultations, forums, meetings and conferences to communicate its views to policy makers relevant to our business. Key areas of focus are compliance with laws and regulations, health and safety and product safety. The business works closely with HMRC in relation to importing products and continues to build that relationship to ensure the ongoing operations. 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 to close the Company's range centres. This required extensive review and discussion both within the Board and with colleagues in the range centres. It was concluded that there was no longer any strategic or competitive benefit in retaining the range centres and with approval from the Group Board, it was agreed that they would be closed.

Travis Perkins Trading Company Limited

Strategic report for the year ended 31 December 2019 (continued)

Stakeholder	Stakeholder views	Conclusions
Shareholders	The Company's shareholder wants the Company to operate in the most cost effective way, thereby creating value for shareholders and ensuring the long term sustainable success of the Company.	To ensure the long-term sustainable success of the business it must operate in the most cost effective and efficient way. A review found that the range centre operation could not support the business to evolve in the way it wanted to deliver its strategy and costs could be managed better by removing them from the supply network.
Colleagues	The Company's 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 cares about its colleagues and was mindful of the impact closures of the range centres would have on affected colleagues. A thorough and thoughtful consultation and communication plan was implemented to ensure colleagues views and concerns were listened to and considered throughout the process.
Customers	The Company's customers want propositions that work for them and for the business to operate in an ethical way.	Customers would benefit from increased product quality from reducing the number of times products were handled before they received them. Cost savings could also be reinvested in the customer proposition. In addition, where previously the branch was more distant from their suppliers, the increased knowledge of branch staff in relation to specific suppliers and products would benefit the customer experience.
Suppliers	The Company's suppliers want to have confidence that the business will continue to trade with them in the long term.	Suppliers would benefit from stronger, more direct relationships with branches both nationally and locally. This would give them confidence to continue trading with the business in the long term.
Communities	The Company's communities want its continued support with local causes and issues. They want the Company to be considerate of their local communities.	The work done by Travis Perkins in the community and with charity partners was not affected by the decision.
Government and regulators	The government and regulators want the Company 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. Reducing excess cost enables the business to focus on doing business safely and compliantly.

Travis Perkins Trading Company Limited

Strategic report for the year ended 31 December 2019 (continued)

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 28 May 2020 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 their 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

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 group and to prevent and detect fraud and other irregularities.

- 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.

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 2019, which comprise the profit and loss account and total 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 2019 and of its loss 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 are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

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

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 by the company, 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.

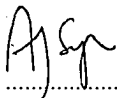
Auditor's responsibilities

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.

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.



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Anthony Sykes (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

Date: 29 May 2020

Travis Perkins Trading Company Limited

**Profit and loss account and total comprehensive income for the year ended 31
December 2019**

	Note	2019 £m	2018 £m
Turnover	4	2,244.0	2,194.5
Cost of sales		<u>(1,643.4)</u>	<u>(1,615.1)</u>
Gross profit		<u>600.6</u>	<u>579.4</u>
Selling and distribution costs		(348.5)	(319.1)
Other administrative expenses		(186.1)	(242.6)
Adjusting items	7	<u>(132.9)</u>	<u>(52.9)</u>
Administrative expenses		(319.0)	(295.5)
Other operating income	5	<u>62.2</u>	<u>108.2</u>
Operating (loss)/profit	6	(4.7)	73.0
Net interest income	12	<u>2.2</u>	<u>0.8</u>
(Loss)/profit before taxation		(2.5)	73.8
Tax credit/(charge) on (loss)/profit	13	<u>1.0</u>	<u>(18.1)</u>
(Loss)/profit for the financial year		(1.5)	55.7
Remeasurement of defined benefit pension schemes	23	(30.8)	78.2
Tax relating to components of other comprehensive income	13	<u>5.8</u>	<u>(14.9)</u>
Total comprehensive (loss)/income for the year		<u><u>(26.5)</u></u>	<u><u>119.0</u></u>

The above results were derived from continuing operations.

