

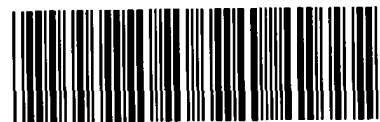
Registration number: 005306249

# IJM Enterprises Limited

Annual report and financial statements

for the year ended 31 December 2017

FRIDAY



A45 \*A7FF76QA\* #115  
28/09/2018  
COMPANIES HOUSE

## **IJM Enterprises Limited**

### **Contents**

Company information	1
Directors' report	2
Strategic report	4
Statement of Directors' responsibilities	16
Independent auditor's report	17
Profit and loss account and total comprehensive income	19
Balance sheet	20
Statement of changes in equity	21
Notes to the financial statements	22

## IJM Enterprises Limited

### Company information

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

## **IJM Enterprises Limited**

### **Directors' report for the year ended 31 December 2017**

The Directors present their Annual report and the audited financial statements for the year ended 31 December 2017.

#### **Future developments**

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

#### **Directors of the Company**

The Directors who held office during the year were as follows:

A.D. Buffin

J.P. Carter

A.R. Williams (appointed 7 June 2017)

TP Directors Limited

The following director was appointed after the year end:

D.M. Evans (appointed 14 May 2018)

#### **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 the 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.

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

#### **Dividends**

The Directors do not recommend the payment of a dividend (2016: £nil).

#### **Employees**

Details of the Company's policies on disabled employees and employee consultation are given in the Strategic report on page 15.

#### **Modern slavery**

The Group 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 Group'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.

## **IJM Enterprises Limited**

### **Directors' report for the year ended 31 December 2017 (continued)**

#### **Disclosure of information to the auditor**

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

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

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

#### **Reappointment of auditor**

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 27/09/2018 and signed on its behalf by:



A.R. Williams  
Director

#### **Registered office:**

Lodge Way House  
Lodge Way  
Harlestone Road  
Northampton  
NN5 7UG

## **IJM Enterprises Limited**

### **Strategic report for the year ended 31 December 2017**

The Directors present their Strategic report for the year ended 31 December 2017.

#### **Principal activities**

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

The principal activity of the Company is the sale of bathrooms and related furnishings to the consumer market.

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

IJM Enterprises Limited's turnover for the year was £4,452,000 (2016: £6,668,000) and gross profit reduced to £1,095,000 (2016: £2,951,000). Following a number of cost reduction measures, loss before taxation for the year has reduced to £1,765,000 (2016: £3,570,000). The Directors are satisfied that the Company has made moderate progress in reducing operating losses in tough market conditions.

There have been no events since the balance sheet date which materially affect the position of the Company.

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

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

#### **Future developments**

The Directors expect the Company to continue to trade in a similar manner for the foreseeable future.

## **IJM Enterprises Limited**

### **Strategic report for the year ended 31 December 2017 (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. Finally, the resolution of some of the tax disputes with HMRC means that the Board no longer believes that this area represents a principal 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 table below sets out, in no particular order, the current principal risks that are considered by the Board to be material, their potential impacts and the factors that mitigate them. The inherent risk (before the operation of control) is stated for each risk area together with an indication of the current trend for that risk. These key risks have been determined for the Group and are considered applicable to the Company.

