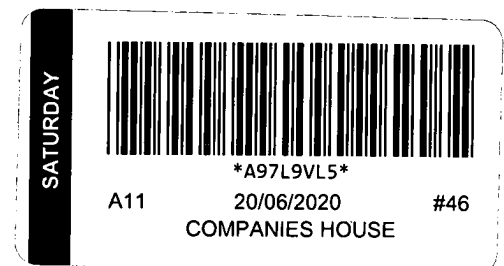


Registration number: 04372131

Toolstation Limited

Annual report and financial statements

for the year ended 31 December 2019



Toolstation Limited

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Toolstation Limited

Company information

Directors	D.J. Cox R. Lavin L.J. Lynch J.S. Mackenzie A.R. Williams
Company secretary	TPG Management Services Limited
Registered office	Lodge Way House Lodge Way Harlestone Road Northampton NN5 7UG
Auditors	KPMG LLP Statutory Auditor 66 Queen Square Bristol BS1 4BE

Toolstation 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:

D.J. Cox
R. Lavin
L.J. Lynch
J.S. Mackenzie
A.D. Buffin (resigned 26 February 2019)
A.R. Williams

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 business operating 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 brand 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 principal 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 £10,000,000 (43p per ordinary share) (2018: £10,000,000; 43p per ordinary share) was paid during the year. The Directors do not recommend payment of a final dividend (2018: £nil).

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 employer consultation are given in the Strategic report on page 10.

Toolstation 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.

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 auditors are 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

Toolstation 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 telephone order, retail and internet sales of trade and DIY products to professional tradesman and the general public in the UK. The Company has a range of over 20,000 products. Each product has a single fixed price which is available to everyone regardless of status.

Review of the business

In 2019, Toolstation demonstrated outstanding revenue growth of 22.4% driven by the acceleration of the UK network expansion, with 65 branches opening in 2019, bringing the overall network up to 400. This opening profile reflects a branch opening every six days, with new branches demonstrating strong growth trends, including trails of smaller-format branches in smaller catchment areas.

The range available online and through the catalogue was extended by an additional 4,000 products, with added ranges being primarily trade-focused brands which are popular with trade customers. These new products included extension into new categories, including bathrooms, kitchens and home automation,

Toolstation maintained its market-leading value position, with its "Always Low" pricing model keeping a differential to peers across both the core product range and a wider basket of products. The new website launched in December 2018 drove strong growth in click & collect transactions through 2019, as well as steadily increasing conversion rates of site visitors

The Company made an operating profit of £25.6m for the year to 31 December 2019 (2018: £21.9m). The Company's profit after tax was £20.3m for the year to 31 December 2019 (2018: £17.1m).

The balance sheet on page 15 of the financial statements shows that, following the payment of dividends of £10.0m, the Company's net assets increased by £10.5m to £63.1m (2018: £52.6m).

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

	Unit	2019	2018
Total Revenue	£m	434	355
Like-for-like growth	%	22	18
Operating profit	£m	26	22
Operating margin	%	6	6

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.

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

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

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

The risk environment in which the Company operates does not remain static. During the year, the Directors have reviewed the principal risks and have concluded that as the nature of the business and the environment in which it operates remain broadly the same, the principal risks it faces are largely unchanged. However, some previously identified risks in respect of business transformation have considerable overlap and so they have been combined, whilst the Directors have also concluded that with so many stakeholders interacting with operations, health and safety risk should be described separately from other legislative risk.

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 list below sets out, in no particular order, the current principal risks that are considered by the Board to be material. These key risks have been determined for the Group and are considered applicable to the Company.

Toolstation 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 store openings and closures 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.

Toolstation 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 its 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 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 is 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 the Company engages with them are set out below.

Shareholders

The Directors rely on the support of our shareholder, Travis Perkins plc, and its opinions are important to the Company. The Directors have an open dialogue with the Company's 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 Company's success and the Company want them to be successful individually and as a team. The Directors work hard to engage with and listen to the Company's people in a number of different ways,

In addition to the annual all colleague engagement survey and resultant functional level action plans, the Company conducts face to face colleague listening groups at each Distribution site and both regionally and nationally for retail colleagues. To supplement this the Company has introduced regular 'Pulse' surveys to help better understand how colleagues are feeling, enabling the Company to develop the right support strategies and react quickly to how colleagues are feeling and what is on their minds in the here and now.

