

Registered no: 02780063

Benchmarx Kitchens and Joinery Limited

**Annual Report and Financial Statements
for the year ended 31 December 2014**

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Benchmarx Kitchens and Joinery Limited

Annual Report and Financial Statements for the year ended 31 December 2014

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Directors' report for the year ended 31 December 2014

The Directors present the annual report and the audited financial statements for the year ended 31 December 2014.

Directors

The Directors of the Company who served during the year and subsequently are listed below:

J. P. Carter
A. J. Davidson (resigned 31 December 2014)
C. Kavanagh
C. J. Larkin
M. R. Meech
R. D. Proctor
A. D. Buffin
D. M. Evans
A. P. Harrison (appointed 1 February 2014)

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.

Statement of going concern

The Company's business activities, together with any factors likely to affect its future development and position are set out in this report.

The Company is a subsidiary of Travis Perkins plc. Given the Company has net liabilities, it 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.

The Board of Travis Perkins plc is currently of the opinion that having reviewed the Group's cash forecasts and revenue projections, and after taking account of reasonably possible changes in trading performance, the Group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

On the basis of their assessment of the Company's financial position, confirmation of financial support and enquires made of the Directors of Travis Perkins plc, the Company's Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' Report (continued)**Dividends**

The results of the Company for the year ended 31 December 2014 are set out on page 9.

There were no dividends paid in either year.

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 all steps that he/she ought to have taken as a director in order to make himself/herself 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.

A resolution to appoint KPMG LLP as auditor of the Company has been approved by the directors at the time of signing these financial statements. Deloitte LLP will remain the auditor for the year ended 31 December 2014.

Approved and signed on behalf of the Board

Signed for and on behalf of TPG Management Services Limited 30 September 2015
Company Secretary

Lodge Way House
Lodge Way
Harlestone Road
Northampton
England
NN5 7UG

**Strategic report
for the year ended 31 December 2014****Business review and principal activities**

The Directors regard Travis Perkins plc as the ultimate and immediate controlling company.

The principal activity of the Company is the supply of materials to the specialist joiners, developers and general builders.

Turnover was £90.1m for the year ended 31 December 2014 (2013: £71.3m). The Company made a profit after tax of £2.3m for the year ended 2014 (2013: £0.2m). The Benchmarx business had a record year in 2014. Early in the year 27 kitchen showrooms within Travis Perkins were rebranded as Benchmarx showrooms resulting in increased sales.

The Balance Sheet on page 11 of the financial statements shows that net liabilities have decreased to £9.3m (2013: £11.8m). Details of amounts owed by and to other group undertakings are shown in notes 11 and 12.

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

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

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the Company which could result in its losing sales to its key competitors. The Company manages this risk by selling competitively priced goods and providing added value services to its customers.

The Company follows the Group’s financial risk management policies, details of which are given in the Group’s financial statements.

The overall aim of the Group’s financial risk management policy is to minimise potential adverse effects on financial performance and net assets. Travis Perkins plc manages the principal financial risks within policies and operating parameters approved by its Board of Directors and does not enter into speculative transactions.

Strategic report (continued)**Principal risks and uncertainties (continued)**

Treasury activities are managed centrally under a framework of policies and procedures approved by and monitored by the Travis Perkins plc Board of Directors.

Details of the Company's financial risk are described further below:

Interest rate and liquidity risk

Currently the Board believes that a fully variable rate borrowing profile provides acceptable uncertainty levels and so wherever it is cost effective to do so the Group's borrowings are to be held at floating rates, with interest rate swaps being used to swap fixed rate borrowings into floating rate borrowings.

Currency risk

The Group settles its currency denominated purchases using a combination of currency purchased at spot rates and currency bought in advance on forward contracts. During the year, the Group refined its hedging policy to more closely buy forward only those purchases that are fully committed. As a result the Group now purchases forward contracts for approximately 50% of its anticipated requirements seven months forward (previously this was 50% of its projected requirements one year forward).

Credit risk

Credit risk arises on financial assets such as trade receivables and short-term bank deposits. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history. Overall, the Company considers that it is not exposed to a significant amount of credit risk.

Corporate responsibility**Environment**

The 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).

Employees

Details of the number of employees and related costs can be found in note 6 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.

Strategic report (continued)**Corporate responsibility (continued)****Employees (continued)**

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 our 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's commitment to training and development at all levels of the organisation gives its employees the opportunity to realise their full potential. It has in place an annual performance review process that enables:

- a better understanding of what is expected of staff;
- recognition of achievement;
- the opportunity for development and career progression;
- effective succession planning and
- a sound basis for ongoing performance management.

