

Registration number: 01840419

Wickes Building Supplies Limited

Annual report and financial statements

for the period from 2 January 2022 to 31 December 2022

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Wickes Building Supplies Limited

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Wickes Building Supplies Limited

Company Information

Directors

D.B. Wood
M.A. George
H.J. O'Keefe
M.O.C. Cooke
S.A. Astill
F.A. Longden
G. Kibble
M. El Fanichi

Registered Office

Vision House
19 Colonial Way
Watford
United Kingdom
WD24 4JL

Auditor

KPMG LLP
Statutory Auditor
One Snow Hill
Snowhill Queensway
Birmingham
B4 6GH

Wickes Building Supplies Limited

Directors' Report

The Directors present their report and the financial statements of Wickes Building Supplies Limited (the 'Company') for the period from 2 January 2022 to 31 December 2022 ('2022') (prior period: 53 weeks ended 1 January 2022 ('2021')).

Future developments

An indication of future developments of the business is included in the Strategic Report on page 8.

Directors of the Company

The Directors who held office during the period and to the date of signing except as noted were as follows:

D.B. Wood

J.A. Wirth (resigned 29 July 2022)

M.A. George (appointed 29 July 2022)

H.J. O'Keefe

M.O.C. Cooke

S.A. Astill

F.A. Longden

G. Kibble

M. El Fanichi

Directors' liabilities

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

Going concern

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

Dividends

During the financial year ended 31 December 2022, a final dividend in respect of the financial year ended 1 January 2022 of £29.2m (2021: nil) and an interim dividend of £9.1m in respect of the current year (2021: £5.3m) were paid to Wickes Group Holdings Limited. The Directors recommend the payment of a final dividend of £22.0m.

Additionally in the financial year ended 1 January 2022, a dividend of £30m was paid to Travis Perkins plc via Wickes Group plc, as part of the group restructuring process in preparation for demerger.

Events after the reporting period

After the year end the Company received notification from Barclays of its intention to substantially withdraw its consumer finance offering from the market, and therefore its intention to cease offering this service to the Company in relation to finance products for DIFM customers. The search for an alternative provider has commenced and the directors are confident that this will be completed during 2023.

Political donations

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

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Directors' Report (continued)

Corporate Governance

The Company is a wholly owned subsidiary of Wickes Group plc and its governance and business decisions are integrated with Wickes Group plc and its subsidiaries (the 'Group'). Wickes Group plc has complied in full with the UK Corporate Governance Code 2018 for its financial period ending 31 December 2022.

For the period from 2 January 2022 to 31 December, the Company has applied corporate governance principles as set out below.

Purpose & Leadership

During the year, the Board implemented the Group's purpose and strategy and ensured the culture of the business was maintained and cultivated. The Board reviewed progress against plans and evaluated new opportunities, taking into account stakeholder views and feedback and regularly reported to the Wickes Group plc Board. Details can be found in the Strategic report on pages 2 to 72 of the Group's Annual Report and Accounts 2022.

Board Composition

At the end of the financial year ended 31 December 2022, the Board comprised eight directors, of which 25% were female and 75% were male (2021: 37.5% female, 62.5% male). One Board member was from a non-white British ethnic group. Biographical details can be found on the Group's website at www.wickesplc.co.uk/company/about-us/leadership/

Wickes is passionate about inclusion and diversity and believes that diversity in all its forms results in a more successful and sustainable business. More information on Inclusion and Diversity can be found on pages 35 and 89 of the Group's Annual Report and Accounts 2022 and on the Group's website www.wickesplc.co.uk/company/responsible-business/people. Our Gender Pay Gap Report is also available on the website at www.wickesplc.co.uk/company/about-us/governance.

As the Company is a wholly owned subsidiary, the Board focuses on the day to day operation and management of the business including the implementation of the strategy set by the Board of Wickes Group plc (the 'Group Board'). The Group Board includes independent non-executive directors that oversee and provide constructive challenge to ensure effective decision making by the Company's Board. More details on the composition of the Group Board and Group governance structure can be found in the Group's Annual Report and Accounts 2022 on pages 77 and 85.

Directors' Responsibilities

The Group's governance structure includes a Schedule of Matters Reserved to the Group Board and a Delegation of Authority Policy, which set out the framework for decision making for the Company. Each Director has a range of responsibilities which are clearly defined. The Board meets formally every month and in addition, there are a number of weekly, monthly and quarterly senior leadership meetings relating to specific areas of the business including trading; people; customers; IT; cost and efficiency; and property at which relevant Board members are present. Details on the division of responsibilities and the governance structure is set out on page 85 of the Group's Annual Report and Accounts 2022.

Employment policies

The Company's policies and related guidance are designed to create a modern and inclusive working

Wickes Building Supplies Limited

environment and provide support to colleagues through the key moments that matter in their personal and work life and help them to feel at home at Wickes.

Policies are designed to promote the Company's values and support its long term sustainable success. Any changes are reviewed to ensure this alignment to culture is retained and that they sit alongside the Company's Code of Business Ethics which embeds a culture both of taking personal responsibility and 'doing the right thing' across the business.

Family friendly and wellbeing policies have been designed to support colleagues' mental health and wellbeing as well as their financial health. Policies encourage and promote equal treatment and any decisions relating to any aspect of employment are free from bias. Colleagues feel safe in speaking up where unacceptable behaviour is experienced.

We recognise the benefits of inclusion and diversity within our workforce and encourage equality of treatment and opportunities in all aspects of employment, including recruitment, training and development, and promotion. This is reflected in all employment policies and processes which are designed to ensure that anyone with a disability is treated fairly and any form of discrimination is not tolerated.

We regularly review our facilities and working practices to ensure we cater for people with special requirements or disabilities. Line managers are given support and coaching to help understand mental or physical health and wellbeing conditions so they can make sure adjustments to ensure their colleagues can perform at their best and feel at home at Wickes, including any colleague who may have become disabled during employment.

