Registered no: SC042425

Keyline Builders Merchants Limited

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

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Keyline Builders Merchants Limited

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

Keyline Builders Merchants 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.

Future developments

An indication of future developments of the business is included in the Strategic report on page 3.

Directors

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

N. Bell

A. D. Buffin

J.P. Carter

F. Elkins

K. Griffin

S. Harris

C. Kavanagh

M. R. Meech

R. D. Proctor Resigned 6 October 2016

TP Directors Limited

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

Going concern

The Directors have a reasonable expectation that the Company has the resources to continue in operational existence for the twelve months from the date of signing these financial statements. Thus it continues to adopt the going concern assumption in preparing the annual financial statements. Further details regarding the going concern basis can be found in note 1 to the financial statements.

Dividends

An interim ordinary dividend of £10,000,000 (£0.128 per ordinary share) (2015: £30,000,000; £0.383 per ordinary share) was paid during the year. The Directors do not recommend payment of a final ordinary dividend (2015: £nil). A dividend of £332,000 (2015: £345,000) was paid on preference shares during the year.

Keyline Builders Merchants Limited

Directors' report (continued)

Employees

Details of the Company's policies on disabled employees and employee consultation are given in the Strategic report on page 14.

Modern slavery

The Group will not accept slavery or human trafficking and works with suppliers and colleagues to ensure positive steps are taken to ensure that slavery has no place in the business or supply chain. If issues are identified, investigations and remedial actions will be taken. No instances of slavery or human trafficking have been identified.

The Group's approach to this issue is set out in greater detail in the Group's Annual Report.

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

Approved and signed on behalf of the Board

J. P. Carter
Director

26 May 2017

Suite S3
8 Strathkelvin Place
Kerkintilloch
Scotland
G66 1XT

Keyline Builders Merchants Limited

Strategic report
for the year ended 31 December 2016

Principal activities

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

The principal activity of the Company during the year is the marketing and distribution of timber, heavy building materials, and civils and drainage solutions to the building trade and construction industry within the United Kingdom.

Review of the business

Keyline achieved strong like-for-like sales growth in 2016, with the growth rate increasing in the second half of the year demonstrating further market share gains in the heavy civils and drainage market. Overall sales were modestly reduced to £484.4m (2015: £494.5m) following 13 branches transferring to Travis Perkins, reducing the remaining branch network to 64.

The Company made an operating profit of £32.7m for the year to 31 December 2016 (2015: £26.6m) and income from investment properties was £1.8m (2015: £1.6m). The Company's profit after tax was £25.9m for the year to 31 December 2016 (2015: £21.6m) which includes the impact of £1.1m of exceptional items relating to a branch and distribution centre closure program together with other cost reduction measures which was announced by the Group in October 2016.

The balance sheet on page 19 of the financial statements shows that, following the payment of dividends of £10.3m, the Company's net assets increased by £16.0m to £266.1m (2015: £250.1m).

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

Key performance indicators ("KPIs")

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

Future developments

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

Keyline Builders Merchants Limited

Strategic report (continued)

Principal risks and uncertainties

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

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

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

The risk environment in which the Company operates does not remain static. The nature of risk is that its scope and potential impact will change over time. As such the list below should not be regarded as a comprehensive statement of all potential risks and uncertainties that may manifest themselves in the future. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, could also have an adverse effect on the Company's future operating results, financial condition or prospects.

The table below sets out, in no particular order, the current principal risks that are considered by the Board to be material, their potential impacts and the factors that mitigate them. The inherent risk (before the operation of control) is stated for each risk area together with an indication of the current trend for that risk.