Weekly 'What's up Wednesday' video conference forums in Retail enable colleagues to ask questions and enter into discussions with both the Retail Leadership and their peers. In Head office, Colleague and leadership online forums have been introduced to explore new ways of working and establish remote communities whilst colleagues are working from home.

Regular weekly newsletters in Retail, Contact Centre and Distribution centres are in place as well as weekly updates from the MD, HR Director and Functional Directors on business priorities, new products and services, health and wellbeing, development opportunities and pay and benefits.

Toolstation Limited

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

Customers

The Company's customers fall into two key categories - 'DIY' and 'Trade'. The simplicity of the Company's business model does not differentiate these customers apart from product choice. The Directors take pride from making customers' work easier by ensuring they can get the right product for the job just when they need it. Low prices, stock availability and convenience are key to the brand. More than 20,000 selected products are available from over 400 branches, open 7 days a week and offering a speedy click and collect or next day delivery service, via the Toolstation website or dedicated UK call centre.

Suppliers

The Company works with a large number of suppliers based around the world. The Company undertakes risk assessments on all suppliers as the Company recognises the importance of their role for 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 the 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 take pride on working closely with the manufacturers to ensure the integrity of the products supplied.

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 them. 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 colleagues, one main charity partner is selected 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 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 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.

Toolstation Limited

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

Decision making in practice

One of the key decisions made by the Board during the year was to accelerate our branch opening schedule by 50% and test new formats. This required extensive review and discussion both within the Board and with colleagues.

Stakeholder	Stakeholder views	Conclusions
Shareholders	The Company's shareholder wants 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 effective and efficient way.
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.	Colleagues were engaged early in the process and a branch opening team was established to enable them to meet expectations.
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 convenience both through reducing drive times to their local branches but also providing another pickup location for click and collect orders.
Suppliers	The Company's suppliers want to have confidence that the business will continue to trade with them in the long term.	The decision would not have a material impact on suppliers. Suppliers could take confidence that the business is investing and expanding which provides security to the supplier base and allows them to invest for the future to support the Company's growth
Communities	The Company's communities want continued support with local causes and issues. They want the Company to be considerate of their local communities.	The work done by Toolstation in the community and with charity partners was not affected by the decision. Managing customers and suppliers effectively enables the Company to continue to support local and national causes
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.

Toolstation 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 9 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 employees 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

Toolstation Limited

Statement of Directors' responsibilities

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

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

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

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

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

Independent Auditor's Report to the Members of Toolstation Limited

Opinion

We have audited the financial statements of Toolstation Limited ('the Company') for the year ended 31 December 2019, which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We 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 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.

Independent Auditor's Report to the Members of Toolstation 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, 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.

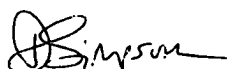
Auditor's responsibilities

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.



.....
David Simpson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

66 Queen Square
Bristol
BS1 4BE

Date: 29 May 2020

Toolstation Limited

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

	Note	2019 £000	2018 £000
Turnover	4	434,165	354,601
Cost of sales		<u>(275,817)</u>	<u>(207,200)</u>
Gross profit		158,348	147,401
Administrative expenses		(132,738)	(125,577)
Other operating income	5	<u>-</u>	<u>59</u>
Operating profit	6	<u>25,610</u>	<u>21,883</u>
Profit before taxation		25,610	21,883
Tax charge on profit	11	<u>(5,357)</u>	<u>(4,776)</u>
Profit and total comprehensive income for the financial year		<u>20,253</u>	<u>17,107</u>
Total comprehensive income for the year		<u>20,253</u>	<u>17,107</u>

The above results were derived from continuing operations.