## IJM Enterprises Limited

### Strategic report for the year ended 31 December 2017 (continued)

Inherent Risk, Level and Trend	Risk Description	Impact	Risk Mitigation
Changing Customer and Competitor Landscape  Inherent Risk: High Trend: Static	<p>The Group sells and distributes building materials through a number of channels. The number of outlets and channels where building materials can be purchased continues to grow with new competitors also entering the market. These new entrants may operate business models which differ significantly from the traditional merchanting and retail and online formats from which the Group operates and may take market share.</p> <p>At the same time, customer purchasing habits are evolving with increasing online transactions. Customers' preference for purchasing materials through a range of supply channels and not just through the Group's traditional competitors may affect the Group's performance and adversely impact the profitability of branch based operations.</p> <p>Increasing price transparency could lead to a perception that the Group is less price competitive leading to downward pressure on price and margins.</p>	Adverse effect on financial results.	<p>Changes to market practice are tracked on an on-going basis and reported to the Board each month.</p> <p>The Group is building multi-channel capabilities that complement its existing operations and provide its customers with the opportunity to transact with the Group through channels that best suit their needs.</p> <p>The Group's strategy allows it to use sites flexibly. Alternative space utilisation models are possible, including maintaining smaller stores and implanting additional services into existing branches.</p> <p>The development of new, innovative and competitive supply solutions is a key strength of the Group. It works closely with customers and suppliers on a programme of continuous improvement designed to improve its customer proposition.</p> <p>Pricing strategies across the Group are regularly reviewed and where necessary refined to ensure they remain competitive.</p>



## IJM Enterprises Limited

### Strategic report for the year ended 31 December 2017 (continued)

Inherent Risk, Level and Trend	Risk Description	Impact	Risk Mitigation
Colleague recruitment, retention and succession plans do not deliver the required skills and experience	The ability to recruit, retain and motivate suitably qualified staff is an important driver of the Group's overall performance. The Group may also be exposed to skills shortages in certain areas which can result in salary cost pressures.	Inability to develop and execute development and succession plans. Competitive disadvantage.	The Group's employment policies and practices are kept under regular review. Staff engagement and turnover by job type is reported to the Executive Committee regularly and to the Board. Succession plans are established for the most senior positions within the Group and these are reviewed annually.  The Group's reward and recognition systems are actively managed to ensure high levels of employee engagement.  A wide range of training programmes are in place to encourage staff development, whilst management development programmes are available to those identified for more senior positions.  Salaries and other benefits are benchmarked regularly to ensure that the Group remains competitive and the Group operates incentive structures to ensure that high performing colleagues are adequately rewarded and retained.
Inherent Risk: Low Trend: Static	<p>The strength of the Group's customer proposition is underpinned by the quality of people working throughout the Group, particularly in customer facing roles. Many of them have worked for Travis Perkins for some considerable time, during which they have gained valuable product &amp; customer knowledge and expertise.</p> <p>The Group faces competition for the best people from other organisations. Ensuring the retention, proper development of employees and the succession plans for key positions is important if the Group is not to suffer an adverse effect on its prospects.</p>		

## IJM Enterprises Limited

### Strategic report for the year ended 31 December 2017 (continued)

Inherent Risk, Level and Trend	Risk Description	Impact	Risk Mitigation
Supplier dependency, relationships and disintermediation leading to adverse impacts on ranging and price	The Group is the largest customer to a number of its suppliers. In some cases, those suppliers are large enough to cause significant supply difficulties to the Group if they are unable to meet their supply obligations due to either economic or operational factors.	Adverse effect on financial results. Adverse effect on reputation.	Making decent returns is one of the Group's cornerstones which requires it to treat both customers and suppliers fairly. The commercial and financial teams have established strong relationships with the Group's key suppliers and work closely with them to ensure contracts that are beneficial to both parties and the continuity of quality materials.
Inherent Risk: Medium Trend: Static	<p>Alternative sourcing may be available, but the volumes required and the time it may take those suppliers to increase production could result in significant stock-outs for some considerable time leading to poor customer service.</p> <p>The Group has increased the sourcing of products from overseas factories. This has increased the Group's exposure to sourcing, quality, trading, warranty and currency issues, which again may lead to an adverse impact on customer service.</p> <p>Manufacturers of building materials sold by the Group may also look to sell their products directly to end customers in the future diminishing the role of distributors such as merchanting and retail distribution businesses.</p>		<p>To spread the risk where possible contracts exist with more than one supplier for key products.</p> <p>The Group has made a significant investment in its Far East infrastructure to support its direct sourcing operation which allows the development of own brand products, thereby reducing the reliance on branded suppliers.</p> <p>Comprehensive checks are undertaken on the factories producing products and the quality and the suitability of those products before they are shipped to the UK.</p>

