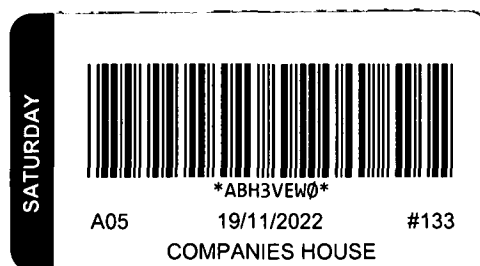


**BOOKER DIRECT LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022**

**Registered Number: 04004640**



## **BOOKER DIRECT LIMITED**

### **STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022**

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The Directors present their Strategic Report of Booker Direct Limited (the “Company”) for the 52 weeks ended 27 February 2022 (prior period: 52 weeks ended 28 February 2021) (“2021”).

#### **Business review and principal activity**

The principal activity of the Company is the delivery of wholesale goods to catering and retail national account customers, operating out of distribution centres and cross-dock facilities in the UK.

Revenue in the 52 weeks ending 27 February 2022 was £1,348.7m compared to £940.3m, restated, in 2021.

Operating profit increased to £5.2m from an operating loss of £24.1m in 2021, which was driven by adverse impact on profitability from the COVID-19 pandemic and included exceptional integration costs of £6.1m. The gradual lifting of COVID-19 restrictions led to a 43.4% increase in revenue, resulting in the Company moving back into profit. The Directors are satisfied with the results following the gradual lifting of COVID-19 restrictions and the continued competitive nature of the market in which we operate.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework”.

#### **Results and dividends**

The results for the 52 weeks ended 27 February 2022 show a profit before tax of £5.1m (2021: loss before tax £24.6m), profit after tax of £5.3m (2021: loss after tax £24.5m) and turnover amounted to £1,348.7m (2021 restated (Note 3(c)): £940.3m).

The Company has net assets at the period end of £19.1m (2021: net assets £13.0m) and has net current assets of £5.0m (2021: net current liability £1.8m).

The Directors do not recommend payment of a dividend for the 52 weeks ended 27 February 2022 (2021: £nil).

#### **Key Performance Indicators (KPI’s)**

Tesco PLC Group (the “Group”) has six simple business performance indicators:

- 1) Grow sales;
- 2) Deliver profit;
- 3) Improve operating cash flow;
- 4) Customers recommend us and come back time and again;
- 5) Colleagues recommend us a great place to work and shop; and
- 6) Build trusted partnerships.

The Company adopts the first three KPIs and is in the process of gradually aligning to the other Group KPIs. The Directors review performance against the relevant Group KPIs on a regular basis and report as necessary to the Group.

The development, performance and position of the operations of the Group, which includes the Company, is discussed on page 16 of the Tesco PLC Annual Report and Financial Statements 2022, which does not form a part of this Report.

#### **Future developments**

The Company’s performance is expected to make further progress both in the short term and longer term. The impact of COVID-19 on the Company’s market gradually receded through the financial period, as the market opened up, volumes increased and the company moved back into profit. The specific outlook for the next financial year is for continued year on year profit improvement with any cost of living impact also included.

The Company’s future developments form a part of the Group’s long-term strategies, which are discussed on pages 4 to 22 of the Tesco PLC Annual Report and Financial Statements 2022, which do not form part of this Report.

#### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Company, are discussed on pages 31 to 37 of the Tesco PLC Annual Report and Financial Statements 2022, which do not form part of this Report.

**BOOKER DIRECT LIMITED****STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)**

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**Business risk**

At present, there is an increased level of macroeconomic uncertainty, which is beginning to show initial signs of impact on operational costs. This uncertainty has been exacerbated by the war in Ukraine. The Group is actively monitoring the situation and contingency measures are in place to manage these risks across the Group. As such, management believe that the short-term risks and impacts are understood and appropriate controls are in place. However, the long-term impacts remain uncertain and will continue to be monitored closely. The Group will continue to assess and monitor the potential risks and impacts on the Company and its stakeholders as a whole, while taking mitigation measures to address local challenges as appropriate.

**Financial risk management**

Financial risk management for the Group, of which the Company forms a part, is discussed in Note 26 of the Tesco PLC Annual Report and Financial Statements 2022, which does not form a part of this Report.

The main risks associated with the Company's financial assets and liabilities are set out below:

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company has a positive working capital cycle and is in a net receivable position with other Booker Group companies, therefore the liquidity risk is determined to be low.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. It is the Company policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Company has an accounting policy to provide for certain overdue receivables based on past experience and future expected credit losses and believe that there are no significant unprovided overdue financial assets.

**Section 172(1) Statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172(1)(a) - (f) duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of pensioners, unions, the relationships with regulators and local authorities, trade organisations and other bodies who take an interest in our business. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

As is normal for large companies, we delegate authority for day-to-day management of the Company to senior management (in particular the Executive Committee and Leadership teams) in setting, approving and overseeing execution of the business strategy and related policies. We review matters relating to financial and operational performance; business strategy; key risks; stakeholder-related matters; health and safety; diversity and inclusivity; environmental matters; corporate responsibility; governance, compliance, legal and regulatory matters over the course of the financial year.

The Company's key stakeholders are its workforce, customers, suppliers, unions, other Group companies. The Company will also have a role with pensioners, charities, regulators, trade and industry bodies and the local communities in which we operate. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. While there are cases where the board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and Tesco Group means that generally our stakeholder engagement best takes place at an operational or group level.

**BOOKER DIRECT LIMITED****STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)****Section 172(1) Statement (continued)**

Directors receive feedback on the engagement undertaken by management. This is a more efficient and effective approach and helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For example we engage in through colleague surveys, colleague contribution panels and wellness initiatives across the group; environmental or charitable activities are often part of Group wide initiatives; and strategy is aligned to group strategy. For details on the some of the engagement that takes place with the Company's stakeholders so as to encourage the directors to understand the issues to which they must have regard please see pages 20 to 21 of the Tesco plc 2022 Annual Report.