We do not tolerate any kind of disability discrimination. We focus on ability and not disability, ensuring that all colleagues are empowered to flourish. To achieve this, the Wickes Ability network exists to champion each colleague's own ability to ensure they reach their full potential and to highlight opportunities where we can continue to improve.

The Company's culture and values are critical to sustaining an engaged workforce but we know things can sometimes go wrong. Grievance and disciplinary policies have been designed to ensure we treat all colleagues fairly in line with our values and in a professional and sensitive manner. Colleagues know where to go for support and guidance is available to help them every step of the way.

Policies are designed to engage and retain talent in the business and set out the behaviours expected, what colleagues are entitled to, where they can go for help and how we will treat all colleagues fairly and consistently.

Colleague engagement

We know that our high levels of colleague engagement and unique culture are what make our colleagues feel at home at Wickes. We communicate with colleagues regularly through a variety of channels tailored to each area of the business to ensure they are informed about the business direction, including Company performance, and that they are listened to and inspired to play their part in delivering our strategy and purpose.

We engage with our colleagues formally and informally, using weekly newsletters, regular informal team briefings, 'The Scoop' intranet communications, Google communities, monthly CEO Company wide updates via email, video and town halls. We host an annual managers' meeting.

We use these many communication channels to engage colleagues in Wickes Group plc share schemes, thereby giving them the opportunity to share in the future success of the Group and give them a personal connection to Company performance.

Colleagues have an opportunity to give regular feedback through our annual colleague engagement surveys, topical mini surveys, listening roadshows with our Executive team and quarterly Employee Voice sessions. In November, we held a virtual Employee Voice session which was represented by 17 colleague voices and the Wickes Group plc Board was represented by the designated Non-executive Director for employee voice, Sonita Alleyne. The matters raised by colleagues are fed back and discussed by the Group Board.

Wickes Building Supplies Limited

Modern slavery

The Company is opposed to all forms of unethical business behaviour. We are committed to ensuring there is decent, fair and safe work for all, both directly and indirectly throughout our supply chain. Through our supplier audits we monitor human rights standards. We recognise the harmful impact that modern slavery has on individuals and society and we are committed to helping prevent these illegal practices. The Company's statement on modern slavery is reviewed and approved by the Board on an annual basis and published on the Company's website www.wickesplc.co.uk.

Fostering of business relations

Details of the Company's engagement with its stakeholders is included in the section 172(1) statement on pages 10 to 11.

Research and development

The Company does not undertake any research and development activities (2021: nil).

Disclosure of information to the auditors

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

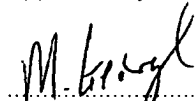
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor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

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Reappointment of auditors

The auditors, KPMG LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the Board on 1 June 2023 and signed on its behalf by:



M.A. George

Director

Wickes Building Supplies Limited

Registered number: 01840419

Registered address: Vision House, 19 Colonial Way, Watford WD24 4JL

Wickes Building Supplies 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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Strategic Report

The Directors present their Strategic report for the period from 2 January 2022 to 31 December 2022.

Principal activities

The Company is a home improvement retailer operating in both stores and online. There have not been any significant changes to the Company's activities during the 52 weeks under review.

Review of the business

The Company's profit before tax for the period was £43.5m (53 weeks ended 1 January 2022: £64.9m), with adjusted operating profit of £76.8m (2021: £82.1m).

Wickes has experienced another period of sales growth and market share gains in Core (source: GfK). This builds on our long term track record of growth, which reflects the effective business model and the investments we have made in our digital and service propositions.

Core revenue, encompassing Local Trade and DIY segments, declined by 3.8% to £1,187.9m, down 2.2% on a 52 week basis. LFL sales declined by 2.0%, although this improved over the course of the year

DIFM delivered sales were £371.1m, an increase of 23.6%, as we successfully worked through the elevated order book. LFL sales increased by 26.1%. The performance was particularly strong in the fourth quarter, where we benefited from reaching our target of 3,000 installer teams (March 2022 2,600), as well as some impact in the prior year from Omicron. On a three-year basis, delivered sales were close to the level reported in 2019. DIFM orders in value terms were slightly down year-on-year, although the trend improved over the course of the second half. Orders have been particularly strong in new designs, both in kitchens and bathrooms, and the attachment rate (flooring, tiling, doors) continues to rise. Our credit offer, currently at 4.9% APR, remains very attractive. Cancellations remain at low levels.

Adjusted gross profit margin was marginally lower year on year as a result of mix effects in Core and selling price inflation below cost price inflation. Mix effects included the consistent growth of TradePro (lower percentage margin in trade products, plus the 10% TradePro discount), and, in the second half, the softening of DIY sales.

Selling costs were broadly flat, with cost inflation offset by lower transaction numbers and elimination of the final portion of Covid costs. Adjusted administration costs were up moderately, with increases in IT and Support Centre salaries, and annualisation of certain post demerger costs more than offsetting a lower bonus pool.

Key performance indicators ('KPIs')

The Company tracks its performance using a number of KPIs, the details of which are set out on pages 31 and 32 of the Group's 2022 Annual Report. The Company's directors believe that disclosure of further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. As the Company represents the only trading subsidiary of Wickes Group plc, the KPIs as disclosed in the Group's annual report are mostly identical at both Group and Company level, with the exception of the following KPIs:

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Strategic Report (continued)

Adjusted profit before tax (£m)

Pre-tax profit adjusted for one-off or unusual costs in the financial year, as reported in the income statement

52 weeks ended 31 December 2022	77.6
53 weeks ended 1 January 2022	81.3
52 weeks ended 27 December 2020	51.2
52 weeks ended 28 December 2019	62.5
52 weeks ended 29 December 2018	45.2

Adjusted PBT is a key measure of the efficiency of the business and how we are investing in future growth.