Toolstation Limited

Balance sheet as at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible fixed assets	12	23,938	17,414
Intangible assets	13	<u>2,349</u>	<u>2,044</u>
		<u>26,287</u>	<u>19,458</u>
Current assets			
Stocks	14	126,531	91,496
Debtors	15	33,874	42,182
Cash at bank and in hand		<u>3,027</u>	<u>2,891</u>
		163,432	136,569
Creditors: amounts falling due within one year	16	<u>(125,538)</u>	<u>(102,557)</u>
Net current assets		<u>37,894</u>	<u>34,012</u>
Total assets less current liabilities		64,181	53,470
Provisions	18	<u>(1,125)</u>	<u>(826)</u>
Net assets		<u>63,056</u>	<u>52,644</u>
Capital and reserves			
Called up share capital	20	2,300	2,300
Profit and loss account	21	<u>60,756</u>	<u>50,344</u>
Total equity		<u>63,056</u>	<u>52,644</u>

The notes on pages 17 to 33 form an integral part of these financial statements.

The financial statements of Toolstation Limited, registered number 04372131, were approved and authorised by the Board on 28 May 2020 and signed on its behalf by:



A.R. Williams
Director

Toolstation Limited

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

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2018	2,300	43,067	45,367
Profit for the year	-	17,107	17,107
Total comprehensive income	-	17,107	17,107
Dividends paid on equity shares	-	(10,000)	(10,000)
Share based payment transactions	-	170	170
At 31 December 2018	2,300	50,344	52,644
Profit for the year	-	20,253	20,253
Total comprehensive income	-	20,253	20,253
Dividends paid on equity shares	-	(10,000)	(10,000)
Equity-settled share based payments	-	159	159
At 31 December 2019	2,300	60,756	63,056

Toolstation 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, except that as disclosed in the accounting policies certain items are shown at fair value.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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.

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.

Toolstation Limited

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

2 Accounting policies (continued)

Going concern assessment by the Directors of the Company (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 will 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.

Toolstation Limited

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

2 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged on a straight-line basis so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation rate
Leasehold improvements	Over the term of the lease
Motor vehicles	10% per annum
Fixture, fittings & equipment	10% - 25% per annum
Office equipment	10% - 25% per annum

Amortisation

Amortisation is provided on intangible fixed assets on a straight-line basis 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

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.

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.

Toolstation Limited

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

2 Accounting policies (continued)

a) Non-financial assets

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

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

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

b) Financial assets

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

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

Leases

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

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.

Toolstation Limited

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

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current tax and deferred tax. Tax is recognised in profit or loss, 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.

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.

Toolstation Limited

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

2 Accounting policies (continued)

Share based payments

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

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

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

Provisions

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 that inventory reflects those discounts and rebates.

The Company received 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.

Revenue recognition

Turnover is recognised when goods 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 provided in the normal course of business, net of discounts and value added tax. The Company supplies all goods within the United Kingdom.

Toolstation Limited

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

2 Accounting policies (continued)

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

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.

The Company uses some Group finance systems to produce financial information 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.

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 discounts and value added tax.

All turnover (2018: all turnover) is generated from the sale of goods.

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

Toolstation Limited

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

4 Revenue (continued)

	2019 £000	2018 £000
United Kingdom	434,165	354,442
Netherlands	-	156
France	-	3
	<u>434,165</u>	<u>354,601</u>

5 Other operating income

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

	2019 £000	2018 £000
Rents receivable	<u>-</u>	<u>59</u>

6 Operating profit

Operating profit is stated after charging/(crediting):

	2019 £000	2018 £000
Depreciation of tangible fixed assets	6,043	6,114
Amortisation of intangible assets	729	-
Profit of disposal of fixed assets	-	(37)
Operating lease expense - property	<u>14,713</u>	<u>17,083</u>

7 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2019 £000	2018 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>80</u>	<u>60</u>

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

8 Directors' remuneration

Five (2018: eight) of the Directors are paid by other group companies and received total emoluments (including non-performance related bonuses) of £2,028,000 (2018: £3,268,000), 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 four (2018: four) are contributing towards the Travis Perkins Pension Plan, which is a defined contribution scheme, in respect of their service to other group companies.

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

Toolstation Limited

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

8 Directors' remuneration (continued)

	2019	2018
	£ 000	£ 000
Salary	48	1,547
Pension contributions	-	26
	<u>48</u>	<u>1,573</u>

9 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	308	270
Sales	2,822	2,419
Distribution	<u>656</u>	<u>517</u>
	<u>3,786</u>	<u>3,206</u>

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

	2019	2018
	£000	£000
Wages and salaries	66,993	53,266
Social security costs	4,448	3,864
Pension costs	1,113	615
Share-based payment expenses	<u>159</u>	<u>170</u>
	<u>72,713</u>	<u>57,915</u>

Toolstation Limited

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

10 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension scheme on behalf of certain employees. In addition to this the Company runs a further defined contribution pension scheme for all eligible employees that meets the requirements of Government Auto-enrolment. The pension charge for the year represents contributions payable by the company to both funds and amounted to £1,113,000 (2018: £615,000).