During the period we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement (for example, the results of customer and supplier surveys and focus groups). As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the company.

Examples of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty and the effect of that on decisions taken by us are set out below.

<b>Board activity</b>	<b>Board Consideration</b>
Financial and operational performance	<p>Directors received an update on the financial and operational position of the company to enable them to consider the strategic direction and long-term viability of the Company and ensure that future liabilities can be met. The Directors review the business plan and progress against the plan, together with updates on operating costs, inflation, sales, profit and cash generation.</p> <p>The Board has continued to track the financial and business impact of economic events throughout the year, including operational activity post COVID-19, supply chain challenges and the war in the Ukraine.</p> <p>The Directors review the business plan and progress against the plan, together with updates on operating costs, inflation, sales, profit and cash generation. For example when the Company experienced challenges around driver and colleague availability during the COVID-19 pandemic it was decided that to maximise operational efficiency some colleagues from other companies within the Group would be temporarily redeployed to work in the Company to ensure operational performance could be maintained. The decision was based on functional need, plus the ongoing impact on customers, colleagues and the Company.</p>
Strategy	<p>Strategy is regularly reviewed by the Directors. Strategic review will cover the operating model, colleague engagement and retention, customer base and experience and technology; opportunities in brand extension and business development, risk management, cost savings, simplification of processes and activity with the Tesco Group.</p> <p>A decision was taken during FY 21/22 to move the Best Food Logistics trading division onto the Booker Group financial system to increase efficiency of reporting, work which will be finalised in FY23.</p> <p>This year the company adopted the Tesco Group purpose, which is to serve our customers, communities and the planet a little better every day. This will guide strategy and decision making moving forward to ensure that we keep customers at the heart of what we do, while also reflecting our responsibilities to the wider community and to society more broadly. Tesco Group Strategic Drivers were also adopted.</p>

**BOOKER DIRECT LIMITED****STRATEGIC REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)****Section 172(1) Statement (continued)**

<b>Board activity</b>	<b>Board Consideration</b>
Capital Expenditure and Financing arrangements	<p>Directors review and approve significant capital expenditure in line with business plans.</p> <p>When considering these matters, a range of factors are taken into consideration including the long-term viability of the Company, its expected cash flow and financing requirement, the ongoing need for strategic investment in our business and the impact on each of the Company's stakeholder groups.</p>
Commercial agreements	<p>The Board review and approve entry into material contracts taking into consideration the operational and financial benefits and risks. By way of example approval was given to a proposal to acquire 121 new delivery vehicles for the Best Food Logistics trading division. In reaching its final decision, the Board had regard to a number of factors including: the business case (including customer requirements) and financial returns; security of supply and service; market pricing; viability and the strategic goals of the Company and wider Group; safety concerns; risk management; any impacts on colleagues, suppliers, customers, communities and the environment; and the long-term reputation of the Company.</p>
Wider stakeholder engagement	<p>Directors receive regular updates on stakeholder engagement. Customer sentiment through surveys and face to face meetings undertaken through the year seeking feedback on a variety of metrics and market updates giving visibility of the markets we operate in, ensuring we deliver the products and services necessary to thrive in a highly competitive environment. We also monitor customer survey results and feedback forums.</p> <p>Directors monitor also receive feedback on colleague engagement through diversity and inclusivity and Every Voice Matters colleague surveys, and other employee forums, including via union engagement, and by undertaking health and wellbeing and diversity and inclusivity initiatives. In FY22, as part of Booker Group, a new employee portal was launched to help support many of these initiatives and facilitate colleague engagement with the wider business, along with a learning management system, enabling online learning and development for all colleagues.</p>

Further details on employee engagement are set out in the Directors' Report on pages 6 to 7.

In accordance with requirements this section 172(1) statement will be published on the Tesco website at [www.tescopl.com](http://www.tescopl.com).

Approved by the Board of Directors on 22 August 2022 and signed on behalf of the Board by:

*Veselin Bandev*

Veselin Bandev

Director

Booker Direct Limited

Registered Number: 04004640

Registered Office: Equity House, Irthlingborough Road, Wellingborough, Northamptonshire, NN8 1LT, United Kingdom

## **BOOKER DIRECT LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022**

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The Directors present their Report and the audited financial statements of Booker Direct Limited (the "Company") for the 52 weeks ended 27 February 2022 (prior period: 52 weeks ended 28 February 2021) ("2021").

#### **Business review and principal activity**

This is discussed in the Strategic Report on page 1 and forms part of this report by cross reference.

#### **Results and dividends**

This is discussed in the Strategic Report on page 1 and forms part of this report by cross reference.

#### **Future developments**

This is discussed in the Strategic Report on page 1 and forms part of this report by cross reference.

#### **Going concern**

COVID-19 restrictions were removed during the financial period and the company returned to profit. The expectation is that the Company will continue to deliver profits both in the short and longer terms. At 27 February 2022, the Company had net amounts owed by Group undertakings of £41.4m (2021: £26.6m). Booker Group Limited and its subsidiaries ("Booker Group") have significant interdependencies in terms of administration and financing, with two common Directors on all entities.

The Company has net assets at the period end of £19.1m (2021: net assets £13.0m) and has net current assets of £5.0m (2021: net current liability £1.8m).