## IJM Enterprises Limited

### Strategic report for the year ended 31 December 2017 (continued)

Inherent Risk, Level and Trend	Risk Description	Impact	Risk Mitigation
Unsafe practices result in harm to colleagues, customers, suppliers or the public  Inherent Risk: Medium Trend: Reducing	Keeping our colleagues, customers, suppliers and the public safe is a cornerstone of the business. The Group operates over two thousand sites, many with complex and busy yards. It also operates one of the largest vehicle fleets in the UK, distributing heavy and bulky materials. Poorly implemented safety practices could result in significant harm to people which would damage the company's reputation and could impact trading performance.	Adverse effect on financial results.  Adverse effect on reputation.	The Group continues to challenge its thinking and approach to improving its safety performance through its now well established 'Stay Safe' brand.  Stay Safe performance is reviewed at all Plc Board Meetings, by the Executive Committee and during the Group's regular Divisional leadership meetings.  Incidents are monitored, investigated and corrective action taken to reduce the likelihood of similar incidents in future.  De-risking the Group's operations, improving health and safety awareness and implementing improved ways of working are at the forefront of the Group's activities. Further information on progress made during 2017 can be found in the Health and Safety report.
The Group allocates capital inefficiently or under invests in advantaged businesses and does not achieve desired returns  Inherent Risk: Medium Trend: Static	The Group operates a number of different businesses in the UK which operate in different but complementary channels. As the Group's markets continue to develop, it is investing to enhance its existing businesses and also to develop new propositions to better serve its customers.  While the Group operates a disciplined capital allocation process, there is a risk that it may be over-investing in channels which may decline or that it may not be allocating sufficient capital to new propositions resulting in sub-optimal returns on capital.	Adverse effect on financial results.	Return on capital is one of the Group's key performance indicators. Responsibility for identifying and implementing opportunities to expand, improve or modify the Group's operations rests with each of the divisional boards, with capital being deployed or re-deployed by the Group to those projects expected to achieve the best return on capital.  Major projects are kept under review to monitor progress and ensure the deployment of capital remains appropriate.  Post implementation reviews are undertaken of all major projects and returns are monitored on an ongoing basis to ensure that the expected returns are achieved, but also to allow the Group to modify its capital allocation when appropriate.

## IJM Enterprises Limited

### Strategic report for the year ended 31 December 2017 (continued)

Inherent Risk, Level and Trend	Risk Description	Impact	Risk Mitigation
Business transformation projects, turnaround projects and M&A activity fail to deliver the expected benefits, cost more or take longer to implement than anticipated	The Group undertakes a variety of projects throughout its business in order to generate returns for its shareholders. These projects are intended to transform the Group's core IT systems, to develop its supply chain operations and its branch and store networks and to materially improve performance in certain businesses which have underperformed in recent years.	Adverse effect on financial results.  Adverse effect on shareholder value.	All potentially significant projects are subject to detailed investigation, assessment and approval prior to commencement.  Dedicated teams, including financial resource, are allocated to each project, with additional expertise being brought into the Group to supplement existing resource when necessary.
Inherent Risk: Medium Trend: Static	The Group also undertakes acquisition and disposal activity to optimise its portfolio of businesses.  By their nature, such strategic projects are often complicated, interlinked and may result in a high level of change and require considerable resource to deliver them. As a result, the expected benefits and the costs of implementation of each project may deviate from those anticipated at their outset.		All strategic projects are closely monitored by the Executive Committee with regular reporting to the Board.