There were outstanding contributions of £243,000 at the end of the year (2018: £126,000). There were no prepaid contributions at the end of either financial year.

Share-based payments

As the company is part of a group share-based payment plan it recognises 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.

The total expense recognised in profit and loss account for the year was £159,000 (2018: £170,000).

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.

11 Tax

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

	2019 £000	2018 £000
Current taxation		
UK corporation tax	5,420	4,691
Adjustments in relation to prior periods	<u>68</u>	<u>(19)</u>
	<u>5,488</u>	<u>4,672</u>
Deferred taxation		
Origination and reversal of timing differences	337	99
Adjustments in relation to prior periods	<u>(468)</u>	<u>5</u>
Total deferred taxation	<u>(131)</u>	<u>104</u>
Tax expense in the income statement	<u><u>5,357</u></u>	<u><u>4,776</u></u>

Toolstation Limited

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

11 Tax (continued)

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

The differences are reconciled below:

	2019	2018
	£000	£000
Profit before tax	<u>25,610</u>	<u>21,883</u>
Corporation tax at standard rate	4,866	4,158
Adjustments in relation to prior years	(400)	(14)
Effect of expenses not deductible for tax purposes	29	632
Depreciation on non qualifying property	644	-
Effect of exercise of employee share options	30	-
Deferred tax rate differential	<u>188</u>	<u>-</u>
Total tax charge	<u>5,357</u>	<u>4,776</u>

The deferred tax position is measured at a rate of 17%, which is the current enacted statutory corporation tax rate for 2020 onwards (rate reducing from 19% to 17% in April 2020). However, the UK Government has indicated that the reduction in rate planned for April 2020 will not now go ahead.

Toolstation Limited

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

11 Tax (continued)

Tax relating to items recognised in other comprehensive income or equity

	2019 £000	2018 £000
Current tax related to items recognised as items of other comprehensive income	5,488	4,672
Deferred tax related to items recognised as items of other comprehensive income	<u>(131)</u>	<u>104</u>

12 Tangible fixed assets

	Leasehold improvements £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Office equipment £000	Total £000
Cost					
At 1 January 2019	31,897	19,781	626	8,670	60,974
Additions	<u>8,134</u>	<u>3,355</u>	<u>-</u>	<u>1,078</u>	<u>12,567</u>
At 31 December 2019	<u>40,031</u>	<u>23,136</u>	<u>626</u>	<u>9,748</u>	<u>73,541</u>
Depreciation					
At 1 January 2019	20,568	15,995	626	6,371	43,560
Charge for the year	<u>3,389</u>	<u>1,887</u>	<u>-</u>	<u>767</u>	<u>6,043</u>
At 31 December 2019	<u>23,957</u>	<u>17,882</u>	<u>626</u>	<u>7,138</u>	<u>49,603</u>
Net book value					
At 31 December 2019	<u>16,074</u>	<u>5,254</u>	<u>-</u>	<u>2,610</u>	<u>23,938</u>
At 31 December 2018	<u>11,329</u>	<u>3,786</u>	<u>-</u>	<u>2,299</u>	<u>17,414</u>

Toolstation Limited

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

13 Intangible fixed assets

	Software £000	Total £000
Cost		
At 1 January 2019	2,044	2,044
Additions acquired separately	<u>1,034</u>	<u>1,034</u>
At 31 December 2019	<u>3,078</u>	<u>3,078</u>
Amortisation and impairment		
At 1 January 2019	-	-
Amortisation charge	<u>729</u>	<u>729</u>
At 31 December 2019	<u>729</u>	<u>729</u>
Net book value		
At 31 December 2019	<u>2,349</u>	<u>2,349</u>
At 31 December 2018	<u>2,044</u>	<u>2,044</u>

14 Stocks

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

	2019 £000	2018 £000
Goods for resale	<u>126,531</u>	<u>91,496</u>

15 Debtors

	2019 £000	2018 £000
Trade debtors	1,963	2,137
Prepayments and accrued income	26,278	18,759
Amounts owed by group undertakings	4,013	19,797
Deferred tax asset (note 19)	<u>1,620</u>	<u>1,489</u>
	<u>33,874</u>	<u>42,182</u>

All debtors are due within one year. Included in amounts owed by group undertakings is an intercompany loan to Travis Perkins plc of £4,013,000 (2018: £18,424,000). The balance is repayable on demand and no interest is charged.