The Directors have prepared cash flow forecasts for the Company for the 12-month period following the date of signature of these accounts, also considering a number of possible downside scenarios. The conclusion of the Directors is that the company may require financial support from Booker Group Limited to enable it to pay its liabilities as they fall due. The Directors have obtained a letter of support from Booker Group Limited which confirms the intention of that support to be provided for at least the next 12 months and they have satisfied themselves that Booker Group Limited is in an appropriate financial position to provide that support. Accordingly, the Directors consider that the Company has adequate resources to remain in operation for a period of at least twelve months and have therefore continued to adopt the going concern basis in preparing the financial statements.

#### **Events after the reporting period**

There were no adjusting events after the reporting period that require mention in this Report.

#### **Political donations**

There were no political donations for the period (2021: £nil) and the Company did not incur any political expenditure (2021: £nil).

#### **Research and development**

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

#### **Financial risk management**

This is discussed in Strategic Report on page 2 and forms part of this report by cross reference.

#### **Employee engagement**

We have now completed two annual colleague engagement surveys - Every Voice Matters - that provide a keen insight into the priorities for our colleagues on a number of topics. We are delighted that the second survey saw scores improve, but there is still more to do. Company, functional and departmental action plans and priorities are developed as a result of each set of feedback to continually drive improvements and to emphasise the fact that Booker is a place where Everyone's Welcome.

With the continuing pressure to attract and retain labour we have expanded our attraction and recruitment function to ensure we meet our summer resource plan requirements. This will expand our capabilities in digital attraction, leveraging a closer relationship with Tesco to benefit from their greater brand awareness.

We have reviewed, simplified and scaled up our 'Warehouse to Wheels' programmes across Booker and created a Driver Academy brand that will be used for external attraction purposes along with internal development opportunities to develop our own Drivers. We continue to monitor our competitiveness in pay and benefits, but this is coupled with a focus on retention and making sure that colleagues feel welcome and we are supporting them to be at their best.

## **BOOKER DIRECT LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)**

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#### **Employee engagement (continued)**

Throughout FY21 and into FY22, we have focussed on creating sustainable foundations for the culture we want to set within the Business. To underpin our commitment to inclusion and making sure every colleague feels welcome, we developed and rolled out the first phase of a new leadership development programme, Everyone is Welcome, to all our manager population.

We launched our new Colleague portal, Our Booker, that is a one stop shop that colleagues can access on a 24/7 basis from any internet enabled device. As well as finding information on terms and conditions colleagues can access information on benefits, Health & Wellbeing support, policies and our new e-learning platform that allows us to house and run specific training and learning modules for colleagues across the business. Equally Our Booker allows the Company to communicate directly to all colleagues, keeping them up to date with current news and business developments. At the same time as we launched Our Booker we introduced e-Payslips for all colleagues - giving them easy access, when they want it, to two years' worth of payslips at any one time.

We continue to place a large focus on raising awareness of colleagues' health and wellbeing, providing accessible information for all colleagues through Our Booker and sharing support through partnering organisations and charities that colleagues and their family can access at any time. We also launched a new Menopause Policy, Wellness guide for Women and an Employee Assistance Programme to broaden our offer and help colleagues be at their best.

#### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

#### **Fostering of business relations**

Details of the Partnership's engagement with its stakeholders is included in the section 172(1) statement on pages 2 to 4 and forms part of this report by cross reference.

#### **Energy and Carbon reporting**

The Company's Streamlined Energy and Carbon Reporting (SECR) disclosures form a part of the Group's SECR disclosures, which are discussed on page 103 of the Tesco PLC Annual Report and Financial Statements 2022, which does not form a part of this Report.

#### **Directors**

The following Directors served during the period and up to the date of signing these financial statements, unless otherwise stated:

Andrew Yaxley  
Veselin Bandev  
Stuart Hyslop (resigned 30 June 2022)  
Colm Johnson  
Helen Williams

None of the Directors had disclosable interests in the Company during this period.

Tesco PLC maintained a Directors' and Officers' liability insurance policy throughout the financial period and up to the date of signing the financial statements applicable to the Company and all other companies in the group headed by Booker Group Limited.

## **BOOKER DIRECT LIMITED**

### **DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)**

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

Each Director who is a Director of the Company at the date of approval of these financial statements confirms that:

- so far as the Directors are aware, there is no relevant information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that ought to have been taken as a Director to be 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.

#### **Cautionary statement regarding forward-looking information**

Where this document contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this Report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. A number of factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement.

#### **Modern Slavery Act**

As per section 54(1) of the Modern Slavery Act 2015, our Slavery and Human Trafficking Statement is published annually on the Booker Group website at [www.booker.co.uk](http://www.booker.co.uk). The statement covers the activities of the Booker Group and its subsidiaries and details policies, processes and actions we have taken to ensure that slavery and human trafficking are not taking place in our supply chains or any part of our own business.

#### **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), including FRS 101 "Reduced Disclosure Framework".

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 United Kingdom 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.

#### **Independent auditor**

Deloitte LLP, having indicated its willingness to continue in office, will be deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

**BOOKER DIRECT LIMITED**

**DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)**

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Approved by the Board of Directors on 22 August 2022 and signed on behalf of the Board by:

*Veselin Bandev*

Veselin Bandev

Director

Booker Direct Limited

Registered Number: 04004640

Registered Office: Equity House, Irthlingborough Road, Wellingborough, Northamptonshire, NN8 1LT, United Kingdom

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOOKER DIRECT LIMITED**

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### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Booker Direct Limited (the 'company');

- give a true and fair view of the state of the company's affairs as at 27 February 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOOKER DIRECT LIMITED (continued)**

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### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation, tax legislation and the Groceries Supply Code of Practice; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Revenue recognition – manual adjustments to revenue.

Our audit procedures to address this risk included;

- obtaining a complete population of journals and reconciling them to the audited trial balance;
- profiling the revenue journal population to identify characteristics of audit interest; and
- evaluating the supporting evidence and business rationale for any journals in our sample.