## IJM Enterprises Limited

### Strategic report for the year ended 31 December 2017 (continued)

Inherent Risk, Level and Trend	Risk Description	Impact	Risk Mitigation
Market conditions leading to demand uncertainty  Inherent Risk: High Trend: Increasing	<p>The Group's products are sold to businesses, tradesmen and retail customers for a broad range of end uses in the built environment. The Group's markets are cyclical in nature and the performance of those markets is affected by general economic conditions and a number of specific drivers of construction, RMI and DIY activity, including mortgage availability and affordability, housing transactions and the timing and nature of government activity to stimulate activity, net disposable income, house price inflation, consumer confidence, interest rates and unemployment.</p> <p>A significant downturn in economic conditions or alternatively major uncertainty about the future outlook could affect the levels of construction activity in the Group's markets and the confidence levels of the Group's customers, which could reduce their propensity to purchase products and services from the Group's businesses.</p>	Adverse effect on financial results.	<p>The Board conducts an annual review of strategy, which includes an assessment of likely competitor activity, market forecasts and possible future trends in products, channels of distribution and customer behaviour.</p> <p>The Group maintains a comprehensive tracking system for lead indicators that influence the market for the consumption of building materials in the UK.</p> <p>Significant events including those in the supply chain that may affect the Group are monitored by the Executive Committee and reported to the Board monthly by the Group CEO.</p> <p>Should market conditions deteriorate then the Board has a range of options dependent upon the severity of the change. Historically these have included amending the Group's trading stance, cost reduction, lowering capital investment and cutting the dividend.</p>

## IJM Enterprises Limited

### Strategic report for the year ended 31 December 2017 (continued)

Inherent Risk, Level and Trend	Risk Description	Impact	Risk Mitigation
Uncertainty caused by the UK's decision to leave the European Union  Inherent Risk: High Trend: Increasing	<p>The result of the UK vote to leave the European Union has caused considerable market uncertainty. This has made the economic outlook more difficult to predict in the short term and has resulted in a significant volatility in the value of sterling against the principal currencies used by the Group to pay for imported goods.</p> <p>Future trading relationships with foreign markets have yet to be determined and these may result in higher tariffs or duties on imports of construction products as well as extended lead times on imported supplies or result in the need to source some products elsewhere. The construction industry and the distribution and logistics markets employ a significant number of non-UK nationals and the UK may become a less attractive place for them to work resulting in labour shortages and consequent salary cost pressures.</p> <p>The effect on the Group's operations is unlikely to become clear until the UK's future trading relationships are determined.</p>	<p>Adverse effect on financial results.</p>	<p>It is still too early to determine the full impact of the decision to leave, but the Board is closely monitoring market conditions and will react accordingly.</p> <p>The Board has already taken steps to reduce some costs, but is carefully balancing the current needs of the business against what may or may not occur in the future.</p> <p>The Group continues to invest in the business where those investments are expected to realise acceptable returns, but it is prepared to reduce activity levels should market conditions so dictate.</p> <p>Where the cost of goods increases due to the exchange rate deteriorating or additional tariffs and duties, the Group will seek to pass those price increases through to its customers, but its ability to do so will depend upon market conditions at the time.</p> <p>The processes in place around the recruitment and retention of people are set out in the principal risk pertaining to such matters.</p>

## IJM Enterprises Limited

### Strategic report for the year ended 31 December 2017 (continued)

Inherent Risk, Level and Trend	Risk Description	Impact	Risk Mitigation
Data security  Inherent Risk: Medium Trend: Increasing	Incidents of sophisticated cyber-crime represent a significant and increasing threat to all businesses including the Group. A major breach of system security could result in system disruption to both customer facing and financial reputation. systems and / or the theft and misuse of confidential data with consequential impacts on the Group's reputation or ability to trade.	• Adverse effect on financial results. Adverse effect on the Group's reputation.	<p>The strategic demands of the business, the resources available to IT, the performance levels of key systems and IT security are kept under review by the Executive Committee with responsibility for monitoring and maintaining cyber security delegated to a data security committee.</p> <p>Investments in best of breed solutions are made that continually adapt to mitigate the risk associated with the most advanced threats.</p> <p>Cyber security controls are in place to protect IT systems and data including firewalls, virus protection and penetration testing. A programme of risk oriented reviews is undertaken to ensure the level of control around IT systems remains robust.</p> <p>An IT disaster recovery plan exists together with a business continuity plan. Arrangements are in place for alternative data sites for both trade and consumer businesses. Off-site back-up routines are in place.</p>