Travis Perkins Trading Company Limited

Balance sheet as at 31 December 2019

	Note	2019 £m	2018 £m
Fixed assets			
Tangible fixed assets	14	165.6	171.3
Intangible assets	15	48.1	116.5
Investments	16	9.5	9.7
		<u>223.2</u>	<u>297.5</u>
Current assets			
Stocks	17	260.0	255.8
Debtors (including £55.0m (2018: £125.6m) due after one year)	18	2,052.1	2,260.1
Cash at bank and in hand		22.1	-
		<u>2,334.2</u>	<u>2,515.9</u>
Creditors: amounts falling due within one year	19	<u>(2,046.3)</u>	<u>(2,224.3)</u>
Net current assets		<u>287.9</u>	<u>291.6</u>
Total assets less current liabilities		511.1	589.1
Creditors: amounts falling due after more than one year	20	(7.5)	(10.3)
Provisions	21	(49.2)	(52.7)
Net assets		<u>454.4</u>	<u>526.1</u>
Capital and reserves			
Called up share capital	24	49.2	49.2
Share premium account	25	53.0	53.0
Capital redemption reserve	25	0.5	0.5
Profit and loss account	25	351.7	423.4
Total equity		<u>454.4</u>	<u>526.1</u>

The notes on pages 17 to 41 form an integral part of these financial statements.

The financial statements of Travis Perkins Trading Company Limited, registered number 00733503, were approved and authorised by the Board on 28 May 2020 and signed on its behalf by:



.....
A.R. Williams
Director

Travis Perkins Trading Company Limited

Statement of changes in equity for the year ended 31 December 2019

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2018	49.2	53.0	0.5	450.9	553.6
Profit for the year	-	-	-	55.7	55.7
Other comprehensive income	-	-	-	63.3	63.3
Total comprehensive income	-	-	-	119.0	119.0
Dividends paid on equity shares	-	-	-	(150.0)	(150.0)
Dividends paid on preference shares	-	-	-	(2.1)	(2.1)
Share-based payment transactions	-	-	-	5.6	5.6
At 31 December 2018	49.2	53.0	0.5	423.4	526.1
Loss for the year	-	-	-	(1.5)	(1.5)
Other comprehensive loss	-	-	-	(25.0)	(25.0)
Total comprehensive loss	-	-	-	(26.5)	(26.5)
Dividends paid on equity shares	-	-	-	(50.0)	(50.0)
Dividends paid on preference shares	-	-	-	(2.1)	(2.1)
Share-based payment transactions	-	-	-	6.9	6.9
At 31 December 2019	49.2	53.0	0.5	351.7	454.4

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019

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' (as amended following its Triennial review in 2017).

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.

Going concern assessment by the Directors of the Company

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.

The Board of Travis Perkins plc undertook an assessment on 26 May 2020 of the ability of the Group to continue in operation and meet its liabilities as they fall due over a period not less than 15 months from the date of their assessment. The Group's assessment was made available to the Directors of the Company. The Directors did not consider that this assessment indicated the existence of a material uncertainty which may cast significant doubt about the Group's ability 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.

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

The Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Going concern assessment by the Board of Travis Perkins plc

In the context of the current COVID-19 outbreak, the Board of Travis Perkins plc undertook an assessment on 26 May 2020 of the ability of the Group to continue in operation and meet its liabilities as they fall due over the period of their assessment. In doing so, the Board considered events throughout the period of their assessment, including the availability and maturity profile of the Group's financing facilities, and concluded there were no specific events that bring into question the appropriateness of the going concern conclusion reached.

In late March and early April 2020, the Group operated a "service-light" operating model, focusing on serving customers through remote, non-contact channels with sites primarily running call/click and collect or direct delivery services to support essential construction programmes. Since 20 April 2020 the Group has been carefully opening more of its Merchant branch network, with branches continuing to operate the service-light, non-contact operating model. Revenue performance in Wickes and Toolstation has continued to improve, with the businesses responding at pace to cope with the high levels of consumer demand. This activity gives the Group confidence in its ability to continue trading at current levels on a "service-light" model, even in the event there is a second peak of infections and lockdown is renewed.