We discussed among the audit engagement team including relevant internal specialists such as Tax and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOOKER DIRECT LIMITED (continued)**

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In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

#### **Use of our report**

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.



Jane Boardman BSc FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester, United Kingdom  
23 August 2022

**BOOKER DIRECT LIMITED****PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022**

		<b>52 weeks ended 27 February 2022</b>	<b>52 weeks ended 28 February 2021 (restated<sup>1</sup>)</b>
	<b>Notes</b>	<b>£m</b>	<b>£m</b>
Revenue	4	<b>1,348.7</b>	940.3
Cost of sales		<b>(1,328.4)</b>	(944.0)
<b>Gross profit/(loss)</b>		<b>20.3</b>	(3.7)
Administrative expenses		<b>(15.1)</b>	(14.3)
Administrative expenses – exceptional items		-	(6.1)
<b>Operating profit/(loss)</b>	5	<b>5.2</b>	(24.1)
Interest receivable and similar income	8	<b>0.7</b>	0.4
Interest payable and similar charges	9	<b>(0.8)</b>	(0.9)
<b>Profit/(loss) before tax</b>		<b>5.1</b>	(24.6)
Tax credit on profit/(loss)	10	<b>0.2</b>	0.1
<b>Profit/(loss) for the financial period</b>		<b>5.3</b>	(24.5)

1 - Revenue and Cost of sales have been restated, as explained in Note 3(c).

There are no material differences between the profit/(loss) before tax and the profit/(loss) for the financial period stated above and their historical cost equivalents in the current and previous period.

There is no other comprehensive income/(loss) in the periods presented; therefore, no Statement of Comprehensive Income has been prepared. Total comprehensive income/(loss) is equal to profit/(loss) for the periods presented.

All operations are continuing for the current and prior financial periods.

The notes on pages 15 to 27 form an integral part of these financial statements.

**BOOKER DIRECT LIMITED****BALANCE SHEET AS AT 27 FEBRUARY 2022**

		27 February 2022	28 February 2021
	Notes	£m	£m
<b>Non-current assets</b>			
Intangible assets	11	2.4	3.7
Tangible assets	12	13.2	11.5
Right of use assets	13	29.7	33.8
		<b>45.3</b>	<b>49.0</b>
<b>Current assets</b>			
Stocks	14	28.6	30.0
Debtors: amounts falling due within one year	15	118.3	78.4
Cash at bank and in hand		0.4	0.9
		<b>147.3</b>	<b>109.3</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	16	(134.3)	(101.6)
Lease liabilities	13	(8.0)	(9.5)
<b>Net current assets/(liabilities)</b>		<b>5.0</b>	<b>(1.8)</b>
<b>Total assets less current liabilities</b>		<b>50.3</b>	<b>47.2</b>
<b>Non-current liabilities</b>			
Lease liabilities	13	(23.1)	(26.7)
Provisions	17	(6.4)	(5.6)
Deferred tax liabilities	10	(1.7)	(1.9)
<b>Net assets</b>		<b>19.1</b>	<b>13.0</b>
<b>Capital and reserves</b>			
Called up share capital	18	0.5	0.5
Capital contribution	18	0.8	-
Profit and loss account		17.8	12.5
<b>Total shareholders' funds</b>		<b>19.1</b>	<b>13.0</b>

The notes on pages 15 to 27 form an integral part of these financial statements.

The financial statements on pages 12 to 27 were approved by the Board of Directors and authorised for issue on 22 August 2022. They were signed on its behalf by

*Veselin Bandev*

Veselin Bandev  
Director

Booker Direct Limited

Registered Number: 04004640

Registered Office: Equity House, Irthlingborough Road, Wellingborough, Northamptonshire, NN8 1LT, United Kingdom

**BOOKER DIRECT LIMITED****STATEMENT OF CHANGES IN EQUITY THE 52 WEEKS ENDED 27 FEBRUARY 2022**

		<b>Called up share capital *</b>	<b>Capital contribution</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>Notes</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Balance as at 1 March 2020</b>		<b>0.5</b>	<b>-</b>	<b>37.0</b>	<b>37.5</b>
Loss for the financial period		-	-	(24.5)	(24.5)
<b>Balance as at 28 February 2021</b>		<b>0.5</b>	<b>-</b>	<b>12.5</b>	<b>13.0</b>
Share based payments	19	-	0.8	-	0.8
Profit for the financial period		-	-	5.3	5.3
<b>Balance as at 27 February 2022</b>		<b>0.5</b>	<b>0.8</b>	<b>17.8</b>	<b>19.1</b>

\* See Note 18 for a breakdown of the Called-up share capital

The notes on pages 15 to 27 form an integral part of these financial statements.

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022**

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**1. Authorisation of financial statements and statement of compliance with FRS 101**

The financial statements of Booker Direct Limited (the “Company”) for the 52 weeks ended 27 February 2022 were approved by the Board of Directors on 22 August 2022 and the Balance Sheet was signed on the Board’s behalf by Veselin Bandev. These financial statements were prepared in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework” (“FRS 101”). The financial statements have been prepared on a going concern basis under the historical cost convention and the Companies Act 2006.

As permitted by Schedule 1 to the Accounting Regulations, the presentation of the financial statements have been adapted to be in line with the presentation prescribed by IAS 1.

The functional currency of the Company is considered to be Pound Sterling (£) because that is the currency of the primary economic environment in which the Company operates.

The Company’s financial statements are presented in Pound Sterling and all values are rounded to the nearest hundred thousands, except when otherwise indicated.

**2. General information**

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The address of the registered office is Equity House, Irthlingborough Road, Wellingborough, Northamptonshire, NN8 1LT, United Kingdom. The nature of the Company’s operations and its principal activity are set out in the Strategic Report on page 1.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and to the preceding period, unless otherwise stated.