Reported profit before tax (£m)

52 weeks ended 31 December 2022	43.5
53 weeks ended 1 January 2022	64.9
52 weeks ended 27 December 2020	27.8
52 weeks ended 28 December 2019	49.2
52 weeks ended 29 December 2018	25.8

Pre-tax profit is a key measure of the efficiency of the business and how we are investing in future growth.

Principal risks and uncertainties

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

The Company's risk reporting framework and the identified principal risks are aligned with those of the Group as set out in more detail in the Group's 2022 Annual Report.

Future developments

Looking ahead to 2023, we face significant cost headwinds with material increases to our energy bill and wages. We continue to run our business as efficiently and effectively as possible and, whilst we are operating in an uncertain economic environment, we remain confident in our strategic growth levers and are committed to continuing to invest in them.

In our 2021 annual report, we announced plans to accelerate our store refits programme and to open around 20 new stores over the next five years, our first new store in three years opened in Bolton in October. Innovation is key to a bright future, and across our three customer propositions we are developing exciting new products and services. A great example is the recent launch of our Wickes Lifestyle Kitchens range, where we identified an opportunity to reposition and innovate our ready-to-fit range to grow our market share of the lower-budget kitchen market

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Strategic Report (continued)

Section 172 Statement

Stakeholders

The Board places significant importance on the strength of its relationships with its stakeholders to promote the sustainable success of the Company. In order to fulfil their duties, the Directors of the Company and the Group take care to have regard to the likely consequences on all stakeholders of the decisions and actions which they take. Such considerations ensure the business is making decisions with a longer term view in mind and with the sustainable success of the business at its core. Each Director engages directly with the stakeholders relevant to their roles and provides feedback to the Board.

Colleagues

We are enabled by our highly engaged colleagues and winning culture. Our people are key to our success and we want them to be successful individually and as a team.

The Board ensures its understanding of colleague interests through many forums including a regular review of talent and succession, reward and benefits and safety and wellbeing reports, along with listening to colleague views.

We engage with and listen to our people in many ways, including colleague surveys, site visits, forums, Support Centre monthly briefing meetings, listening groups, face-to-face briefings, internal communities, newsletters and through our anonymous whistleblowing service. Key areas of focus in our communications with colleagues include business updates, new products and services, health and wellbeing, inclusivity programmes, development programmes, pay and benefits, and charity activities. The Board receives regular reports about what is important to our colleagues and ensures colleague views are heard by the Board and taken into consideration in Board decision making.

Customers

With our vision of a Wickes project in every home and our mission to be the partner of choice for home improvers and Local Trade, customers are at the heart of our business.

We have a diverse customer base across our three business areas - Local Trade, DIFM and DIY and we spend considerable time analysing customer trends and reviewing customer feedback, including from customer listening groups and surveys, to understand their needs and views and to listen to how we can improve our offer and service. Our senior management team meets monthly to review customer insights and discuss the customer proposition in depth. Outputs are reported to the Board at every meeting and Board members also attend customer listening groups from time to time.

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Strategic Report (continued)

Suppliers and Landlords

The Board places great importance on ensuring suppliers are treated fairly and we build strong relationships with our suppliers and landlords to develop mutually beneficial and lasting partnerships. This enables us to provide the best products at the best prices for our customers and a great platform for our suppliers and landlords to grow with us. Engagement with our suppliers is primarily through a series of interactions and formal reviews. Key areas of focus include innovation, product development, health and safety, sustainability and payment practices.

Engagement with landlords is conducted via the property team on a day-to-day basis and with formal quarterly meetings. Discussions focus on leasing arrangements and extensions, ESG initiatives, energy data sharing and reporting and early stage green lease clauses. The Board receives an annual update on property and landlord matters.

Shareholders

The Company is a wholly owned subsidiary of Wickes Group plc which is a listed public limited company and has institutional and private shareholders. The Board receives regular updates from the Board of Wickes Group plc through the CEO and CFO, including feedback from the Group's shareholders. The Group's shareholders are key to the long term success of the business and we value their input and views. We aim to secure long term sustainable growth and returns by delivering our strategy.

Communities

We engage with the communities in which we operate to build trust and understand the local issues that are important to them. In 2022 our chosen Group charity partner to work with across the business was YoungMinds and we also support local charitable activities at a site level to raise awareness and funds and support community projects. The YoungMinds partnership ended in April 2023 and a new charity partner has been selected.

We engage with our communities at a local level through our stores and distribution centres. Key areas of focus include how we can support local causes and issues, create opportunities to recruit and develop local people and help to look after the environment.

Government and Regulators

We engage with the government and regulators to understand their views and priorities and to share our views and experience to help shape future policy.

We engage through a range of industry consultations, forums, meetings and conferences to communicate our views to policy makers relevant to our business. Key areas of focus are compliance with laws and regulations, health and safety and product safety. The Board also receives regular updates on legal and regulatory developments.

Wickes Building Supplies Limited

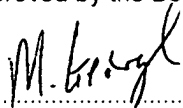
Strategic Report (continued)

Sustainability, energy and carbon emission

We continue to address sustainability in our supply chains in line with our global group initiatives. We support good land stewardship practices that include: avoiding deforestation and conversion of natural ecosystems; sourcing products from responsibly managed and certified forests; and through various initiatives for recycling waste generated from our business. Through these efforts and others, we seek to protect valuable natural resources and reduce our environmental impact.

The Company's Streamlined Energy and Carbon Reporting ('SECR') disclosures form a part of the Group's SECR disclosures, which are included in the 2022 financial statements of the Company's ultimate parent, Wickes Group plc, which does not form a part of this report.

Approved by the Board on 1 June 2023 and signed on its behalf by:



.....
M.A. George

Director

Wickes Building Supplies Limited

Registered number: 01840419

Registered address: Vision House, 19 Colonial Way, Watford WD24 4JL

Wickes Building Supplies Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WICKES BUILDING SUPPLIES LIMITED

Opinion

We have audited the financial statements of Wickes Building Supplies Limited ("the Company") for the 52 week period ended 31 December 2022 which comprise the Profit and Loss account and Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the period 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 as applied to other entities of public interest. 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").