In the analysis performed, the Travis Perkins plc Board considered the impact of the COVID-19 outbreak on the Group's results and financial position in a range of possible scenarios. The following key assumptions were used in the central scenario:

- The impact of lockdown continues at current trading levels to the end of May 2020, followed by a five-month recovery to trading at 90% of budgeted levels
- Business rates relief of circa £90m for the 2020-2021 tax year and furlough claims made from April to July 2020
- Moderate reductions of variable business overheads during lockdown
- Forecast capital expenditure reduced to circa £50m
- Debtor collections at 90% of normal rates, consistent with collection rates experienced in March to May 2020

More adverse scenarios were also considered, including a scenario with a second lockdown at current trading levels. The adverse scenarios also reflected worsening debtor collections and increased bad debts, reflecting the Group's experience during the 2008 recession. Under these downside scenarios, the Group would apply mitigating measures to remain in compliance with financial covenants, including making no dividend payments in 2020 or 2021 and making structural cost savings consistent with previously-implemented restructuring programmes.

Under all scenarios considered, the Group was able to operate for a period not less than 15 months within its existing borrowing facilities and its financial covenants. The financial covenants applying in 2019 were modified following agreement with the Group's lenders in May 2020.

After reviewing these forecasts and risk assessments and making other enquiries, the Board of Travis Perkins plc on 26 May 2020 formed the judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for a period not less than 15 months from the date of their assessment and meet its liabilities as they fall due.

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets is stated in the statement of financial position 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 so as to write off the cost of assets, other than land and properties 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

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:

Asset class	Amortisation method and rate
Software	10%-33% per annum

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

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.

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss account, except that a change 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. Deferred tax relating to tangible fixed assets measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

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 contribution pension obligation

The Group operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions.

The amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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, operating profit is charged with the cost of providing pension benefits earned by the employees in the period. The Group accounts for pensions using IAS 19 - Employee Benefits. The Company accounts for pensions using FRS 102, thus in accordance with the rules set out in FRS 102, contributions to the Group's defined benefit scheme are charged to the profit and loss account as they become payable.

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.

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of 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 where the effect is material.

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 (see stock accounting policy).

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.

Adjusting items

Adjusting items are those items of income and expenditure that, by reference to the Company, are material in size or 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. Adjusting items were previously referred to as exceptional items by the Company, the change of the name does not represent a change in accounting policy.

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.

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.

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

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, 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.

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.

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 and the actual increase in pensionable salaries 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 greater than currently stated in the balance sheet. Where the pension obligation is included in the balance sheet at the net present value of the minimum funding payments then the impact on the balance sheet of changes in these assumptions is reduced.

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

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

Claims in respect of the merchant ERP programme

Following the change in approach to the replacement of the Group's merchant ERP system announced in July 2019, the Group terminated its relationship with Infor (the software provider) in October 2019 and formally set out its damages claim.

There is a contingent liability in respect of the Group's possible obligations under the relevant contracts, which include break clauses limiting the Group's maximum possible contractual exposure to c.£65m.

In the view of the Directors, it is probable that the Group will be able to successfully resolve this matter without making any payments to the software provider. Accordingly no provision has been made in respect of these contracts. The Directors expect this matter to resolve in the next 48 months.

4 Revenue

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. For the Company services comprise tool hire, the revenue for which is recognised on a straight line basis over the period of hire.

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

	2019	2018
	£m	£m
Sale of goods	2,137.2	2,094.0
Provision of services	106.8	100.5
	<u>2,244.0</u>	<u>2,194.5</u>

5 Other operating income

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

	2019	2018
	£m	£m
Divisional and head office recharges	<u>62.2</u>	<u>108.2</u>

Other operating income relates to recharges from the Company to other group entities for head office, supply chain and other management services provided. This has reduced significantly due to the Plumbing & Heating business and Wickes now having their own central functions reducing the costs incurred by the Company in providing these service and the level of recharges required.