Toolstation Limited

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

16 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	64,812	57,454
Amounts due to group undertakings	25,333	13,040
Corporation tax liability	2,658	7,095
Accruals and deferred income	27,800	21,653
Other taxation and social security	4,935	3,315
	<u>125,538</u>	<u>102,557</u>

Included in amounts owed to group undertakings is a loan from Travis Perkins plc. The loan is unsecured and repayable on demand, and no interest is charged.

17 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2019 £000	2018 £000
Not later than one year	15,476	17,108
Later than one year and not later than five years	52,806	58,629
Later than five years	35,086	31,706
	<u>103,368</u>	<u>107,443</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £14,713,000 (2018: £17,083,000).

Operating leases - lessor

The total of future minimum lease payments is as follows:

	2019 £000	2018 £000
Not later than one year	-	19

18 Provisions

	Dilapidation £000	Total £000
At 1 January 2019	826	826
Charged to the profit and loss account	299	299
At 31 December 2019	<u>1,125</u>	<u>1,125</u>

Toolstation Limited

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

18 Provisions (continued)

The dilapidation provision relates to the future cost of reinstating short leasehold properties to their original condition at the end of their lease term. It will be utilised as required if properties are surrendered, the longest term being greater than 5 years.

19 Deferred tax

	Provided		Unprovided	
	2019	2018	2019	2018
	£000	£000	£000	£000
Accelerated capital allowances	1,597	1,466	-	-
Share options	23	23	-	-
	<u>1,620</u>	<u>1,489</u>	<u>-</u>	<u>-</u>

A deferred tax asset of £1,620,000 (2018: £1,489,000) has been included in debtors at year end. This asset, which relates to accelerated capital allowances and share options, has been recognised in these financial statements as the Company has been profitable in the current year and the forecast for 2020 shows that there is a high likelihood of sufficient profits to utilise the asset in that year.

There were no deferred tax liabilities as at 31 December 2019 (2018: £nil).

20 Share capital

Allotted, called up and fully paid shares

	No.	2019 £000	No.	2018 £000
Ordinary 'B' shares of £0.10 each	23,000,000	2,300.0	23,000,000	2,300.0
Ordinary 'A' shares of £0.10 each	1,000	0.1	1,000	0.1
	<u>23,001,000</u>	<u>2,300.1</u>	<u>23,001,000</u>	<u>2,300.1</u>

Rights, preferences and restrictions

The ordinary 'A' and 'B' shares rank pari passu in all respects.

21 Reserves

The profit and loss account represents cumulative profits or losses.

22 Dividends

	2019 £ 000	2018 £ 000
Interim dividend of 43p (2018: 43p) per each ordinary share	10,000	10,000

Toolstation Limited

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

23 Contingent liabilities

At 31 December 2019 the Company, together with seven 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.

24 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £nil (2018: £104,000) relating to property, plant and equipment.

25 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.

In 2019, the Company provided Stock & Technical services to Toolexpert Benelux BV of £14,000 and Professional services to Toolstation Europe BV of £53,000 and Toolstation France SAS of £2,000 with £nil outstanding at the year end.

In 2018, the Company provided and purchased the following services:

- purchased Admin & Technical services from Owtanet Limited of £906,000 with £95,000 outstanding due to the Company at the year end
- provided Stock & Technical services to Toolexpert Benelux BV of £424,000 with £91,000 outstanding due from the Company at the year end
- provided Professional services to Toolstation Europe BV of £167,000 and Toolstation France SAS of £48,000 with £61,000 and £3,000 outstanding due from the Company at the year end.

Toolstation Limited

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

26 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.

27 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.