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.

Our conclusions based on this work:

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

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

Wickes Building Supplies Limited

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Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates; and
- the risk that DIFM revenue is understated through recording revenues in the wrong period in order to increase the likelihood of management meeting future profit targets.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by certain Executive Directors and unusual account pairings.
- We carried out sample testing of DIFM orders included in the deferred income balance (products ordered and not delivered and/or installed) to assess whether they should have been recorded as revenue in the financial year, including agreeing to subsequent delivery and/or installation documentation, where applicable; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

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

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

Wickes Building Supplies Limited

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

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

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

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

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

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 and 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.

Wickes Building Supplies Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, 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.



Andrew Cawthray (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snow Hill,
Snowhill Queensway,
Birmingham
B4 6GH

1 June 2023

Wickes Building Supplies Limited

Profit and loss account and other comprehensive income

£m	Note	52 Weeks ended 31 December 2022			53 Weeks ended 1 January 2022		
		Adjusted	Adjusting items (note 5)	Total	Adjusted	Adjusting items (note 5)	Total
Turnover	4	1,559.0	3.4	1,562.4	1,534.9	-	1,534.9
Cost of sales		(991.9)	-	(991.9)	(966.4)	-	(966.4)
Gross profit		567.1	3.4	570.5	568.5	-	568.5
Selling costs (*)		(361.7)	(13.1)	(374.8)	(367.9)	(3.4)	(371.3)
Administrative expenses		(128.6)	(24.4)	(153.0)	(118.5)	(13.0)	(131.5)
Operating profit	6	76.8	(34.1)	42.7	82.1	(16.4)	65.7
Net interest income/(expense)		0.8	-	0.8	(0.8)	-	(0.8)
Profit before taxation		77.6	(34.1)	43.5	81.3	(16.4)	64.9
Tax charge on profit	11	(10.1)	-	(10.1)	(11.7)	-	(11.7)
Profit and total comprehensive income for the financial period		67.5	(34.1)	33.4	69.6	(16.4)	53.2

The above results were derived from continuing operations.

*Onerous lease charges in 2022 have been presented within Selling Costs. Onerous lease charges recorded in 2021 were originally presented within administrative expenses but have now been reclassified accordingly - see note 18.

The Company has no recognised gains or losses for the period other than the results above. The notes on pages 20 to 39 form an integral part of these financial statements.

Wickes Building Supplies Limited

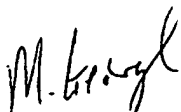
Balance Sheet

£m	Note	31 December 2022	1 January 2022 (Restated*)
Fixed assets			
Tangible fixed assets	12	115.4	105.8
Intangible assets	13	21.3	17.8
		136.7	123.6
Current assets			
Stocks	14	199.2	186.4
Debtors	15	173.2	190.9
Corporation tax		10.1	7.3
Cash at bank and in hand		29.5	28.4
		412.0	413.0
Creditors: amounts falling due within one year	16	(272.0)	(275.7)
Net current assets		140.0	137.3
Total assets less current liabilities		276.7	260.9
Creditors: amounts falling due after more than one year	17	(1.0)	(1.7)
Provisions	18	(53.7)	(36.1)
Net assets		222.0	223.1
Capital and reserves			
Called up share capital	21	0.5	0.5
Profit and loss account		221.5	222.6
Total equity		222.0	223.1

*For details of restatement please see Note 15

The notes on pages 20 to 39 form an integral part of these financial statements.

The financial statements of Wickes Building Supplies Limited, registered number 01840419, were approved and authorised by the Board on 1 June 2023 and signed on its behalf by:



.....
M.A. George
Director

Wickes Building Supplies Limited

Statement of Changes in Equity

£m	Share capital	Profit and loss account	Total
At 26 December 2020	0.5	201.9	202.4
Profit for the period and total comprehensive income	-	53.2	53.2
Dividends paid	-	(35.3)	(35.3)
Share-based payments	-	2.8	2.8
At 1 January 2022	0.5	222.6	223.1
Profit for the period and total comprehensive income	-	33.4	33.4
Dividends paid	-	(38.3)	(38.3)
Share-based payments	-	3.8	3.8
At 31 December 2022	0.5	221.5	222.0

The notes on pages 20 to 39 form an integral part of these financial statements.

Wickes Building Supplies Limited

Notes to the Financial Statements

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 2. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 8 to 12.

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 periods presented, unless otherwise stated.

Statement of compliance

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

Basis of preparation

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

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £0.1m.

Summary of disclosure exemptions

The Company's ultimate parent undertaking, Wickes Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Wickes Group plc are prepared in accordance with International Financial Reporting Standards as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with requirements of the Companies Act 2006. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- * Cash Flow Statement and related notes;
- * Intra-group transactions;
- * Key Management Personnel compensation and
- * Full Share based payments disclosures
- * Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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.

Wickes Building Supplies Limited

Notes to the financial statements (continued)

Going Concern

Based on the Company's liquidity position and cash flow projections, including a forward looking severe but plausible scenario, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the duration of the going concern period, being the 12 month period following the date of approval of these financial statements, and accordingly they continue to adopt the going concern basis of accounting in preparing the financial statements for the period ended 31 December 2022.

The Directors do not consider going concern to be a critical accounting judgement. In determining this the Directors have taken into account the ongoing profitability and positive operating cashflow in 2022, despite the impacts of the economic environment in the UK and global supply issues, and a positive start to the 2023 financial year. Although the Company saw some weakening of sales as a result of the ongoing cost of living crisis, and continuing cost pressures in the second half of the 2022 financial year, the Company continues to demonstrate the flexibility of Wickes' operational model, including a number of actions undertaken to both respond to more challenging market conditions and to continue to drive efficiencies within the business.