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

6 Operating loss

Operating is stated after charging/(crediting):

	2019	2018
	£m	£m
Depreciation of tangible fixed assets	34.9	35.8
Amortisation of goodwill	3.2	3.5
Amortisation of other intangible assets	15.0	13.8
Loss on disposal of fixed assets	3.3	-
Operating lease expense - property	6.8	56.5
Operating lease expense - plant and equipment	12.7	16.5
Impairment of trade receivables	6.7	6.1
Loss on disposal of intangible assets	4.6	-
	4.6	-

7 Adjusting items

	2019	2018
	£m	£m
Restructuring costs	25.2	40.1
Impairment of IT and intangible assets	107.6	8.4
Pension-related items	-	4.4
Adjusting items	132.8	52.9

The restructuring charge relates to cost reduction activities in the supply chain and support centre of the merchant businesses and includes the costs of the closure of the Group's range centres and timber network. The adjusting item consists of the following:

- £5.3m of property costs relating to the range centre and timber network closures
- £16.3m of other costs relating to the supply chain closures, including redundancy costs, asset disposal costs and inventory write-downs
- £3.8m of other restructuring projects in the Merchant supply chain
- Release of £0.2m related to the under-utilisation of property closure provisions initially recognised as an adjusting item.

The impairment charge relates to the Group's cancelled ERP project. As a result the existing capitalised spend has been written off. The charge consists of the write-off of £59.7m of capitalised development spend (2018: £6.7m) and £44.3m of prepaid licence fees, as well as £3.6m of associated costs incurred in 2019.

8 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2019	2018
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	105,000	58,000

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Auditor's remuneration (continued)

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

Five of the Directors are paid by other group companies and received total emoluments (including non-performance related bonuses) of £2.3m (2018: £4.7m), and performance-related bonus of £nil (2018: £nil) during the year, but it is not practicable to allocate their remuneration from other group companies for services rendered. In addition, of these Directors, none (2018: none) are accruing benefits under the Travis Perkins Pensions and Dependents' Benefit Scheme, which is a defined benefit pension scheme, and two (2018: two) 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 Director by the Company for the year was as follows:

	2019	2018
	£ m	£ m
Salary	0.1	0.4
Pension contributions	-	0.1
Other emoluments	-	0.2
	0.1	0.7

During the year, one (2018: none) Director paid directly by the Company, is contributing towards the Travis Perkins Pension

No Directors paid directly by the Company exercised share options during the year (2018: three). Five Directors paid by another group company exercised share options during the year (2018: eight).

10 Staff costs

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

	2019	2018
	No.	No.
Administration and support	1,038	1,570
Sales	8,147	8,615
	9,185	10,185

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

	2019	2018
	£m	£m
Wages and salaries	275.9	303.7
Social security costs	26.4	27.3
Pension costs	11.6	11.3
Share-based payment expenses	6.9	5.6
	320.8	347.9

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Share-based payments

The total expense recognised in the profit and loss account for the year was £6.9m (2018: £5.6m).

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 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.

12 Net interest income

	2019 £m	2018 £m
Interest receivable and similar income		
Interest income on pension scheme assets	2.3	1.1
Interest payable and similar charges		
Interest obligations under finance leases and hire purchase contracts	(0.1)	(0.3)
Net interest income	2.2	0.8

13 Tax

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

	2019 £m	2018 £m
Current taxation		
UK corporation tax	5.6	19.1
UK corporation tax adjustment to prior periods	0.3	(1.6)
Total current tax	5.9	17.5
Deferred taxation		
Origination and reversal of timing differences	(7.4)	(1.0)
Arising from prior periods	0.5	1.6
Total deferred taxation	(6.9)	0.6
Total tax recognised in profit and loss account	(1.0)	18.1
Total tax recognised in other comprehensive income	(5.8)	14.9
Total tax	(6.8)	33.0

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Tax (continued)

Total tax recognised in other comprehensive income, £5.8m credit (2018: £14.9m charge) relates to deferred tax.

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018: higher than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

	2019	2018
	£m	£m
(Loss)/profit before tax	<u>(2.5)</u>	<u>73.8</u>
Corporation tax at standard rate	(0.5)	14.0
Effect of expenses not deductible for tax purposes	0.4	0.6
UK deferred tax credit relating to changes in tax rates or laws	(1.1)	-
Increase in UK current tax from adjustment for prior periods	0.8	0.1
Tax (decrease)/increase from effect of exercise of employee share options	(1.8)	1.9
Tax increase from changes in pension fund prepayment	-	0.5
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>1.2</u>	<u>1.5</u>
Total tax (credit)/charge	<u>(1.0)</u>	<u>18.6</u>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