Inherent Risk, Level and Trend	Risk Description	Impact	Risk Mitigation
Market conditions Inherent Risk: ▲▲▲ Trend: ⬆	The Company's products are sold to businesses, tradesmen and retail customers for a broad range of end uses in the built environment. The Company's markets are cyclical in nature and the performance of those markets is affected by general economic conditions and a number of specific drivers of construction, RMI and DIY activity, including mortgage availability and affordability, housing transactions and the timing and nature of government activity to stimulate activity, net disposable income, house price inflation, consumer confidence, interest rates and unemployment. A significant downturn in economic conditions or alternatively major uncertainty about the future outlook could affect the Company's markets levels of construction activity and the confidence levels of the Company's customers, which could reduce their propensity to purchase products and services from the Company's businesses.	Adverse effect on financial results	The Board conducts an annual review of strategy, which includes an assessment of likely competitor activity, market forecasts and possible future trends in products, channels of distribution and customer behaviour. The Company maintains a comprehensive tracking system for lead indicators that influence the market for the consumption of building materials in the UK. Significant events including those in the supply chain that may affect the Group are monitored by the Travis Perkins Executive Committee and reported to the Travis Perkins plc Board monthly by the Group CEO. Should market conditions deteriorate then the Board has a range of options dependent upon the severity of the change. Historically these have included amending the Company's trading stance, cost reduction, lowering capital investment and cutting the dividend.
Competitive pressures place pressure on prices, margins and profitability Inherent Risk: ▲▲▲ Trend: ⟺	Market trends, particularly in respect of customers' preferences for purchasing materials through a range of supply channels and not just through the Company's traditional competitors may affect the Company's performance so making traditional branch based operations less relevant or	Adverse effect on financial results.	Changes to market practice are tracked on an on-going basis and reported to the Board each month. The Company is building multi-channel capabilities that complement its existing operations and provide its customers with the opportunity to transact with the Company

	profitable. Increased price transparency could cause customers to perceive that the Company is less competitive than some other competitors. Public sector buying Companies could reduce sales if public bodies chose to buy direct from manufacturers. Disintermediation may become more of a threat if manufacturers decide to deal directly with end users. The Company faces the risk of new entrants to any of its markets, including from businesses currently operating outside its industry or only in overseas markets.		through channels that best suit their needs. Pricing strategies across the Company are regularly reviewed and where necessary refined to ensure they remain competitive. The development of new, innovative and competitive supply solutions is a key strength of the Company. It works closely with customers and suppliers on a programme of continuous improvement designed to improve its customer proposition. The Company's strategy allows it to use sites flexibly. Alternative space utilisation models are possible, including maintaining smaller stores and implanting additional services into existing branches.
Information technology capabilities impact the Company's ability to trade profitably Inherent Risk: ▲ ▲ Trend:	The Company depends on a wide range of complex IT systems, both in terms of the availability of hardware and the efficient and effective operation of software. The rapid expansion of the Company together with an increasing demand for IT services, particularly as the Company embraces modern platforms such as multi-channel, updates its point of sale systems and develops its supply chain capabilities, could result in development programmes being delayed or new IT systems and change management systems not being successfully implemented. Should a system become unavailable for an extended period either through	Adverse effect on financial results. Adverse effect on the Company's reputation.	The strategic demands of the business, the resources available to IT, the performance levels of key systems and IT security are kept under review by the Travis Perkins Executive Committee. Plans that require continual investment in the IT infrastructure have been approved and are being implemented. Maintenance is undertaken on an on-going basis to ensure the resilience of Company systems, with escalation procedures operating to ensure any performance issues are resolved at an early stage. The Travis Perkins group has two data centres which mirror each other with data processing capable of being switched from