## IJM Enterprises Limited

### Strategic report for the year ended 31 December 2017 (continued)

Inherent Risk, Level and Trend	Risk Description	Impact	Risk Mitigation
The changing regulatory framework, including GDPR and new building regulations, increase the risk of non-compliance and fines  Inherent Risk: Medium Trend: Static	The Group is subject to a broad range of existing and evolving governance, environmental, health and safety and other laws, regulations, standards and best practices which affect the way the Group operates and give rise to significant compliance costs, potential legal liability exposure for non-compliance and potential limitations on the development of the Group's operations.	Adverse effect on the Company's reputation.  Adverse effect on branch operations.  Adverse effect on financial performance.	<p>The Group's legal team is responsible for monitoring changes to laws and regulations that affect the business.</p> <p>The Group has policies in place that set out the ways employees and suppliers are expected to conduct themselves. Those expectations are widely disseminated using a range of methods to ensure colleagues and suppliers understand their responsibilities to comply with the law and other regulations affecting the Group at all times.</p> <p>The Board and the Executive Committee regularly monitor compliance with laws and regulations.</p> <p>The Group operates a whistleblowing process that allows the anonymous reporting of non-compliance with health and safety, environmental, bribery and other laws and regulations.</p>



## **IJM Enterprises Limited**

### **Strategic report for the year ended 31 December 2017 (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 8 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.

Approved by the Board on 27/09/2018 and signed on its behalf by:



A.R. Williams  
Director

## **IJM Enterprises 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 accounting 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.

## **IJM Enterprises Limited**

### **Independent Auditor's Report to the Members of IJM Enterprises Limited**

#### **Opinion**

We have audited the financial statements of IJM Enterprises Limited ('the Company') for the year ended 31 December 2017, which comprise the profit and loss account and total comprehensive income, balance sheet, statement of changes in equity, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our other 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**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### **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.

## **IJM Enterprises Limited**

### **Independent Auditor's Report to the Members of IJM Enterprises 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 16, 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](http://www.frc.org.uk/auditorsresponsibilities).

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

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



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

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

Date: 27/09/18

# IJM Enterprises Limited

## Profit and loss account and total comprehensive income for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	4	4,452	6,668
Cost of sales		(3,357)	(3,717)
<b>Gross profit</b>		<b>1,095</b>	<b>2,951</b>
Selling and distribution costs		(479)	(867)
Exceptional items		(89)	(1,410)
Impairment of fixed assets			(133)
Other administrative expenses		(2,292)	(4,101)
Administrative expenses		(2,381)	(5,644)
<b>Operating loss</b>	5	<b>(1,765)</b>	<b>(3,560)</b>
Net interest expense	9		(10)
<b>Loss before taxation</b>		<b>(1,765)</b>	<b>(3,570)</b>
Tax credit on loss	10	317	726
<b>Loss and total comprehensive income for the year</b>		<b>(1,448)</b>	<b>(2,844)</b>

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the year other than the results above.

# IJM Enterprises Limited

## Balance sheet as at 31 December 2017

	Note	2017 £000	2016 £000
<b>Current assets</b>			
Stocks	11	727	1,162
Debtors	12	493	300
Cash at bank and in hand		535	151
		<u>1,755</u>	<u>1,613</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(6,615)</u>	<u>(1,341)</u>
<b>Total assets less current liabilities</b>		<u>(4,860)</u>	<u>272</u>
Creditors: amounts falling due after more than one year	14		(3,559)
Provisions	15		<u>(125)</u>
<b>Net liabilities</b>		<u>(4,860)</u>	<u>(3,412)</u>
<b>Capital and reserves</b>			
Called up share capital	18		
Share premium account	19	13,444	13,444
Profit and loss account	19	<u>(18,304)</u>	<u>(16,856)</u>
<b>Total equity</b>		<u>(4,860)</u>	<u>(3,412)</u>

The notes on pages 22 to 31 form an integral part of these financial statements.