Tax relating to items recognised in other comprehensive income or equity

	2019	2018
	£m	£m
Deferred tax related to items recognised as items of other comprehensive income	<u>5.8</u>	<u>4.6</u>

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

14 Tangible fixed assets

	Short leasehold property £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2019	55.7	394.4	450.1
Additions	5.6	30.7	36.3
Disposals	(1.6)	(26.4)	(28.0)
Transfer from other Group companies	0.3	21.3	21.6
Transfer to other Group companies	(2.6)	(19.8)	(22.4)
Reclassification	-	(0.8)	(0.8)
At 31 December 2019	<u>57.4</u>	<u>399.4</u>	<u>456.8</u>
Depreciation			
At 1 January 2019	14.4	264.4	278.8
Charge for the year	2.6	32.3	34.9
Eliminated on disposal	(1.3)	(22.8)	(24.1)
Transfer from other Group companies	-	12.8	12.8
Transfer to other Group companies	(0.6)	(10.0)	(10.6)
Reclassification	-	(0.6)	(0.6)
At 31 December 2019	<u>15.1</u>	<u>276.1</u>	<u>291.2</u>
Net book value			
At 31 December 2019	<u>42.3</u>	<u>123.3</u>	<u>165.6</u>
At 31 December 2018	<u>41.3</u>	<u>130.0</u>	<u>171.3</u>

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 £10.0m (2018: £14.8m).

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

15 Intangible fixed assets

	Goodwill £m	Software £m	Assets under construction £m	Total £m
Cost				
At 1 January 2019	70.0	82.1	50.3	202.4
Transfers between categories	-	0.9	(0.9)	-
Additions acquired separately	-	2.9	0.3	3.2
Disposals	-	(12.1)	-	(12.1)
Derecognition	-	-	(48.8)	(48.8)
At 31 December 2019	<u>70.0</u>	<u>73.8</u>	<u>0.9</u>	<u>144.7</u>
Amortisation and impairment				
At 1 January 2019	46.8	39.1	-	85.9
Amortisation charge	3.2	15.0	-	18.2
Amortisation eliminated on disposals	-	(7.5)	-	(7.5)
At 31 December 2019	<u>50.0</u>	<u>46.6</u>	<u>-</u>	<u>96.6</u>
Net book value				
At 31 December 2019	<u>20.0</u>	<u>27.2</u>	<u>0.9</u>	<u>48.1</u>
At 31 December 2018	<u>23.2</u>	<u>43.0</u>	<u>50.3</u>	<u>116.5</u>

Goodwill is amortised over its useful economic life and the remaining amortisation period is between 1 and 16 years.

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

Assets under construction consists of software being developed for use by the Company, which is not yet ready to be used. No amortisation is charged on assets under construction.

16 Investments

	2019 £m	2018 £m
Cost or fair value brought forward	9.7	9.7
Additions	0.7	-
Impairment	(0.9)	-
	<u>9.5</u>	<u>9.7</u>

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

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

16 Investments (continued)

Details of undertakings

Details of the investments in subsidiary undertakings are as follows:

Subsidiary Undertaking	Country of incorporation	Holding	Percentage of shares held	Nature of business
Travis Perkins Capital Partner Limited	England and Wales	Ordinary shares	100%	Dormant
E.East & Son Limited	England & Wales	Ordinary shares	100%	Sale of timber and building materials
TP General Partner (Scotland) Limited	Scotland	Ordinary shares	100%	Dormant

The registered office of all subsidiary undertakings is Lodge Way House, Lodge Way, Harlestone Road, Northampton, England, NN5 7UG, with the exception of E.East & Son Limited, registered at 43-45 Chiltern Avenue, Woodside Road, Amersham, Bucks, HP6 5AF.

17 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 £7.5m (2018: £8.1m).