**3. Accounting policies****a) Basis of preparation**

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted for the use within the UK (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. Following the UK’s exit from the European Union the Company has early adopted the FRS 101 amendments ‘UK exit from the European Union’.

The Company is a qualifying entity for the purposes of FRS 101. Note 21 gives details of the Company’s parent and from where it’s consolidated financial statements prepared in accordance with IFRS may be obtained.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with Customers;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)**

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**3. Accounting policies (continued)****a) Basis of preparation (continued)**

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - (ii) paragraph 118(e) of IAS 38 Intangible Assets; and
  - (iii) paragraph 79(a) (iv) of IAS 1.

**b) New and revised IFRS applied with no material effect on the financial statements**

The Company has not applied any new standards, interpretations or amendments which are effective in the current financial year that have a material effect on the financial statements. Hence there has been no impact in the financial statements.

**c) Prior year restatement**

The financial statements include a prior year restatement in relation to the disclosure of intercompany sales. In the prior year, sales to Tesco group companies were incorrectly shown as a deduction from cost of sales, rather than within the revenue line. The Company has corrected the prior year comparatives by recognising intercompany sales within the revenue line. The impact on the income statement for the 52 weeks ended 28 February 2021 was an increase in revenue of £8.4m and an increase in cost of sales of £8.4m. The impact on gross profit was nil.

**d) Going concern**

COVID-19 restrictions were removed during the financial period and the company returned to profit. The expectation is that the Company will continue to deliver profits both in the short and longer terms. At 27 February 2022, the Company had net amounts owed by Group undertakings of £41.4m (2021: £26.6m). Booker Group Limited and its subsidiaries ("Booker Group") have significant interdependencies in terms of administration and financing, with two common Directors on all entities.

The Company has net assets at the period end of £19.1m (2021: net assets £13.0m) and has net current assets of £5.0m (2021: net current liability £1.8m).

The Directors have prepared cash flow forecasts for the Company for the 12-month period following the date of signature of these accounts, also considering a number of possible downside scenarios. The conclusion of the Directors is that the company may require financial support from Booker Group Limited to enable it to pay its liabilities as they fall due. The Directors have obtained a letter of support from Booker Group Limited which confirms the intention of that support to be provided for at least the next 12 months and they have satisfied themselves that Booker Group Limited is in an appropriate financial position to provide that support. Accordingly, the Directors consider that the Company has adequate resources to remain in operation for a period of at least twelve months and have therefore continued to adopt the going concern basis in preparing the financial statements.

**e) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

**Estimates**

There are no key sources of estimation uncertainty that could have a material impact on the financial statements.

**Judgements**

There are no critical accounting judgements which have a significant effect on amounts recognised in the financial statements.

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27  
FEBRUARY 2022 (continued)**

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**3. Accounting policies (continued)****f) Significant accounting policies****Tangible assets**

Fixed assets are stated at cost less accumulated depreciation and any recognised impairment in value. Tangible fixed assets are depreciated on a straight-line basis to their residual value over its anticipated useful economic life and depreciation is charged in the Profit and Loss account in cost of sales and administrative expenses.

The following depreciation rates were applied for the Company and are consistent with the prior period:

Freehold land	Indefinite
Freehold buildings	30 years
Plant, equipment and vehicles	3-10 years

Leasehold premiums and improvements are depreciated in equal annual instalments over the lesser of the unexpired term of the lease and 50 years. However, that element of leasehold premium paid to acquire a beneficial rental is written off over the period to the first open market rent review.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on the derecognition of the asset is included in the Profit and Loss Account in the period of derecognition.

**Intangible assets**

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Company law (in particular paragraph 22 to the Regulations) requires goodwill to be written off over a finite period. Non-amortisation of goodwill, in accordance with International Financial Reporting Standards, is a departure from the requirements of company law for the overriding purpose of giving a true and fair view. If this departure from company law had not been made, the profit for the financial year would have been reduced by amortisation of goodwill. However, the amount of amortisation cannot reasonably be quantified other than by reference to an arbitrary assumed period for amortisation.

Intangible assets, such as software and brands, are measured initially at acquisition cost or costs incurred to develop the asset. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

They are amortised on a straight-line basis over their estimated useful lives, of 3 to 10 years for software and 3 years for customer relationships and charged in the profit and loss account in cost of sales and administrative expenses.

**Goodwill**

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of subsidiary undertakings or business acquired. Goodwill is not amortised but is reviewed for impairment at least annually. An impairment loss recognised for goodwill is not reversed in a subsequent period.

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27  
FEBRUARY 2022 (continued)**

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**3. Accounting policies (continued)****f) Significant accounting policies (continued)****Leases**

Whether a contract is, or contains a lease is assessed at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

*Company as a lessee*

A right of use asset and corresponding lease liability are recognised at commencement of the lease.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Company is reasonably certain to exercise; penalties for early termination if the lease term reflects the Company exercising a break option; and payments in an optional renewal period if the Company is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Company's assessment of whether it is reasonably certain to exercise a purchase or extension option or not exercise a break option.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

Leases of low value assets and short-term leases of 12 months or less are expensed to the income statement, as are variable payments dependent on performance or usage, 'out of contract' payments and non-lease service components.

**Stocks**

Stocks comprise goods held for sale. Stocks are valued at the lower of cost and fair value less costs to sell using the weighted average cost basis. Directly attributable costs and incomes are included in the cost of stocks are stated at the lower of cost and net realisable value.

**Cash at bank and in hand**

Cash at bank and in hand in the Balance Sheet comprises of cash at bank.

**Income taxes**

Current 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. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Profit and Loss Account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that that the Company will be required to settle that tax.