At 31 December 2022, the Company held bank balances of £29.5m along with an intercompany receivable from its immediate parent company, Wickes Group Holdings Limited, of £70m, which is repayable on demand. No bank overdrafts are in use, and the Company has access to an available undrawn committed Revolving Credit Facility (RCF) of £80m which expires in March 2025, with the expiry date being extended for a further year to March 2026 after the year end, and which is not forecast to be utilised for a period of at least 12 months.

When considering whether the Group's financial statements can be prepared on a going concern basis, the Directors have undertaken a detailed review which entails assessing the Group's current and projected financial performance and position, including current assets and liabilities, debt maturity profile, future commitments and forecast cash flows. In forming their outlook on the future financial performance, the Directors considered the risk of higher business volatility arising from the potential negative impact of the general economic environment driven by the cost of living crisis.

The Directors' review also included a severe but plausible scenario to assess the impact of a sales reduction of 6% from 2022, a margin reduction of 1%, and a short period of operational shock, together with increases to energy costs, staff costs, and the cost to complete the IT autonomy project, reflecting the current economic uncertainty. Under this severe but plausible scenario the company retains a significant cash balance and does not assume utilisation of the RCF: the severe but plausible scenario does show a covenant breach but, as it does not require use of the facility at any point, this does not indicate a risk to going concern. Nevertheless, if required there are further measures that could be taken to assist with covenant compliance if this was considered necessary, including reducing bonuses and discretionary spend in the short term.

The Directors remain watchful of ongoing pressures on customers and suppliers given the current economic environment, and are aware that the Company is exposed to a number of risks and uncertainties, which could affect the Company's ability to meet its forecasts. The Directors believe that the Company has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully.

Wickes Building Supplies Limited

Notes to the financial statements (continued)

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 an understanding of the Company's underlying trading performance and the separate impact of one off or unusual events in the year, and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the Directors for designation as adjusting items include, but are not limited to, significant restructurings, onerous contracts, significant write-downs or impairments of current and non-current assets, the associated costs of separating the business from Travis Perkins Plc's IT systems, the effect of changes in corporation tax rates on deferred tax balances, and in the current year a reclaim of overpaid VAT relating to prior years.

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Assets are depreciated to their estimated residual value on a straight line basis over their estimated useful lives, as follows:

Asset class	Depreciation rate
Short leasehold property	Over the term of the lease
Plant and equipment	10% - 33% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds net of expenses and the carrying amount of the asset in the balance sheet, and is recognised in the income statement.

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

The directly attributable costs incurred for the development of computer software controlled by and for use within the business are capitalised and written off as an expense over their estimated useful life, which range from 3 years to 10 years. No amortisation is charged on computer software under construction.

Costs relating to research, maintenance and training are expensed as they are incurred. Licence fees for using third-party software are expensed over the period the software is in use.

Wickes Building Supplies Limited

Notes to the financial statements (continued)

Stocks

Stocks, which consist of goods for resale, are stated at the lower of average weighted cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stock to its present location and condition.

Net realisable value is the estimated selling price less the estimated costs of disposal.

In determining the cost of stock the Directors have to make estimates to arrive at cost and net realisable value. Determining the net realisable value of the wide range of products held in many locations requires an assessment 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. The Company does not consider that there is a significant risk of material adjustment arising within the next financial period as a result of this estimate.

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.

Wickes Building Supplies Limited

Notes to the financial statements (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.

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 is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

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 other future taxable profits.

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

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

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

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

Wickes Building Supplies Limited

Notes to the financial statements (continued)

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.

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.

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

Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive 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.

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 shown as an adjusting credit.

The Company's stores operate from a significant number of leased properties. Where necessary a provision has been made for the residual commitments for rates and other payments, after taking into account existing and anticipated subtenant arrangements.

It is Company policy to insure itself using policies with a high excess against claims arising in respect of damage to assets, or due to employers or public liability claims. The nature of insurance claims means they may take some time to be settled. The insurance claims provision represents management's best estimate, based upon external advice, of the value of outstanding claims against it where the final settlement date is uncertain

Wickes Building Supplies Limited

Notes to the financial statements (continued)

Supplier income

Supplier income comprises fixed price discounts and volume rebates.

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.

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.

Revenue recognition

Revenue is recognised when the Company has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. Revenue is measured at the transaction price received or receivable less a deduction for actual and expected returns and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added tax.

Customers are entitled to return goods for a period after purchase. A right of return is not a separate performance obligation and the Company is required to recognise revenue net of estimated returns. A refund liability, net of the respective cost of sales, representing the right to recover products from the customer, is recognised.

Services comprise kitchen and bathroom installations and these are typically completed over a short period of time. The Company does not sell installation services separately from the sale of kitchen and bathroom products. Control of installed kitchens and bathrooms passes to the customer when the Company has fulfilled all its obligations under the installation contract and revenue from the installation of kitchens and bathrooms is recognised at this point.

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.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation uncertainty that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Wickes Building Supplies Limited

Notes to the financial statements (continued)

Onerous leases

Determining whether an onerous lease is present in a loss making store requires an estimation of the future cash flows expected to arise from the store over the remaining life of the lease discounted at a suitable discount rate in order to calculate the present value of the cash flows. The significant estimates relate to changes in the store profitability and the growth rates used. Details of the resulting provisions are included in note 18.

4. Turnover

Turnover is recognised when the Company has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. Turnover is measured at the transaction price received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added tax.

Services comprise kitchen and bathroom installations. Turnover from the installation of kitchens and bathrooms is recognised when the Company has fulfilled all its obligations under the installation contract. Customers are entitled to return goods for a period after purchase, the Company has recognised a returns provision in respect of this obligation.