	2019 £m	2018 £m
Goods for resale	<u>260.0</u>	<u>255.8</u>

18 Debtors

	2019 £m	2018 £m
Trade debtors	265.0	263.0
Other debtors	139.2	160.9
Prepayments and accrued income	30.6	32.2
Amounts owed by group undertakings	<u>1,562.3</u>	<u>1,678.4</u>
	<u>1,997.1</u>	<u>2,134.5</u>
Non-current prepayments	-	43.3
Net-pension asset (note 23)	<u>55.0</u>	<u>82.3</u>
Less non-current portion	<u>55.0</u>	<u>125.6</u>
	<u>2,052.1</u>	<u>2,260.1</u>

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 £12.6m (2018: £13.2m).

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

19 Creditors: amounts falling due within one year

	2019 £m	2018 £m
Due within one year		
Trade creditors	351.1	398.1
Amounts due to group undertakings	1,521.9	1,702.9
Finance lease liabilities	1.9	2.8
Bank overdrafts	25.1	6.9
Corporation tax liability	1.8	6.9
Other payables	20.3	21.3
Accruals and deferred income	61.7	35.6
Other taxation and social security	62.5	49.8
	<u>2,046.3</u>	<u>2,224.3</u>

Amounts owed by 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.

20 Creditors: amounts falling due after more than one year

	2019 £m	2018 £m
Due after one year		
Finance lease liabilities	<u>7.5</u>	<u>10.3</u>

Finance leases

The total of future minimum lease payments is as follows:

	2019 £m	2018 £m
Not later than one year	3.0	3.0
Later than one year and not later than five years	7.9	10.7
	<u>10.9</u>	<u>13.7</u>
Less: finance charges allocated to future periods	(1.5)	(0.6)
	<u>9.4</u>	<u>13.1</u>

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

21 Provisions

	Deferred				Total £m
	tax £m	Restructuring £m	Insurance £m	Property £m	
At 1 January 2019	18.7	5.3	10.5	18.2	52.7
(Credited)/charged to the profit and loss account	(6.9)	5.6	3.3	11.3	13.3
Utilised during the year	-	(5.3)	(1.3)	(4.5)	(11.1)
Deferred tax on other comprehensive income	(5.8)	-	-	-	(5.8)
At 31 December 2019	<u>6.0</u>	<u>5.6</u>	<u>12.5</u>	<u>25.0</u>	<u>49.1</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 excess provision relates to outstanding insurance claims where the final settlement is uncertain.

The restructuring provision relates to the supply chain restructuring recognised in adjusting items. Should a provision ultimately prove to be unnecessary then it is credited back to the income statement. Where the provision was originally established as an adjusting item, any release is disclosed as an adjusting credit.

22 Deferred tax

	Provided		Unprovided	
	2019 £ m	2018 £ m	2019 £ m	2018 £ m
Capital allowances in excess of depreciation	1.2	1.8	-	-
Share options	2.7	0.5	-	-
Pension obligations	(9.4)	(15.6)	-	-
Other timing differences	(0.5)	(5.4)	-	-
	<u>(6.0)</u>	<u>(18.7)</u>	<u>-</u>	<u>-</u>

There are no unused tax losses or unused tax credits.

23 Pension schemes

The Company's employees are able to contribute to one of two pension schemes, the Travis Perkins Pensions and Dependents' Benefit Scheme (the "Group Scheme") or the Travis Perkins Pension Plan (the "Plan").

The Plan is defined contribution scheme. Contributions of £10.7m (2018: £10.1m) were made to the plan scheme during the year.

The Travis Perkins Pensions and Dependents Benefit 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.

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Pension schemes (continued)

The date of the most recent comprehensive actuarial valuation was 30 September 2017. A full actuarial valuation of the Group Scheme was carried out on 30 September 2017 and it was updated to 31 December 2019 by a qualified actuary.

The Company operates an additional defined benefit pension scheme ("the Platinum scheme") that has scheme assets fair valued at £6.4m (2018: £5.4m) and a surplus of £1.1m (2018: £1.0m)

Principal actuarial assumptions

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

	2019	2018
	%	%
Rate of increase of pensions in payment 1997-2006	2.95	3.10
Rate of increase of pensions in payment post 2006	2.05	2.10
Inflation assumption – CPI	2.05	2.25
Inflation assumption – RPI	3.05	3.25
Discount rate	2.00	2.90

Post retirement mortality assumptions

In respect of longevity, the valuation adopts the s2PA 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. This results in the life expectancies at illustrative ages shown below.