Measurement is dependent on subjective judgements as to the outcome of decisions by tax authorities. This is assessed on a case by case basis using in-house tax experts, professional firms and previous experience.

*Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)**

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**3. Accounting policies (continued)****f) Significant accounting policies (continued)****Income tax (continued)***Deferred tax (continued)*

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the Profit and Loss Account, except when it relates to items charged or credited directly in equity or other comprehensive income, in which case deferred tax is also recognised in equity or other comprehensive income, respectively.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

*Current tax and deferred tax for the period*

Current and deferred tax are recognised in the Profit and Loss Account, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

*Group relief on taxation*

The Company may receive or surrender group relief from Group companies without payment and consequently there may be no tax charge in the Profit and Loss Account.

**Pension and post-employment benefits**

The Company has defined contribution pension schemes to which it makes contributions to fund the retirement benefits of members within the schemes during the period. The cost in respect of defined contribution schemes is charged to the profit and loss account in the period in which contributions become payable.

**Financial instruments**

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. The expected maturity of the financial assets and liabilities is not considered to be materially different to their current and non-current classification.

*Financial assets*

The Company's financial assets include debtors and other receivables. Debtors (including intercompany balances) are interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

*Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are recorded at amortised cost.

Creditors (including intercompany balances) are interest bearing and are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest rate method.

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)**

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**3. Accounting policies (continued)****f) Significant accounting policies (continued)****Financial instruments (continued)***Impairment of financial assets*

The Company assesses on a forward-looking basis the expected credit losses (ECLs) associated with its financial assets carried at amortised cost. The ECLs are updated at each reporting date to reflect changes in credit risk. The three-stage model for impairment has been applied to loans and advances to customers, debt instruments at fair value through other comprehensive income, and loan receivables from joint ventures and associates. The credit risk is determined through modelling a range of possible outcomes for different loss scenarios, using reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions and taking into account the time value of money. A 12-month ECL is recognised, unless the credit risk on the financial asset increases significantly after initial recognition, when the lifetime ECL is recognised.

For trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, with lifetime ECLs recognised from initial recognition of the receivable. These assets are grouped, based on shared credit risk characteristics and days past due, with ECLs for each grouping determined, based on the Company's historical credit loss experience, adjusted for factors specific to each receivable, general economic conditions and expected changes in forecast conditions.

At each reporting date, management reviewed the carrying amounts of its loans and advances to determine whether there was any indication that those assets had suffered an impairment loss. If there was objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and advances had been incurred, management measured the amount of the loss as the difference between the estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the instrument at initial recognition. Impairment losses were assessed individually for financial assets that were individually significant and collectively for assets that were not individually significant. In making collective assessments of impairment, financial assets were grouped into portfolios on the basis of similar characteristics.

*Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**Exceptional items**

An item is disclosed separately if it is considered unusual by its nature and scale and is of such significance that separate disclosure is required for the financial statements to be properly understood. Such items are referred to by the Company as exceptional items. These costs are outside the normal course of business and not expected to recur.

**Interest receivable and similar income**

Interest receivable is calculated on accrual basis.

**Interest payable and similar charges**

Intercompany interest-bearing loans and bank overdrafts are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds and redemption value being recognised in the Profit and Loss Account over the period of the borrowings on an effective interest basis.

**Revenue**

Revenue is income arising from the sale of goods and services in the ordinary course of the Company's activities, net of value added taxes. Revenue is recognised when performance obligations are satisfied and control has transferred to the customer. There is a low level of judgement applied in determining the transaction price or the timing of transfer of control. For wholesale sales of goods, revenue is recognised on delivery to the customer.

**Cost of sales**

Cost of sales represents all costs incurred, net of supplier rebates up to the point of sale including the operating expenses of the warehouses.

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)****3. Accounting policies (continued)****f) Significant accounting policies (continued)****Commercial income**

Rebates are negotiated with suppliers in connection with the purchase of goods for resale. Such rebates are only recognised when earned by the Company, which occurs when all obligations conditional for earning the rebate have been discharged, and the rebate can be measured reliably based on the terms of the contract. These rebates are recognised as a credit within cost of sales.

**Share based payments**

Share options granted by the parent of the group to employees of a subsidiary are accounted for as an investment in the subsidiary with a corresponding increase in reserves.

The Group operates equity-settled share-based schemes which are granted to certain employees in exchange for services rendered by them. The fair value is measured using an option valuation model at the date of grant and is recognised as an employee expense over the period in which the employees become unconditionally entitled to the options, with a corresponding increase in equity, shown in a separate share option reserve. This valuation is based on estimates of the number of options that will eventually vest, based on related service and non-market vesting conditions that are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. Following the merger of Tesco and Booker on 5 March 2018, the awards held by employees were rolled over to new equity-settled awards linked to Tesco's share payment plans.

**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. If the effect is material, provisions are determined by discounting the expected, risk adjusted, fixture cash flows at a pre-tax rate reflects the time value of money and the risks specific to the liability.

**4. Revenue**

Revenue represents net billed sale of goods excluding value added tax. The Company operates within one business segment being that of wholesale delivery with business principally transacted in the United Kingdom.

**5. Profit/(loss) before interest and tax**

	2022 £m	2021 £m
Profit/(loss) before interest and tax is stated after charging:		
Depreciation:		
Intangible assets (Note 11)	1.5	1.6
Tangible assets (Note 12)	1.5	1.5
Right of use assets (Note 13)	9.2	9.8
Cost of stocks recognised as an expense (included in cost of sales)	1,219.4	837.3
Staff costs (Note 7)	68.4	65.7
Exceptional costs	-	6.1

In the prior period, the Company incurred £6.1m of integration costs relating to the merger with Tesco, these costs were outside the normal course of business and not expected to recur.