The financial statements of IJM Enterprises Limited, registered number 005306249, were approved and authorised by the Board on 27/09/2018 and signed on its behalf by:



A.R. Williams  
Director

# **IJM Enterprises Limited**

## **Statement of changes in equity for the year ended 31 December 2017**

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 January 2016		13,444	(14,012)	(568)
Loss for the year			(2,844)	(2,844)
At 31 December 2016		13,444	(16,856)	(3,412)
Loss for the year			(1,448)	(1,448)
At 31 December 2017		13,444	(18,304)	(4,860)

## **IJM Enterprises Limited**

### **Notes to the financial statements for the year ended 31 December 2017**

#### **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 15.

#### **2 Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

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

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention, 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 £1,000.00.

##### **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 financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

##### **Going concern**

The Company is a subsidiary of Travis Perkins plc. The Company is reliant on other companies in the Group for financial support. The Company's ability to operate as a going concern is therefore directly linked to the Group's position.

A detailed consideration of the Group's going concern position, and the risks and uncertainties to which it is exposed is provided in the statement of going concern within the Directors' report.

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £4,860,000 which the Directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Travis Perkins plc, the Company's ultimate parent undertaking.

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 in particular 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.



## IJM Enterprises Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

## 2 Accounting policies (continued)

### Financial instruments

#### *Recognition and measurement*

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

### Stocks

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

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

### Impairment of assets

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

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

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

The recoverable amount of goodwill is derived from the measurement of the present value of the future cash flows of the cash-generating units 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.

## **IJM Enterprises Limited**

### **Notes to the financial statements for the year ended 31 December 2017 (continued)**

#### **2 Accounting policies (continued)**

##### **Foreign currency transactions and balances**

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

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

##### **Tax**

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

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

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

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or 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. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

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.

## **IJM Enterprises Limited**

### **Notes to the financial statements for the year ended 31 December 2017 (continued)**

#### **2 Accounting policies (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.

##### **Provisions**

Provisions are recognised when the Company has a present 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.

##### **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 income statement when the goods are sold. Where goods on which the fixed price discount or volume rebate has been earned remain in inventory at the year-end, the cost of that inventory reflects those discounts and rebates (see stock accounting policy).

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

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

Other promotional arrangements are not significant.

##### **Customer rebates**

Where the Company has rebate agreements with its customers, the value of customer rebates paid or payable, calculated in accordance with the agreements in place, is deducted from turnover in the year in which the rebate is earned.

##### **Revenue recognition**

Turnover is recognised when goods 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 customer rebates, discounts and value added tax. The Company supplies all goods within the United Kingdom.

## IJM Enterprises Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

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

##### 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 where facts and circumstances dictate.

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.

##### Inventory

The cost of stock and associated provisioning are considered regularly. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

#### 4 Revenue

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 customer rebates, discounts and value added tax. The Company supplies all goods within the United Kingdom.

All turnover (2016: all turnover) is generated from the sale of goods.

#### 5 Operating loss

Operating loss is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	5	53
Impairment of intangibles assets	133	133
Foreign exchange losses	2	2
Operating lease expense - plant and equipment	29	29
Inventory recognised as an expense	3,357	3,717
Exceptional items	89	1,543

In October 2016, as a result of economic uncertainty the Group announced a number of cost reduction measures. The exceptional items charge of £89,000 (2016: £1,543,000) consists of associated property and stock provisions, redundancy and other costs incurred by the Company and an impairment charge against tangible fixed assets.

## IJM Enterprises Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 6 Auditors' remuneration

The analysis of auditor's remuneration is as follows:

	2017 £000	2016 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>6</u>	<u>6</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.

#### 7 Directors' remuneration

Three (2016: two) of the Directors are paid by other group companies and received total emoluments (including non-performance related bonuses) of £3,907,000 (2016: £995,000) and pension contributions of £10,000 (2016: £9,000) during the year, but it is not practicable to allocate their remuneration from other group companies for services rendered. In addition, of these Directors, one (2016: one) is 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:

	2017 £ 000	2016 £ 000
Salary	<u>-</u>	<u>395</u>

No Directors paid directly by the Company exercised share options during the year (2016: nil). Three Directors paid by another group company exercised share options during the year (2016: two).