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

	52 weeks ended 31 December 2022 £m	53 weeks ended 1 January 2022 £m
Core (product revenue)	1,187.9	1,234.7
DIFM (Kitchen and bathroom) sales	371.1	300.2
	<u>1,559.0</u>	<u>1,534.9</u>

Revenue reconciliation and like-for-like sales

	52 weeks ended 31 December 2022 £m	53 weeks ended 1 January 2022 £m
Adjusted revenue	1,559.0	1,534.9
Network change	(1.0)	(0.4)
Other movements (week 53)	-	(17.6)
Adjusted revenue (like-for-like basis)	<u>1,558.0</u>	<u>1,516.9</u>
Prior period revenue	1,534.9	1,346.9
Prior period network change	(5.1)	(4.8)
Prior period other movements	(24.5)	-
Prior period revenue (like-for-like basis)	<u>1,505.3</u>	<u>1,342.1</u>
Increase arising on a like-for-like basis	52.7	174.8
Like-for-like adjusted revenue (%)	<u>3.5%</u>	<u>13.0%</u>

Calculating like-for-like sales enables management to monitor the performance trend of the business period-on-period. It also gives management a good indication of the health of the business compared to competitors.

Wickes Building Supplies Limited

Notes to the financial statements (continued)

Like-for-like revenue is a measure of sales performance for two successive periods. Stores contribute to like-for-like revenue once they have been trading for more than twelve months. Revenue included in like-for-like revenue is for the equivalent times in both periods being compared. When stores close, revenue is excluded from the prior period figures for the months equivalent to the post closure period in the current period. These movements are explained by the Network change amounts. The Network change number varies year on year as it represents a different number of stores.

Other movements (week 53) reflects that the period ended 1 January 2022 was a 53 week period, whereas the periods ended 31 December 2022 and 26 December 2020 were 52 week periods. The extra week is presented separately to enable direct comparison.

5 Adjusting items

	52 weeks ended 31 December 2022 £m	53 weeks ended 1 January 2022 £m
IT separation project costs	24.4	14.2
Onerous lease provisions	12.7	3.4
Impairment reversal	-	(1.2)
Output VAT reclaim	(3.4)	-
Impairment of property, plant and equipment	0.4	-
	34.1	16.4

IT separation project costs

IT separation project costs are the costs incurred to enable the Wickes Group to operate an IT environment independent of Travis Perkins Plc. These include the following; the cost of creating standalone versions of existing systems, the cost of transferring data from Travis Perkins Plc to standalone systems, the cost of upgrading legacy systems including moving to "software as a service solutions" and the costs of transitioning the IT and support function into the Wickes environment including the project management costs of all the above. Costs related to the maintenance and licencing of existing systems are included in Adjusted profit as these costs will continue after the separation project is concluded. Where costs meet the definition of an intangible asset they have been capitalised, and future amortisation will be included in Adjusted profit.

Onerous lease provisions

In the period ended 31 December 2022, 25 store leases were identified as onerous. Given the size of the total onerous lease charge, and that fact a key contributor to the existence of the charge is the broader UK macro-economic events impacting many retail businesses, and not solely the underlying performance of the Group's individual stores, this charge is included within adjusting items. Future revisions to these provisions will also be recognised within adjusting items.

In the period ended 1 January 2022, an onerous lease charge of £3.4m was recognised on leases that had been identified as onerous in previous periods with the onerous lease charge included in adjusting items.

In a portfolio of stores there will be, from time to time, onerous lease provisions arising on certain specific stores that do not arise from a broader macro-economic condition but arise from underlying trading performance. Such onerous lease charges are therefore included within adjusted profit. In the current period, no charges (53 weeks ended 1 January 2022: £4.0m) due to such onerous leases are included within adjusted profit.

Additionally, as part of the review of onerous leases, £0.4m of property, plant and equipment relating to stores with onerous leases were impaired. (53 weeks ended 1 January 2022: £nil.)

Wickes Building Supplies Limited

Notes to the financial statements (continued)

Impairment reversal

It was identified in the period ended 1 January 2022 that fixed assets that had been impaired in a previous period had a carrying value as at 1 January 2022. This impairment was therefore reversed and credited to the income statement. No such reversal was noted in the current year.

Output VAT reclaim

A claim for output VAT overpaid during the period from Q3 2018 to Q4 2021 was lodged with HMRC in August 2022. The claim arose due to output VAT being paid in error on zero and reduced rate products. Given the claim related to the three years prior to the current year, the £3.4m credit has been reflected in adjusting items. There were no such claims in the 53 weeks ended 1 January 2022.

6 Operating profit

Operating profit is stated after charging:

	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
	£m	£m
Depreciation of tangible fixed assets	20.4	19.3
Amortisation of goodwill	0.6	0.6
Amortisation of intangible assets	5.2	5.2
Impairment of tangible fixed assets	0.4	0.2
Inventory recognised as an expense	856.2	829.1
Loss on disposal of fixed assets	0.6	0.6
Operating lease expense - property	99.4	110.3
Operating lease expense - plant and equipment	7.5	5.5

7 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	180,000	180,000
Services related to corporate finance transactions	-	250,000

Wickes Building Supplies Limited

Notes to the financial statements (continued)

8 Directors' remuneration

The remuneration of the Directors of the Company is as follows:

	52 weeks ended 31 December 2022 £m	53 weeks ended 1 January 2022 £m
Salary	3.0	3.7
Share based payments	1.8	1.9
Other emoluments	0.4	0.4
	5.2	6.0

Directors' salaries include bonuses of £0.3m (53 weeks ended 1 January 2022: £0.9m)

In addition to the above, in the 53 weeks ended 1 January 2022, one director was paid by the Travis Perkins plc group before demerger and received total emoluments (including non-performance related bonuses) of £0.0m relating to the Wickes group. No such arrangement was in place in the 52 weeks ended 31 December 2022.

Five Directors exercised share options during the year (53 weeks ended 1 January 2022: none).