The Company regularly consults with its workforce. Throughout its branch network staff meet with management on a formal basis to consult over matters such as health and safety and customer service. It also distributes a number of company newsletters and encourages wide use of its intranet, both providing valuable information and inviting feedback. Employees are regularly informed of the Group's financial results and the market conditions in which it operates and are consulted regarding any changes in employment conditions. To encourage the involvement of employees in the Group's performance, it operates a Save-As-You-Earn share option scheme.

There is a commitment at board level to ensure that employees and management are effectively inducted into the Company and given the necessary training to fulfil their roles and to develop their full capabilities. Particular emphasis is placed on customer service, health and safety and youth training.

The Company's investment in management development continues and programmes are in place with the principal aims of ensuring consistent standards of management practice across the Group and strong succession into senior appointments. Management retention is a critical factor in the Company's ongoing success and it was pleasing to see that the retention of our managers continued to be strong in 2014.

With 119 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 of Directors



Signed for and on behalf of TPG Management Services Limited
Company Secretary

30 September 2015

Directors' responsibilities statement

The Directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

11.11.15

Independent auditor's report to the members of Benchmarx Kitchens and Joinery Limited

We have audited the financial statements of Benchmarx Kitchens and Joinery Limited for the year ended 31 December 2014, which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK GAAP) Generally Accepted Accounting Practice.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Policies; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report (continued)**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



William Smith MA FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
30 September 2015

**Profit and loss account
for the year ended 31 December 2014**

	Note	2014 £'000	2013 £'000
Turnover	3	90,136	71,328
Operating profit and profit on ordinary activities before taxation	4	2,575	26
Tax charge on profit on ordinary activities	8	(313)	150
Profit on ordinary activities after taxation being profit for the financial year	16	2,262	176

All results relate to continuing activities.

**Statement of comprehensive income
for the year ended 31 December 2014**

	2014 £'000	2013 £'000
Profit for the financial year	2,262	176
Other comprehensive income	-	-
Total comprehensive income for the year	2,262	176

**Balance sheet
as at 31 December 2014**

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible fixed assets	9	6,028	4,838
Current assets			
Stocks	10	7,527	6,292
Debtors	11	25,523	5,156
Cash at bank and in hand		457	625
		33,507	12,073
Creditors: amounts falling due within one year	12	(48,153)	(28,030)
Net current liabilities		(14,646)	(15,957)
Total assets less current liabilities		(8,618)	(11,119)
Provisions for liabilities	13	(696)	(670)
Net liabilities		(9,314)	(11,789)
Capital and reserves			
Called-up share capital	15	384	384
Share premium account	16	69	69
Profit and loss account	16	(9,767)	(12,242)
Shareholders' deficit		(9,314)	(11,789)

The financial statements of Benchmarx Kitchens and Joinery Limited, registered number 02780063, were approved by the Board of Directors and authorised for issue on 30 September 2015. They were signed on its behalf by:

A. D. Buffin



Director

**Statement of changes in equity
for the year ended 31 December 2014**

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2013	384	69	(12,679)	(12,226)
Profit for the financial year and total comprehensive income	-	-	176	176
Credit to equity for equity settled share-based payment	-	-	261	261
At 31 December 2013	384	69	(12,242)	(11,789)
Profit for the financial year	-	-	2,262	2,262
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	2,262	2,262
Credit to equity for equity settled share-based payment	-	-	213	213
At 31 December 2014	384	69	(9,767)	(9,314)

Notes to the financial statements for the year ended 31 December 2014

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

The particular accounting policies adopted are described below and, unless otherwise stated, have been applied consistently in both years.

General information and basis of accounting

The Company is incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 3 to 5.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The presentation currency of these financial statements is sterling.

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

The Company is a subsidiary of Travis Perkins plc. The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

The Board of Travis Perkins plc is currently of the opinion that having reviewed the Group's cash forecasts and revenue projections, and after taking account of reasonably possible changes in trading performance, the Group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

On the basis of their assessment of the Company's financial position and enquires made of the Directors of Travis Perkins plc, the Company's directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and net of any impairment.

