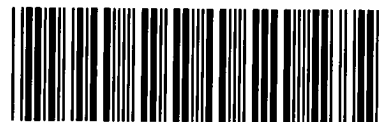


Registered no: 05936169

Property Newco Two Limited

**Annual report and financial statements
for the year ended 31 December 2016**

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Property Newco Two Limited

Annual report and financial statements for the year ended 31 December 2016

Directors' report	1
Directors' responsibilities statement	3
Independent auditor's report to the members of Property Newco Two Limited.....	4
Profit and loss account.....	6
Balance sheet	7
Statement of changes in equity	8
Notes to the financial statements	9

Property Newco Two Limited

Directors' report for the year ended 31 December 2016

The Directors present the Annual report and the audited financial statements for the year ended 31 December 2016.

The Directors' report has been prepared in accordance with the special provisions relating to small companies under section 415A of the Companies Act 2006.

The Company has taken advantage of the exemption under section 414B of the Companies Act 2006 to not prepare a strategic report.

Principle activities

The principle activity of the Company is the making of an investment in Merchant Properties Unit Trust.

Review of developments and future prospects

The profit and loss account is set out on page 6.

The Company made a pre-tax profit of £102,000 for the year ended 31 December 2016 (2015: £602,000).

The Directors believe the company is satisfactorily placed to enable it to trade profitably in future.

Directors

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

J. P. Carter	(resigned 18 July 2017)
A. D. Buffin	(resigned 11 July 2017)
D. Grimason	(appointed 18 July 2017)
A. R. Williams	(appointed 11 July 2017)

TP Directors Ltd

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

Going concern

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

Dividends

The Directors do not recommend the payment of a dividend (2015: £nil).

Property Newco Two Limited

Directors' report (continued)

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.

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

Approved and signed on behalf of the Board



A. R. Williams
Director

28 September 2017

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

Property Newco Two Limited

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with 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 judgments 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 to 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's report to the members of Property Newco Two Limited

We have audited the financial statements of Property Newco Two Limited for the year ended 31 December 2016 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 set out on page 4, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK GAAP; 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 Directors' report for the financial period is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



Greg Watts (Senior statutory auditor)
for and on behalf of KPMG LLP, Statutory Auditor

29 September 2017

Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Property Newco Two Limited
Profit and loss account
for the year ended 31 December 2016

	Note	2016 £000	2015 £000
(Loss)/gain on revaluation of fixed asset investments	6	(110)	462
Income from fixed asset investments		212	140
Operating profit and profit on ordinary activities before taxation		102	602
Tax charge on profit on ordinary activities	5	(21)	(81)
Profit on ordinary activities after taxation and profit for the financial year		81	521

All results relate to continuing activities.

There was no other comprehensive income for the year (2015: £nil).

Property Newco Two Limited

Balance sheet

as at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Investments	6	2,604	2,714
Creditors: amounts falling due within one year	7	(1,159)	(1,329)
Total assets less current liabilities		1,445	1,385
Provisions for other liabilities	8	(171)	(192)
Net assets		1,274	1,193
Capital and reserves			
Called-up share capital	10	-	-
Profit and loss account		1,274	1,193
Shareholders' funds		1,274	1,193

The notes on pages 9 to 16 form an integral part of these financial statements.

The financial statements of Property Newco Two Limited, registered number 05936169, were approved by the Board of Directors and authorised for issue on 28 September 2017. They were signed on its behalf by:



A. R. Williams
Director

Property Newco Two Limited
Statement of changes in equity
for the year ended 31 December 2016

	Share capital	Profit and loss	Total
	£000	account	£000
	£000	£000	
At 1 January 2015	-	672	672
Profit for the financial year and total comprehensive income	-	521	521
At 31 December 2015	-	1,193	1,193
Profit for the financial year and total comprehensive income	-	81	81
At 31 December 2016	-	1,274	1,274

Property Newco Two Limited

Notes to the financial statements

for the year ended 31 December 2016

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 2006. 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 Directors report on page 1.

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

Going concern

After reviewing the Company's forecasts and projections and taking account of the support available from its ultimate parent company, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the 12 months from the date of signing these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Financial instruments

The Company classifies its financial instruments in the following categories: financial assets, financial liabilities and investments at fair value through profit or loss.

a) Investments at fair value through profit or loss

The Company's investment at fair value through profit or loss consists of an investment in an unquoted property unity trust. The valuation of the investment is based on the Company's share of the Net Asset Value of the Unit Trust which holds investments in real estate at fair value, plus working capital less outstanding third party debt. These investments are initially stated at cost and subsequently at fair value, with resulting valuations gains or losses being recognised in profit or loss.

Property Newco Two Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial instruments (continued)

b) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing arrangement, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

c) Financial liabilities

Basic financial liabilities, including trade and other payables, loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

d) Fair value measurement

The Company's investments at fair value are required to be classified into a fair value hierarchy by reference to the observability and significance of the inputs used in making the measurement. Investments are classified as Level 3 as there are no observable inputs to the pricing of the investments.

Risk management

The Company is part of the Travis Perkins plc group. The Directors of the Group are responsible for the Group risk management framework. This comprises identifying and evaluating the risks that the Group faces and ensuring that appropriate controls and processes are in place to manage these risks. It also comprises responsibility for the oversight of the risk management process. An important part of the Group risk management framework is to have documented policies and procedures in place.

The Directors of the Company are responsible for ensuring that the Company complies with the Group's risk management framework. The Directors consider its risk management framework is appropriate for a company of its size and complexity.

a) Financial risk management

The Company is subject to a number of financial risks throughout its business. The primary risks are credit risk, liquidity risk and investment risk. The Company is not exposed to foreign exchange risk as the Company's investments are denominated in its functional currency.

b) Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet its obligations to pay outstanding amounts as they fall due. The Company's credit risk arises principally from cash balances with banks. Appropriate credit checks are required to be made on all counterparties to the Company. The Company only deposits money with appropriately rated counterparties.