The highest paid director's emoluments were as follows:

	52 weeks ended 31 December 2022 £m	53 weeks ended 1 January 2022 £m
Salary	0.5	0.9
Share based payments	0.7	0.4
Other emoluments	0.1	0.1
	1.3	1.4

9 Staff costs

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

Number of employees	52 weeks ended 31 December 2022 £m	53 weeks ended 1 January 2022 £m
Administration	513	443
Sales and distribution	7,827	7,995
	8,340	8,438

Wickes Building Supplies Limited

Notes to the financial statements (continued)

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

	52 weeks ended 31 December 2022 £m	53 weeks ended 1 January 2022 £m
Wages and salaries	193.1	193.2
Social security costs	16.4	15.5
Pension costs	4.6	3.7
Share-based payment expenses	3.8	2.8
	217.9	215.2

10 Share-based payments

The Wickes Group operates a number of share-based payment schemes for employees of the Group, of which the full details are set out in the Group's Annual Report.

The total expense recognised in the Company's profit or loss for the period was £3.8m (53 weeks ended 1 January 2022: £2.8m)

Wickes Building Supplies Limited

Notes to the financial statements (continued)

11 Tax

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

	52 weeks ended 31 December 2022 £	53 weeks ended 1 January 2022 £m
Current taxation		
UK corporation tax	1.6	11.3
Deferred taxation		
Origination and reversal of timing differences	8.5	0.4
Tax expense in the income statement	<u>10.1</u>	<u>11.7</u>

The tax on profit before tax for the period is lower than (53 weeks ended 1 January 2022: lower than) the standard rate of corporation tax in the UK of 19%

The differences are reconciled below:

	52 weeks ended 31 December 2022 £m	53 weeks ended 1 January 2022 £m
Profit before tax	43.5	64.9
Corporation tax at standard rate	8.3	12.3
Depreciation of non-qualifying property	(0.5)	1.0
Expenses not deductible for tax purposes	0.9	(0.3)
Adjustments of tax in respect of previous years	0.3	(0.2)
Effect of exercise of employee share options	-	(0.6)
Change in tax rate	-	(0.1)
Other differences	1.1	(0.4)
Total tax charge	<u>10.1</u>	<u>11.7</u>

The UK corporation tax rate of 19% is set to increase to 25% from 1st April 2023. The legislation to effect these changes was enacted before the balance sheet date and the UK deferred tax asset as at 31 December 2022 has been calculated based on this rate.

Wickes Building Supplies Limited

Notes to the financial statements (continued)

12 Tangible fixed assets

	Land and buildings £m	Short leasehold Property £m	Plant and equipment £m	Total £m
Cost				
At 1 January 2022	-	144.6	231.4	376.0
Additions	6.1	16.9	8.1	31.1
Disposals	-	(18.9)	(52.6)	(71.5)
Impairments	-	(0.4)	-	(0.4)
At 31 December 2022	6.1	142.2	186.9	335.2
Depreciation				
At 1 January 2022	-	81.5	188.7	270.2
Charge for the period	0.1	7.7	12.6	20.4
Disposals	-	(18.3)	(52.5)	(70.8)
At 31 December 2022	0.1	70.9	148.8	219.8
Net book value				
At 1 January 2022	-	63.1	42.7	105.8
At 31 December 2022	6.0	71.3	38.1	115.4

The net carrying amount of assets held under finance leases included in plant and machinery is £0.5m (1 January 2022: £0.7m). Fixed assets are included at full historical cost to the Company.

Wickes Building Supplies Limited

Notes to the financial statements (continued)

13 Intangible fixed assets

	Software £m	Goodwill £m	Total £m
Cost			
At 1 January 2022	28.4	12.4	40.8
Additions acquired separately	10.7	-	10.7
Disposals	(1.8)	-	(1.8)
At 31 December 2022	37.3	12.4	49.7
Amortisation			
At 1 January 2022	16.0	7.0	23.0
Charge for the period	5.2	0.6	5.8
Disposals	(0.4)	-	(0.4)
At 31 December 2022	20.8	7.6	28.4
Net book value			
At 1 January 2022	12.4	5.4	17.8
At 31 December 2022	16.5	4.8	21.3

Goodwill is amortised over its useful economic life and the remaining amortisation period is between 10 and 13 years.

14 Stocks

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

Stocks are stated after provisions for impairment of £5.0m (1 January 2022: £4.6m)

	31 December 2022 £m	1 January 2022 £m
Goods for resale	199.2	186.4

Wickes Building Supplies Limited

Notes to the financial statements (continued)

15 Debtors

	31 December 2022 £m	1 January 2022 £m
Trade debtors	37.4	31.6
Deferred tax asset	-	0.4
Other debtors	34.1	32.2
Prepayments and accrued income	29.9	24.5
Amounts owed by group undertakings	71.8	102.2
	173.2	190.9

Amounts owed by group undertakings include loans and trade balances. The loans are interest free and are repayable on demand.

For the year ended 1 January 2022, the tax receivable of £7.3m was disclosed within current trade and other receivables. In accordance with section 4 of FRS 102, the tax receivable should have been presented separately on the face of the balance sheet. The balance sheet for the year ended 1 January 2022 has been restated to separately present the tax receivable. This adjustment has no impact on the prior year reported profit or net assets.

16 Creditors: amounts falling due within one year

	31 December 2022 £m	1 January 2022 £m
Due within one year		
Trade creditors	119.9	112.6
Finance lease liabilities	0.4	0.5
Other payables	45.7	50.3
Accruals	41.9	39.2
Deferred income	48.1	64.2
Other taxation and social security	16.0	8.9
	272.0	275.7

Wickes Building Supplies Limited

Notes to the financial statements (continued)

17 Creditors: amounts falling due after more than one year

£m	31 December 2022	1 January 2022
Finance lease liabilities	1.0	1.7

Finance leases

The total of future minimum lease payments is as follows:

£m	31 December 2022	1 January 2022
Not later than one year	0.5	0.6
Later than one year and not later than five years	1.0	1.6
Later than five years	0.1	0.3
	<u>1.6</u>	<u>2.4</u>
Finance charges allocated to future periods	(0.2)	(0.2)
	<u>1.4</u>	<u>2.2</u>