Depreciation is provided on tangible fixed assets on a straight-line basis to write off the cost of those assets over their estimated useful lives. The principal rates of depreciation are:

Freehold buildings and long leasehold property	50 years or if lower, the estimated useful life of the building
Leasehold property	Over the term of the lease
Fixed plant and equipment	10% per annum
Mobile plant	12.5% per annum (20% at distribution warehouses)
Motor vehicles	12.5%-20% per annum
Computer installations	20%-25% per annum
Office machinery	25% per annum
Tools and plant for hire	14%-20% per annum
Freehold land is not depreciated	

Financial instruments

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.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Non-current debt instruments which meet the following conditions, are subsequently measured at amortised cost using the effective interest method:

- (a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

Notes to the financial statements (continued)**1 Accounting policies (continued)****Financial instruments (continued)**

- (c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- (d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost is calculated on a weighted average cost methodology. Provision is made where necessary for obsolete and slow moving items.

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 profit or loss as described below.

(i) 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.

Notes to the financial statements (continued)**1 Accounting policies (continued)****Impairment of assets (continued)****(ii) 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**(i) Finance leases**

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the balance of the obligation.

(ii) Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual instalments over the periods of the leases. 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 currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction or if hedged, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. 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 only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements (continued)**1 Accounting policies (continued)****Taxation (continued)**

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date 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: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) 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.

Pension costs

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

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is 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.

Notes to the financial statements (continued)**1 Accounting policies (continued)****Share-based payments**

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

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

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

Provisions

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

Notes to the financial statements (continued)**2 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Income taxes

The Company is subject to the income tax laws of the United Kingdom. These laws are complex and subject to different interpretations by taxpayers and tax authorities. When establishing income tax provisions, the Directors make a number of judgements and interpretations about the application and interaction of these laws. Changes in these tax laws or in their interpretation could affect the Company's effective tax rate and the results of operations in a given period. Accordingly, potentially significant tax benefits will not be recognised until there is sufficient certainty that they will be accepted by HMRC.

Insurance provisions

The Company has been substantially self-insured since 2001. The nature of insurance claims is that they frequently take many years to fully crystallise, therefore the Directors have to estimate the value of provisions to hold in the balance sheet in respect of historical claims. Under the guidance of the Group's insurance advisers, the value of incurred claims is estimated using the Generalised Cape Cod Method. The provision is determined by deducting the value of claims settled to date from the estimated level of claims incurred. Whilst the Generalised Cape Cod Method is an insurance industry standard methodology, it relies on historical trends to determine the level of expected claims. To the extent that the estimates are inaccurate, the Company may be underprovided, but in the opinion of the Directors, any under-provision is unlikely to be material.

Notes to the financial statements (continued)

3 Turnover

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. The Company supplies all goods and services within the United Kingdom.

4 Operating profit

	2014 £'000	2013 £'000
Turnover	90,136	71,328
Cost of sales	(52,408)	(45,135)
Gross profit	37,728	26,193
Selling and distribution costs	(24,317)	(20,223)
Administrative expenses	(10,836)	(5,944)
Operating profit	2,575	26

Operating profit is stated after charging:	2014 £'000	2013 £'000
Depreciation of tangible fixed assets	1,463	1,188
Loss on disposal of fixed assets	9	1
Hire of plant and equipment	620	378
The analysis of auditor's remuneration is as follows:	2014 £'000	2013 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	6	6

Auditor's remuneration for non-audit services is disclosed within the Travis Perkins plc Annual Report. No non-audit services were provided directly to the Company in either the current or prior year.

Notes to the financial statements (continued)

5 Directors' remuneration

Of the Directors, J. P. Carter, A. D. Buffin, A. J. Davidson, C. Kavanagh, M. R. Meech, R. D. Proctor, D. M. Evans and A. P. Harrison are paid by other group companies and received total emoluments (including non-performance related bonus) of £6,432,000 (2013: £5,471,000), and performance related bonus of £699,000 (2013: £396,000) during the year, but it is not practicable to allocate their remuneration from other group companies for services rendered. In addition, of the eight directors (2013: eleven), none (2013: one), are accruing benefits under the Travis Perkins Pensions and Dependents' Benefit Scheme, which is a defined benefit pension scheme, and four (2013: 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 of Benchmarx Kitchens and Joinery Limited by the Company was:

	2014 £'000	2013 £'000
Salary	124	116
Pension contributions	13	13
Other emoluments (excluding performance related bonus)	92	85
Performance related bonus	-	-
	<u>229</u>	<u>214</u>
	2014 Number	2013 Number
Number of directors who are members of a defined benefit scheme	<u>1</u>	<u>1</u>

One director paid directly by the company exercised share options during the year (2013: two). Seven directors paid by another group company exercised share options during the year (2013: eight).