#### 8 Staff costs

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

	2017 No.	2016 No.
Administration and support	18	29
Sales	8	5
Distribution	<u>11</u>	<u>8</u>
	<u>37</u>	<u>42</u>

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

## IJM Enterprises Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 8 Staff costs (continued)

	2017 £000	2016 £000
Wages and salaries	1,109	1,730
Social security costs	71	123
Pension costs	9	11
	<u>1,189</u>	<u>1,864</u>

#### 9 Net interest expense

	2017 £000	2016 £000
Interest on bank overdrafts and borrowings		(10)

#### 10 Tax

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

	2017 £000	2016 £000
<b>Current taxation</b>		
UK corporation tax	(319)	(706)
<b>Deferred taxation</b>		
Origination and reversal of timing differences	2	(31)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods		11
Total deferred taxation	2	(20)
Tax credit in the income statement	(317)	(726)

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2016: lower than the standard rate of corporation tax in the UK) of 19.25% (2016: 20%).

The differences are reconciled below:

	2017 £000	2016 £000
Loss before tax	(1,765)	(3,570)
Corporation tax at standard rate	(340)	(714)
Effect of expenses not deductible for tax purposes	1	4
Increase/(decrease) in UK current tax from adjustment for prior periods	22	(11)
Tax decrease from other short-term timing differences		(5)
Total tax credit	(317)	(726)

## IJM Enterprises Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 10 Tax (continued)

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017.

This reduction to the UK Corporation tax rate was substantively enacted as part of the Summer Finance Bill 2015 on 26 October 2015 and the 2016 Finance Bill on 15 September 2016. A further reduction will reduce the main rate to 17% from 1 April 2020. The deferred tax assets and liabilities at the balance sheet date have been measured using these enacted rates in these financial statements.

#### 11 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 £810,000 (2016: £858,000).

#### 12 Debtors

	2017 £000	2016 £000
Other debtors	134	280
Deferred tax asset (note 16)	18	20
Corporation tax receivable	341	-
	<u>493</u>	<u>300</u>

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

	2017 £000	2016 £000
<b>Due within one year</b>		
Trade creditors	733	803
Amounts due to group undertakings	5,558	-
Other payables	324	538
	<u>6,615</u>	<u>1,341</u>

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

#### 14 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
<b>Due after one year</b>		
Amounts owed to group undertakings	-	3,559

## IJM Enterprises Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 15 Provisions for liabilities

	Exceptional £000	Total £000
At 1 January 2017	125	125
Increase in existing provisions	89	89
Utilised during the year	(214)	(214)
At 31 December 2017	<u>          </u>	<u>          </u>

#### 16 Deferred tax

	2017 £000
At 1 January	20
Credit to profit and loss account	(2)
At 31 December	<u>18</u>

	Provided 2017 £000	2016 £000
Capital allowances in excess of depreciation	<u>18</u>	<u>20</u>

The Directors regard the deferred tax asset to be recoverable as, on the basis of all available evidence, it can be regarded as more than likely that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### 17 Pension schemes

The Company's employees are able to contribute to the Travis Perkins Pension Plan (the "Plan"). The Plan is a defined contribution scheme. Contributions of £9,000 (2016: £11,000) were made to the plan scheme during the year.

#### 18 Share capital

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

	No.	2017 £000	No.	2016 £000
Ordinary shares of £0.000001 each	<u>8,408,588</u>	<u>0.01</u>	<u>8,408,588</u>	<u>0.01</u>

##### Rights, preferences and restrictions

There were no changes to share capital during the year.



## IJM Enterprises Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 18 Share capital (continued)

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

#### 19 Reserves

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

The profit and loss account represents cumulative profits or losses.

#### 20 Contingent liabilities

A £30.0m (2016: £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 £22.4m (2016: £22.4m).

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

#### 21 Commitments

##### Operating leases

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

	2017	2016
	£000	£000
Not later than one year	25	40
Later than one year and not later than five years		105
Later than five years		
	<u>25</u>	<u>145</u>

#### 22 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.

#### 23 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, Maundy, Cardiff, CF14 3UZ.