Weighted average life expectancy for mortality tables used to determine pension liability at 31 December 2019:

	2019	2018
	Years	Years
Current UK pensioners at retirement age - male	23.4	23.3
Current UK pensioners at retirement age - female	26.2	26.2
Future UK pensioners at retirement age - male	22.0	21.9
Future UK pensioners at retirement age - female	24.7	24.6

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Pension schemes (continued)

Amounts recognised in income in respect of the defined benefit schemes

	2019 £m	2018 £m
Current and past service costs	(0.9)	(4.4)
Past service gains from settlements	-	(4.4)
Net interest income	2.3	1.2
Total pension charge / (income)	1.4	(7.6)

The total charge to the operating profit included in the profit and loss account and disclosed in note 10, is £11.6m (2018: £11.3m) which comprises of the defined benefit scheme past service costs of £0.9m (2018: £4.8m), other charges of £nil (2018: £nil), offset by contributions of other Group companies of £nil (2018: £1.1m), and £10.7m (2018: £10.1m) of contributions made to the defined contribution schemes. The total profit and loss charge, including interest is £9.3m (2018: £12.3m).

Guaranteed Minimum Payments (“GMP”) are a special tranche of pension for contracted-out service prior to 6 April 1997, intended to replace a sacrificed part of the state pension. On 26 October 2018 the High Court issued a ruling on GMP equalisation clarifying that pension scheme trustees are under a duty to equalise for GMPs between members of different sexes and setting out a number of different lawful methods for equalisation. In 2018 the Company recognised a past service cost for the impact of this ruling, which was calculated by qualified actuaries assuming that the Schemes are able to limit back-payments to a maximum of 28 years and using Method C2. The past service cost of £7.5m represented 0.7% of the accounting liability.

The £3.1m pension curtailment gain in 2018, recognised as a result of the closure of the Travis Perkins Pensions and Dependants’ Benefit Scheme and the BSS Defined Benefit Scheme to future accrual, was stated net of associated administrative expenses.

The Company has agreed to make voluntary recovery plan contributions of £0.8m per annum to the Scheme until September 2022. These contributions are not contractual and can be stopped at any time with one month’s notice at the Company’s sole discretion.

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

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2019 £m	2018 £m
Fair value of scheme assets	1,220.4	1,103.8
Present value of defined benefit obligation	(1,165.4)	(1,021.5)
Total defined benefit pension scheme surplus	55.0	82.3
Related deferred tax liability	(9.4)	(15.6)
Defined benefit pension scheme net surplus	45.6	66.7

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Pension schemes (continued)

	2019	2018
	£ m	£ m
At 1 January	82.3	6.6
Current service costs charged to the statement of comprehensive income	(0.9)	(4.4)
Past service gains from settlements credited to the statement of comprehensive income	-	(4.4)
Net interest income	2.3	1.2
Contributions from sponsoring companies	2.1	5.1
Return on plan assets (excluding amounts included in net interest)	127.1	(15.7)
Actuarial (losses) / gains arising from changes in demographic assumptions	(0.9)	3.3
Actuarial (losses) / gains arising from changes in financial assumptions	(161.5)	74.5
Actuarial gains arising from experience adjustments	4.5	16.1
At 31 December	55.0	82.3

Analysis of assets

The major categories of scheme assets are as follows:

	2019	2018
	£ m	£ m
Cash and cash equivalents	3.7	2.0
Domestic equities	65.0	104.4
Corporate bonds	336.5	319.6
Diversified growth fund	119.6	108.7
Liability-driven investment	1,040.1	712.9
Property	100.5	98.9
SPV asset	38.9	36.6
Repurchase agreements	(656.7)	(388.3)
Secured finance	172.8	109.0
	1,220.4	1,103.8

	2019		2018	
	£ m		£ m	
Actual return on scheme assets	158.3	14.3%	13.8	1.2%

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Pension schemes (continued)

Movements in the fair value of scheme assets in the current period

	2019	2018
	£ m	£ m
At 1 January	1,103.8	1,128.9
Interest on scheme assets	31.2	29.5
Return on scheme assets not included above	127.1	(15.7)
Administration expenses	(0.7)	(1.5)
Contributions from sponsoring companies	2.1	5.1
Contributions from members	-	0.2
Benefits paid	(43.1)	(42.7)
At 31 December	1,220.4	1,103.8