**6. Auditor's remuneration**

The Auditor's remuneration for the current and prior period of £74,105 (2021: £52,450) was borne by another Group company for auditing the financial statements of the Company, and is not repayable.

There were no non-audit fees payable to the company's auditor in the current or prior period.

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)****7. Staff costs and Directors' remuneration****i) Staff costs**

	2022 £m	2021 £m
Wages and salaries	60.4	58.8
Social security costs	5.6	5.4
Other pension costs	1.6	1.5
Equity settled share based payments	0.8	-
	<b>68.4</b>	<b>65.7</b>

The average monthly number of persons employed by the Company during the period was 1,612 (2021: 1,831)

**ii) Directors' remuneration**

No remuneration or fees were paid by the company to any of its Directors during this or the previous period in respect of services to the company. The Directors of the company were remunerated by other Group undertakings for their services to the Group as a whole, and are not repayable. It is not practicable to allocate their remuneration in respect of each of the subsidiaries.

**8. Interest receivable and similar income**

	2022 £m	2021 £m
Intercompany loan interest	0.7	0.4

**9. Interest payable and similar charges**

	2022 £m	2021 £m
Interest on lease liability	0.6	0.6
Unwinding of discount on provisions	0.2	0.2
Bank overdraft	-	0.1
	<b>0.8</b>	<b>0.9</b>

**10. Tax credit on profit/(loss)****(a) Factors that have affected the tax credit**

The standard rate of corporation tax in the UK at the balance sheet date is 19%. This gives a corporation tax rate for the Company for the full period of 19% (2021: 19%). The Finance Act 2021 included legislation to increase the main rate of UK corporation tax from 19% to 25% from 1 April 2023. As the change to the main UK corporation tax rate was substantively enacted by the balance sheet date the impact is included in these financial statements with temporary differences remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27  
FEBRUARY 2022 (continued)****10. Tax credit on profit/(loss) (continued)****(b) Tax credit in the Profit and Loss Account**

The analysis of the credit for the period is as follows:

	2022 £m	2021 £m
<b>Current income tax:</b>		
UK corporation tax on profit for the financial period	-	-
<b>Total current income tax credit</b>	-	-
<b>Deferred tax:</b>		
Current period	-	0.2
Adjustments in respect of prior periods	0.5	(0.1)
Impact of rate change adjustment	(0.3)	-
<b>Total deferred tax credit</b>	0.2	0.1
<b>Total tax credit in the Profit and Loss account</b>	0.2	0.1

**(c) Reconciliation of the tax (charge)/credit**

The differences between the total (charge)/credit shown above and the amount calculated by applying the UK corporation tax rate to profit is as follows:

	2022 £m	2021 £m
Profit/(loss) before tax	5.1	(24.6)
Tax (charge)/credit at standard UK corporation tax rate of 19% (2021: 19%)	(1.0)	4.7
Effects of:		
Non qualifying depreciation	-	(0.2)
Expenses not deductible for tax purposes	-	(0.3)
Adjustments in respect of prior periods	0.5	(0.1)
Change in tax rate	(0.3)	-
Group relief surrendered without payment	1.0	(4.0)
<b>Total tax credit</b>	0.2	0.1

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)****10. Tax credit on profit/(loss) (continued)****(d) Deferred tax liabilities**

The following are the major deferred tax liabilities recognised by the Company and movements thereon during the current and prior financial periods measured using the tax rates that are expected to apply when the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

	<b>Decelerated tax depreciation £m</b>	<b>Other items £m</b>	<b>Total £m</b>
At 1 March 2020	-	-	-
Acquisition	(2.0)	-	(2.0)
Origination and reversal of temporary differences			
- In respect of the current period	0.2	-	0.2
- In respect of prior period	(0.1)	-	(0.1)
At 28 February 2021	(1.9)	-	(1.9)
Origination and reversal of temporary differences			
- In respect of the current period	0.1	(0.1)	-
- In respect of prior period	0.2	0.3	0.5
- In respect of rate change	(0.4)	0.1	(0.3)
<b>At 27 February 2022</b>	<b>(2.0)</b>	<b>0.3</b>	<b>(1.7)</b>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where assets and liabilities relate to income taxes levied by the same taxation authority.

The UK Government announced an increase in the corporation tax rate from 19% to 25%, with an effective date of 1 April 2023, which was substantively enacted on 24 May 2021.

**11. Intangible assets**

	<b>Goodwill £m</b>	<b>Brands £m</b>	<b>Software £m</b>	<b>Total £m</b>
<b>Cost</b>				
At 28 February 2021	0.5	3.9	0.9	5.3
Additions	-	-	0.2	0.2
Reclassifications	-	-	(0.1)	(0.1)
<b>At 27 February 2022</b>	<b>0.5</b>	<b>3.9</b>	<b>1.0</b>	<b>5.4</b>
<b>Accumulated amortisation and impairment</b>				
At 28 February 2021	-	1.3	0.3	1.6
Charge for the period	-	1.3	0.2	1.5
Reclassifications	-	-	(0.1)	(0.1)
<b>At 27 February 2022</b>	<b>-</b>	<b>2.6</b>	<b>0.4</b>	<b>3.0</b>
<b>Net book value:</b>				
<b>At 27 February 2022</b>	<b>0.5</b>	<b>1.3</b>	<b>0.6</b>	<b>2.4</b>
At 28 February 2021	0.5	2.6	0.6	3.7

Goodwill acquired through business combinations is reviewed by the business at the company level. This represents the lowest level within the Company at which goodwill is monitored for internal management purposes. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the board covering a three-year period.

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2022 (continued)****11. Intangible assets (continued)****Sensitivity analysis**

The Company has performed impairment assessment of goodwill during the period, there is no impairment noted. The key estimate for the discount rate could have impact on recoverable amount.