Fees and other emoluments paid directly by the Company to the highest paid director include:

	2014 £'000	2013 £'000
Emoluments	<u>229</u>	<u>214</u>
Accrued pension	<u>13</u>	<u>13</u>

The highest paid director exercised share options during the year.

Notes to the financial statements (continued)

6 Employee information

The average number of persons employed by the Company during the year was:

	2014	2013
	Number	Number
Selling and distribution	489	401
Administration	114	85
	603	486

The associated staff costs were:

	2014	2013
	£'000	£'000
Wages and salaries	14,933	12,320
Social security costs	1,282	1,283
Pension and post retirement benefit contributions (note 19)	580	568
Share-based payments (note 7)	213	261
	17,008	14,432

Notes to the financial statements (continued)**7 Share-based payments**

The Company charged £213,000 (2013: £261,000) to the income statement in respect of equity-settled share-based payment transactions during the year.

Executive options

The Group operates an executive share option scheme for senior employees. The option exercise price is set at a price equal to the average quoted market price of Travis Perkins plc shares on the date of grant. The vesting period is three years and is subject to performance conditions. Options are forfeited if the employee leaves the Group before the options vest.

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.

Nil price options

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

Notes to the financial statements (continued)

8 Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Current tax on profit on ordinary activities		
UK corporation tax	555	(37)
Adjustment in respect of prior years	-	(26)
Total current tax	555	(63)
Deferred tax		
Origination and reversal of timing differences	(249)	(62)
Adjustment in respect of prior years	7	(25)
Total deferred tax (note 13)	(242)	(87)
Total tax on profit on ordinary activities	313	(150)
Total current and deferred tax relating to items of other comprehensive income	-	-

Notes to the financial statements (continued)

8 Tax on profit on ordinary activities (continued)

The total tax charge shown above is lower than the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2014 £'000	2013 £'000
Tax on profit on ordinary activities at standard UK corporation tax rate of 21.49% (2013: 23.25%)	553	6
Effects of:		
Expenses not deductible for tax purposes	8	11
Schedule 23 deduction	(117)	(199)
Depreciation on non-qualifying property	12	12
Deferred tax rate change	4	10
Adjustment in respect of prior years	7	(51)
Adjustment to deferred tax on share-based payments	(200)	-
Share-based payments	46	61
Total tax charge/(credit) for the year	<u>313</u>	<u>(150)</u>

On 1 April 2014, the UK corporation tax rate reduced from 23% to 21% and to 20% from 1 April 2015. Accordingly the tax rate for the year of 21.49% is a blended rate of 23% up to 1 April 2014 and 21% thereafter. Deferred tax balances at the balance sheet date have been calculated at the enacted rate of 20%.

Notes to the financial statements (continued)

9 Tangible fixed assets

	Short leasehold property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2014	513	9,672	10,185
Additions	52	2,609	2,661
Disposals	-	(32)	(32)
Intragroup transfers	-	10	10
At 31 December 2014	565	12,259	12,824
Depreciation			
At 1 January 2014	291	5,056	5,347
Charge for the year	53	1,410	1,463
Disposals	-	(21)	(21)
Intragroup transfers	-	7	7
At 31 December 2014	344	6,452	6,796
Net book value			
At 31 December 2014	221	5,807	6,028
At 31 December 2013	222	4,616	4,838

10 Stocks

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

11 Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year		
Trade debtors	6,235	3,843
Corporation tax	-	35
Other debtors	17,601	-
Prepayments and accrued income	1,568	1,278
Deferred tax (note 13)	119	-
	25,523	5,156

Notes to the financial statements (continued)

12 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	6,370	-
Amounts owed to group undertakings	38,596	26,460
Corporation tax	557	-
Other creditors	1,205	630
Accruals and deferred income	1,425	940
	48,153	28,030

13 Provisions for liabilities

	Deferred tax	Other provisions	Total
	£'000	£'000	£'000
At 1 January 2014	123	547	670
(Credited)/charged to profit and loss account	(242)	172	(70)
Utilised	-	(23)	(23)
Transferred to debtors	119	-	119
At 31 December 2014	-	696	696

The provided and unprovided amounts of deferred tax are:

	Provided		Unprovided	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	81	123	-	-
Share options	(200)	-	-	-
	(119)	123	-	-

Other provisions relate to outstanding insurance claims where the final settlement date is uncertain.

Notes to the financial statements (continued)

14 Contingent liabilities

At 31 December 2014 the Company, together with other subsidiaries in the Travis Perkins' group, guaranteed the amount drawn under the Group's £550 million UK syndicated bank facility. At 31 December 2014 the amount drawn on the facility was nil.