18 Provisions

£m	Property provisions	Onerous lease provisions	Warranty Provision	Insurance provision	Deferred tax provision	Total
At 1 January 2022	3.7	23.9	2.2	6.3	-	36.1
Charged to the profit and loss account	0.9	12.7	2.5	-	8.1	24.2
Utilised in the period	(2.5)	(1.9)	(1.8)	(0.4)	-	(6.6)
At 31 December 2022	<u>2.1</u>	<u>34.7</u>	<u>2.9</u>	<u>5.9</u>	<u>8.1</u>	<u>53.7</u>

Property provisions primarily arise following a decision to close a store where there is still an obligation to fulfil rent, insurance and dilapidation payments under the lease contract, or if there is other evidence that enables a dilapidation provision to be reliably estimated. The provision will be revised in future periods should the lease be terminated early or a subtenant found.

Onerous lease provisions relate to lease obligations in respect of lossmaking stores. Provisions for onerous leases are recognised where a store has been identified as loss making but there is still an obligation to fulfil rent payments under the lease contract and recognised when the best estimate of store cash generation is less than the unavoidable costs of the lease. The provision will be subsequently revised should the property be exited early or a subtenant found, or the performance of the store improves. The provision will be utilised over the life of the properties to which it relates. The best estimate of cash generation from each store is based on a number of assumptions, including store revenue growth and margin percentage over the Board approved 5 Year Plan, allocation of central costs to stores, and discount rates. The resulting charge to the profit and loss account is recognised within selling costs.

Wickes Building Supplies Limited

Notes to the financial statements (continued)

Wickes provides a guarantee on showroom kitchen cabinets, doors and drawer fronts. The Warranty Provision provides for future estimated costs of providing this guarantee on kitchens that have been previously sold. The provision includes future costs for installation workmanship of installations as well as product cost.

The insurance claims provision represents management's best estimate, based on external advice, of the value of outstanding claims against it where the final settlement date is uncertain, using an expected value approach. There are no individually material claims and the potential settlement dates and amounts vary widely based on the portfolio of insurance claims provided for. The Group has no material self-insured claims.

The following table details the Group's liquidity analysis of its provision, based on the undiscounted net cash outflows.

£m	0-1 Year	1-2 Years	2-5 Years	5+ Years	Total
31 December 2022:					
Property provisions	0.3	-	1.8	-	2.1
Onerous lease provisions	4.8	5.2	10.8	13.9	34.7
Warranty provision	2.9	-	-	-	2.9
Insurance	5.9	-	-	-	5.9
Deferred tax	8.1	-	-	-	8.1
	22.0	5.2	12.6	13.9	53.7

19 Deferred tax

£m	Provided	
	31 December 2022	1 January 2022
Capital allowances in excess of depreciation	(8.1)	(0.6)
Share options	-	1.0
Deferred tax asset	(8.1)	0.4

There are no unused tax losses or unused tax credits.

20 Pension scheme

Contributions of £4.6m (53 weeks ended 1 January 2022: £3.7m) were made to the plan (a defined contribution scheme) during the year.

Wickes Building Supplies Limited

Notes to the financial statements (continued)

21 Share capital

Allotted, called up and fully paid shares

	31 December 2022		1 January 2022	
	No.	£m	No.	£m
Ordinary shares of £0.01	47,303,000	0.5	47,303,000	0.5
	47,303,000	0.5	47,303,000	0.5

22 Dividends

£m	52 weeks ended 31 December 2022 £m	53 weeks ended 1 January 2022 £m
Interim dividend for the 52 weeks ended 31 December 2022 of £0.19 (53 weeks ended 1 January 2022: £0.11) per share	9.1	5.3
Final dividend for the 52 weeks ended 31 December 2022 of £0.62 (53 weeks ended 1 January 2022: £nil) per share	29.2	-
Pre demerger dividend of £nil (53 weeks ended 1 January 2022: £0.63) per each Ordinary Share	-	30.0
	38.3	35.3

23 Reserves

The profit and loss account represents cumulative profits or losses.

24 Borrowings

On 23 March 2021, the Wickes Group entered into a three-year £80.0m Revolving Credit Facility (RCF) with a syndicate of banks. In March 2023, a further extension was obtained on the RCF, extending the expiry date to March 2026. Wickes Building Supplies Limited is both a borrower and a guarantor under this facility. The Revolving Credit Facility is intended to be used for general corporate purposes and was undrawn as at 31 December 2022. The group does not have an overdraft facility as at 31 December 2022 (1 January 2022: no facility).

Further details of the Company's borrowings are given in the financial statements of Wickes Group plc.

25 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £11.2m (1 January 2022: £11.2m) relating to property, plant and equipment.

Wickes Building Supplies Limited

Notes to the financial statements (continued)

Operating leases

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

£m	31 December 2022	1 January 2022
Not later than one year	106.3	107.0
Later than one year and not later than five years	372.0	381.4
Later than five years	342.5	383.3
	<u>820.8</u>	<u>871.7</u>

26 Related party transactions

The Company has taken advantage of the exemption contained within section 33 of FRS 102 and not disclosed transactions or balances with companies that are fellow wholly-owned subsidiaries of Wickes Group plc.

27 Parent and ultimate parent undertaking

The immediate Parent Company is Wickes Group Holdings Limited. At the start of the comparative period, the ultimate parent undertaking, controlling party and smallest and largest group to consolidate these financial statements was Wickes Group plc, a company registered in England and Wales.

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

28 Subsequent events

After the year end the Company received notification from Barclays of its intention to substantially withdraw its consumer finance offering from the market, and therefore its intention to cease offering this service to the Company in relation to finance products for DIFM customers. The Company has commenced the search for an alternative provider and is confident that this will be completed during 2023.

Additionally, the expiry date of the Revolving Credit Facility (as discussed in Note 24) was extended on the same terms, and now expires in March 2026.