**12. Tangible assets**

	<b>Land and buildings</b>	<b>Leasehold improvements</b>	<b>Plant, equipment and vehicles</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Cost</b>				
At 28 February 2021	7.1	1.3	6.5	14.9
Additions	-	-	3.2	3.2
Disposals	-	-	(0.3)	(0.3)
Transfer from/(to) group undertaking	-	(0.1)	0.2	0.1
<b>At 27 February 2022</b>	<b>7.1</b>	<b>1.2</b>	<b>9.6</b>	<b>17.9</b>
<b>Accumulated depreciation and impairment</b>				
At 28 February 2021	0.3	0.4	2.7	3.4
Charge for the period	0.3	0.2	1.0	1.5
Disposals	-	-	(0.3)	(0.3)
Reclassifications	-	(0.1)	0.2	0.1
<b>At 27 February 2022</b>	<b>0.6</b>	<b>0.5</b>	<b>3.6</b>	<b>4.7</b>
<b>Net book value:</b>				
<b>At 27 February 2022</b>	<b>6.5</b>	<b>0.7</b>	<b>6.0</b>	<b>13.2</b>
At 28 February 2021	6.8	0.9	3.8	11.5

**13. Leases**

Lease liabilities represent rentals payable by the Company for certain of its retail, distribution and office properties and other assets such as motor vehicles. The leases have varying terms, purchase options, escalation clauses and renewal rights. Purchase options and renewal rights, where they occur, are at market value. Escalation clauses are in line with market practices and include inflation linked, fixed rates, resets to market rents and hybrids of these.

**Right of use assets**

	<b>Land and buildings</b>	<b>Plant, equipment and vehicles</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Net carrying value at 28 February 2021	12.9	20.9	33.8
Additions and modifications	1.4	3.7	5.1
Depreciation charge for the year	(3.3)	(5.9)	(9.2)
<b>Net carrying value at 27 February 2022</b>	<b>11.0</b>	<b>18.7</b>	<b>29.7</b>

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27  
FEBRUARY 2022 (continued)****13. Leases (continued)****Lease liabilities**

The following tables show the discounted lease liabilities included in the Company balance sheet and a maturity analysis of the contractual undiscounted lease payments:

	2022 £m	2021 £m
<b>Lease liabilities</b>		
Current	8.0	9.5
Non-current	23.1	26.7
<b>Total lease liabilities</b>	<b>31.1</b>	<b>36.2</b>

	2022 £m	2021 £m
<b>Maturity analysis – contractual undiscounted lease payments</b>		
Within one year	8.5	10.0
Greater than one year but less than five years	21.8	25.1
After five years	2.2	2.7
<b>Total undiscounted lease payments</b>	<b>32.5</b>	<b>37.8</b>

	2022 £m	2021 £m
<b>Amounts recognised in the Profit and Loss Account</b>		
Interest on lease liabilities	0.6	0.6

**14. Stocks**

	2022 £m	2021 £m
Goods held for resale	28.6	30.0

**15. Debtors: amounts falling due within one year**

	2022 £m	2021 £m
Trade receivables	76.9	51.8
Amounts owed by Booker Group undertakings	41.4	26.6
	<b>118.3</b>	<b>78.4</b>

Of the amounts owed by Booker Group undertakings, all amounts are unsecured, bear interest at 1.62% and have no fixed payment date. The amounts receivable from Booker Group companies presented as current assets are expected to be settled within the next twelve months.

**16. Creditors: amounts falling due within one year**

	2022 £m	2021 £m
Trade creditors	125.0	89.6
Taxation and social security	1.2	3.9
Accruals	8.1	8.1
	<b>134.3</b>	<b>101.6</b>

**BOOKER DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 27  
FEBRUARY 2022 (continued)****17. Provisions**

	Property £m	Total £m
At 28 February 2021	5.6	5.6
Charged in the period	0.6	0.6
Unwinding of discount	0.2	0.2
<b>At 27 February 2022</b>	<b>6.4</b>	<b>6.4</b>

The property provisions relate to the expected future dilapidation cost on leasehold properties.

**18. Called up share capital**

	2022 £m	2021 £m
Allotted, called up and fully paid 50,768,400 ordinary shares of £0.01 each	0.5	0.5

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

**Capital contribution**

This represents the cost of share-based payments to employees which are satisfied by shares issued by the ultimate holding company, Tesco PLC.

**19. Share based payments**

The total charge for the period relating to employee share-based payments was £0.8m (2021: £nil) all of which related to equity-settled share-based transactions.

All colleagues are eligible to participate in a savings related Share Option Scheme which permits the grant to colleagues of options in respect of ordinary shares linked to a building society/bank save-as-you-earn contract for a term of three or five years with contributions from colleagues of an amount between £5 and £500 per four-weekly period. Options are capable of being exercised at the end of the three or five-year period at a subscription price of not less than 80% of the average of the middle-market quotations of an ordinary share over the three dealing days immediately preceding the offer date.

Selected senior colleagues have been granted three-year share-based awards. The vesting of options is normally conditional upon the achievement of specified performance targets over a three-year period and continuous employment. Options are normally exercisable between the third anniversary of the original date of grant and 10 years from the date of grant.

**20. Related party transactions**

During the period the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries within the Group.

**21. Ultimate group undertaking**

The Company's immediate parent undertaking is Booker Wholesale Holdings Limited. The Company's ultimate parent undertaking is Tesco PLC, which is registered in England and Wales, and which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Tesco PLC is listed on the London Stock Exchange therefore in the opinion of the directors there is no ultimate controlling party.

Copies of the Tesco PLC Annual Report and Financial Statements 2022 are available from the Company Secretary at the registered office address: Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom or from the Tesco Plc website.