In addition to guaranteeing the £550 million UK syndicated bank facility the Company, and other group subsidiaries, has guaranteed US private placement notes totaling \$200 million, and UK guaranteed notes totalling £250 million, advanced to Travis Perkins plc. Further details of the Group's borrowings are given in the financial statements of Travis Perkins plc.

A £30 million (2013: £40 million) overdraft facility advanced to the Travis Perkins 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 £21.1 million (2013: £16.8 million). A cross guarantee also exists on an additional £40.9 million (2013: £3.2 million) of borrowings of Travis Perkins plc.

15 Called-up share capital

	2014	2013
	£'000	£'000
Allotted, called-up and fully paid		
2 ordinary shares of £1 each	-	-
384,000 preference shares of £1 each	384	384
	384	384

Dividends are payable at the discretion of the Company's Directors. Preference shareholders have priority over ordinary shareholders in respect of the right to receive a distribution of assets upon the winding up of the Company, up to a maximum value of £1 per share. Thereafter, all shares rank equally. The preference shares have no voting rights.

Notes to the financial statements (continued)

16 Reserves

	Share premium £'000	Profit and loss £'000
At 1 January 2014	69	(12,242)
Profit for the financial year	-	2,262
Share-based payments	-	213
At 31 December 2014	69	(9,767)

The share premium account contains the premium arising on issue of equity shares.

The profit and loss reserve represents cumulative profits or losses.

17 Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- Within one year	41	-	-	-
- Between one and five years	165	-	-	-
- After five years	202	-	-	-
	408	-	-	-

18 Financial commitments

	2014 £'000	2013 £'000
Contracted for but not provided in the financial statements	189	-

Notes to the financial statements (continued)

19 Pension commitments

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

The Group Scheme is a final salary scheme. The assets of the Group Scheme were held in a separate Trustee administered fund, funded by contributions from Group companies and employees. Contributions are paid to the Trustees on the basis of advice from an independent professionally qualified actuary who carries out a valuation of scheme every three years.

A full actuarial valuation of the Group Scheme was carried out on 30 September 2011. The FRS 102 valuation has been based upon the results of the 30 September 2011 valuation, then updated to 31 December 2014 by a qualified actuary.

The Group accounts for pensions using IAS 19 – Employee Benefits. However, because the Company's share of the net assets and liabilities of the Group Scheme cannot be separately identified, the Company accounts for its pension contributions to the Group Scheme on a defined contribution basis, as allowed by FRS 102. During the year the Company made contributions to the Group Scheme of £424,000 (2013: £440,000).

The Plan is a defined contribution scheme, contributions of £156,000 (2013: £128,000) were made to the plan during the year.

The following information relates to the Group Scheme:

	31 December 2014	31 December 2013
Assumptions:		
Rate of increase of salaries	2.35%	2.65%
Rate of increase of pensions in payment	2.50%	2.50%
Discount rate	3.70%	4.70%
Inflation assumption	3.10%	3.40%

Notes to the financial statements (continued)

19 Pension commitments (continued)

	31 December 2014 £m	Restated* 31 December 2013 £m
Fair value of plan assets	923.7	821.1
Present value of defined benefit obligations	(947.9)	(780.0)
Actuarial surplus	(24.2)	41.1
Restriction on asset recognised	-	(41.1)
Total pension liability	(24.2)	-
Related deferred tax asset	4.8	-
Net pension liability	(19.4)	-

* Following the adoption of FRS 102 for the year ended 2013, the Company applied the guidance set out in IFRS (IFRIC 14) which considers the recognition of pension surpluses and liabilities in accordance with its interpretation of the accounting guidance included within FRS 102. In February 2015, the FRC clarified that the guidance relating to minimum funding requirements explicitly included in IFRS are not applicable to entities which have adopted FRS 102, and the Company has accordingly modified its accounting treatment in this area. Prior year figures have been restated to remove the additional liability recognised to reflect minimum funding requirements.

20 Related party transactions

The Company has related party relationships with its fellow group companies and with its directors. However, it has not disclosed transactions between group companies, as permitted under section 33 of FRS 102.

100% of the voting rights over the Company's shares are controlled within the Group.

The remuneration of the Directors is provided in note 5 - directors' remuneration.

21 Ultimate parent company

The Directors regard Travis Perkins plc, a company registered in England and Wales, as both the immediate and ultimate controlling party. The largest and smallest group into which the Company's results are consolidated is Travis Perkins plc. Copies of the Travis Perkins plc group financial statements are available from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.