Property Newco Two Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its payment obligations as they fall due or can only do so at significantly high cost. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due.

The Company monitors its cash flow requirements on a monthly basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. Liquidity risk is deemed to be minimal as the Company has few obligatory cash outflows and expenses are borne by other group companies.

c) Investment Risk

At 31 December 2015, the Company has investments in unit trusts managed by boards on which the Company has appropriate representation and is able to ensure that the funds are managed in accordance with the Group's policies and procedures.

Impairment of assets

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

a) Non-financial assets

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

b) Financial assets

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

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

Property Newco Two Limited

Notes to the financial statements (continued)

1 Accounting policies (continued)

Taxation

Current UK corporation 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, adjusted for prior year items.

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.

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. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

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

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

Deferred tax assets and liabilities are offset only if: 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.

Property Newco Two Limited

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, of which the main estimate refers to the recoverability of investments, 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.

3 Auditors' remuneration

The analysis of auditor's remuneration is as follows:

	2016 £000	2015 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	3	2

Fees payable to the Company's auditor for the audit of the Company's annual financial statements were borne by another Group Company.

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

4 Directors' remuneration

Two of the Directors are paid by other group companies and received total emoluments (including non-performance related bonus) of £1,990,000 (2015: £1,993,000), pension contributions of £18,000 (2015: £40,000) and performance related bonus of £118,000 (2015: £158,000) during the year, but it is not practicable to allocate their remuneration from other group companies for services rendered. In addition, of these two Directors (2015: two), none (2015: none) are accruing benefits under the Travis Perkins Pensions and Dependents' Benefit Scheme, which is a defined benefit pension scheme, and one (2015: one) are contributing towards the Travis Perkins Pension Plan, which is a defined contribution scheme, in respect of their service to other group companies.

No Directors paid directly by the Company exercised share options during the year (2015: none). Two Directors paid by another group company exercised share options during the year (2015: two).

The company had no employees during the year to 31 December 2016 (2015: nil).

Property Newco Two Limited

Notes to the financial statements (continued)

5 Tax on profit on ordinary activities

a) Tax expense included in profit or loss and other comprehensive income

	2016 £000	2015 £000
Current tax on profit on ordinary activities		
UK corporation tax	42	28
Total current tax	42	28
Deferred tax		
Current period	(21)	94
Adjustment in respect of prior years	-	(41)
Total deferred tax (note 9)	(21)	53
Total tax on profit on ordinary activities	21	81

b) Reconciliation of tax charge

The total tax charge for the year is higher (2015: lower) than the amount calculated by applying the standard rate of UK corporation tax to the Company's profit before tax is due to:

	2016 £000	2015 £000
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.25%)	20	122
Effects of:		
Deferred tax rate change	-	(41)
Other	1	-
Total tax charge for the year	21	81

Deferred tax balances at the balance sheet date have been calculated at the enacted rate of 17%.

c) Tax rate changes

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Further reductions to the UK Corporation tax rates were substantively enacted as part of the Summer Finance Bill 2015 on 26 October 2015 and the 2016 Finance Bill on 15 September 2016. These reduce the main rate to 19% from 1 April 2017 and 17% from 1 April 2020. The deferred tax assets and liabilities at the balance sheet date have been measured using these enacted rates in these financial statements.

Property Newco Two Limited

Notes to the financial statements (continued)

6 Fixed asset investments

	2016 £000	2015 £000
At 1 January	2,714	2,252
(Loss)/gain on investment	(110)	462
At 31 December	2,604	2,714

The carrying value of the investments is supported by their underlying net assets or trading.

Fixed asset investment at fair value through profit or loss represent a subscription to 15.06% (2015: 15.06%) of the units in Merchant Properties Unit, a property owning entity that acquired properties from the Travis Perkins Group in 2006. This investment presents the Company with opportunities to generate returns through both income and capital gains.

7 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Amounts owed to group undertakings	1,117	1,329
Corporation tax	42	-
	1,159	1,329

Amounts owed to group undertakings include loans and trade balances. The loans are interest free and have no fixed date for repayment. No security has been given in relation to any creditors.

8 Provisions for liabilities

	Deferred tax (note 9) £000
At 1 January 2016	192
Charged to profit and loss account	(21)
At 31 December 2016	171

The deferred tax liability relates to fixed asset investments (note 6). No amount is expected to reverse in 2017. There are no unused tax losses or unused tax credits.

Property Newco Two Limited

Notes to the financial statements (continued)

9 Deferred tax

The provided and unprovided amounts of deferred tax are:

	Provided	
	2016 £000	2015 £000
Revaluation of investments	171	192

There are no unprovided amounts of deferred tax.

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

10 Share capital and reserves

a) Share capital

	No.	£
Allotted and fully paid ordinary shares of £1 each		
At 1 January 2016 and at 31 December 2016	1	1

There were no changes to share capital during the year.

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

b) Reserves

The profit and loss reserve represents cumulative profits or losses.

11 Contingent liabilities

A £30,000,000 (2015: £30,000,000) overdraft facility advanced to the Group is guaranteed by the Company, along with other group companies. At the year-end the overdraft facility was not utilised.

12 Related party transactions

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

13 Ultimate parent company

The ultimate parent undertaking, controlling party and smallest and largest group to consolidate these financial statements is Travis Perkins plc, a company registered in England and Wales. Copies of the Travis Perkins plc group financial statements are available from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.