Movements in the present value of defined benefit obligations in the current period

	2019	2018
	£ m	£ m
At 1 January	(1,021.5)	(1,122.3)
Service cost (net of administration expenses)	(0.2)	(7.3)
Interest cost	(28.9)	(28.3)
Contributions from members	-	(0.2)
Actuarial gains arising from changes in demographic assumptions	(0.9)	3.3
Actuarial (losses) / gains arising from changes in financial assumptions	(161.5)	74.5
Actuarial gains arising from experience adjustments	4.5	16.1
Benefits paid	43.1	42.7
At 31 December	(1,165.4)	(1,021.5)

Amounts recognised in the statement of other comprehensive income are as follows

	2019	2018
	£ m	£ m
Return on plan assets (excluding amounts included in net interest)	127.1	(15.7)
Actuarial (losses) / gains arising from changes in demographic assumptions	(0.9)	3.3
Actuarial (losses) / gains arising from changes in financial assumptions	(161.5)	74.5
Actuarial gains arising from experience adjustments	4.5	16.1
Re-measurement of net defined pension asset	(30.8)	78.2

Sensitivities

The estimated effects of changing the key assumptions (discount rate, inflation and life expectancy) on the balance sheet position as at 31 December 2019.

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Pension schemes (continued)

Assumption		2019 £ m
Discount rate	Increase of 0.1%	(22.0)
	Decrease of 0.1%	23.0
Inflation	Increase of 0.1%	14.0
	Decrease of 0.1%	(13.0)
Life expectancy (longevity)	Increase of 1 year	50.0
	Decrease of 1 year	<u>(53.0)</u>

24 Share capital

Allotted, called up and fully paid shares

	No.	2019 £ m	No.	2018 £ m
Ordinary shares of £1 each	5,059,260	5.1	5,059,260	5.1
Preference shares of £1 each	<u>44,096,385</u>	<u>44.1</u>	<u>44,096,385</u>	<u>44.1</u>
	<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.

25 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.

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

26 Dividends

	2019 £ m	2018 £ m
Final dividend of 48.5p (2018: 49.2p) per each preference share	2.1	2.2
Interim dividend of 988.0p (2018: 2,965.0p) per each ordinary share	<u>50.0</u>	<u>150.0</u>
	<u>52.1</u>	<u>152.2</u>

27 Contingent liabilities

At 31 December 2019 the Company, together with several other subsidiaries in the Travis Perkins' group have guaranteed:

- the Group's £400 million UK syndicated bank facility. At 31 December 2019 the facility was undrawn (2018: undrawn)
- £550 million of UK guaranteed notes, issued by Travis Perkins plc.

A £30.0m (2018: £30.0m) 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.

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 £25.0m (2018: £25.0m).

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

28 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £7,703,378 (2018: £6,700,000) relating to property, plant and equipment.

Operating leases

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

	2019 £m	2018 £m
Not later than one year	18.4	6.9
Later than one year and not later than five years	47.4	25.6
Later than five years	<u>38.7</u>	<u>44.4</u>
	<u>104.5</u>	<u>76.9</u>

Travis Perkins Trading Company Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

29 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.

During the year, the Company purchased goods totalling £600,000 (2018: £700,000) from, and sold goods totalling £3,000 (2018: £5,000) to The Underfloor Heating Store Limited, and sold goods totalling £5,000 (2018: nil) to Tool & Fastener Solutions Limited, who are not wholly owned by Travis Perkins plc.

30 Non adjusting events after the financial period

Subsequent to the balance sheet date, the UK's economic outlook has deteriorated as a consequence of the COVID-19 pandemic and the measures taken by the government to control the spread of the virus. A significant recession is expected, with increases in unemployment resulting in reduced sales and increased expected credit losses. The impact of this will be partially mitigated by UK government actions such as subsidies to businesses for furloughed employees and the self-employed. At this point it is not possible to estimate the financial effect of this event.

31 Parent and ultimate parent undertaking

The immediate and 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.