	deliberate act or through accidental failure it could impact the business' ability to trade. Incidents of sophisticated cyber-crime represent a significant and increasing threat to all businesses including the Company. A major breach of system security could result in system disruption to systems and / or the theft and misuse of confidential data with consequential impacts on the Company's reputation or ability to trade.		one site to the other. An IT disaster recovery plan exists together with a business continuity plan. Arrangements are in place for alternative data sites for both trade and consumer businesses. Off-site back-up routines are in place. The Group has a data security committee responsible for monitoring and maintaining cyber security. In addition a programme of risk oriented reviews is undertaken to ensure the level of control around IT systems remains robust. The Group has a team in place to deliver comprehensive security architecture to protect it from cyber-crime. Investments in best of breed solutions have been made that continually adapt to mitigate the risk associated with the most advanced threats. Furthermore, the Information Security team has the full support of senior management acting as an important gateway to ensure the development of new systems is performed according to industry standard security practices.
Colleague recruitment, retention and succession plans do not deliver the required skills and experience Inherent Risk: ▲ Trend: ⟺	The ability to recruit, retain and motivate suitably qualified staff is an important driver of the Company's overall performance. The strength of the Company's customer proposition is underpinned by the quality of people working throughout the Company. Many of them have worked for Travis Perkins for some considerable time, during which they have gained valuable knowledge and	Inability to develop and execute development and succession plans. Competitive disadvantage.	The Company's employment policies and practices are kept under regular review. Staff engagement and turnover by job type is reported to the Travis Perkins Executive Committee regularly and to the Travis Perkins plc Board regularly. Succession plans are established for the most senior positions within the Company and these are reviewed annually. The Company's reward and

	expertise. The Company faces competition for the best people from other organisations. Ensuring the retention, proper development of employees and the succession for key positions is important if the Company is not to suffer an adverse effect on future prospects.		recognition systems are actively managed to ensure high levels of employee engagement. A wide-range of training programmes are in place to encourage staff development, whilst management development programmes are available to those identified for more senior positions. Salaries and other benefits are benchmarked regularly to ensure that the Company remains competitive and the Company operates incentive structures to ensure that high performing colleagues are adequately rewarded and retained.
Supplier dependency could result in shortages of product Inherent Risk: ▲ ▲ Trend: ⇔	The Company is the largest customer to many of its suppliers. In some cases, those suppliers are large enough to cause significant supply difficulties to the Company if they are unable to meet their supply obligations due to either economic or operational factors. Alternative sourcing may be available, but the volumes required and the time it may take those suppliers to increase production could result in significant stock-outs for some considerable time. The Company has become more reliant on overseas factories producing products as the Company has rapidly expanded its direct sourcing capabilities. This has increased the Company's exposure to sourcing, quality, trading, warranty and currency issues.	Adverse effect on financial results. Adverse effect on reputation.	The commercial and financial teams have established strong relationships with the Company's key suppliers and work closely with them to ensure the continuity of quality materials. To spread the risk where possible contracts exist with more than one supplier for key products. The Company has made a significant investment in its Far East infrastructure to support its direct sourcing operation which allows the development of own brand products, thereby reducing the reliance on branded suppliers. Comprehensive checks are undertaken on the factories producing products and the quality and the suitability of that product before it is shipped to the UK.

	There is a potential for European anti-dumping legislation to be extended to encompass further Asian countries which could increase the cost of some imported products.		
Defined benefit pension scheme funding could increase significantly Inherent Risk: ▲▲ Trend: ⟺	The Company is required by law to maintain a minimum funding level in relation to its on-going obligations to provide current and future pensions for members of the Group's defined benefit pension schemes. The level of contributions required from the Company to meet the benefits promised in the final salary scheme will vary depending upon the funding position of the schemes. The funding of pension obligations could increase significantly due to a number of factors including poor performance of the pension fund investments, falling corporate bond and gilt yields and increasing longevity of pension scheme members.	Adverse effect on financial condition.	The final salary pension scheme is closed to new members. The pensionable salary inflation has been capped at 3% per annum. The scheme's investment policies are kept under regular review by the trustees in conjunction with the Company to ensure asset portfolios produce the desired level of return within an acceptable risk profile. The Company has agreed deficit reduction payment plans for its defined benefit pension scheme with the Trustees of the scheme. The repayment plan will remain in place until the next actuarial valuation, when in conjunction with the Scheme Trustees it will be reassessed to take into account the circumstances at the time. In 2015 the Company agreed with the Trustees to align future member contributions more closely to the cost of the accrual and in so doing capping the current service contribution of the Company. Notwithstanding this the Company remains exposed to movements in member longevity, the value of pension scheme investments and falling corporate bond and gilt rates.

Future expansion plans are not implemented due to the unavailability of funding or do not achieve the desired sales and profit improvements Inherent Risk: ▲ Trend: ⟺	The Company's strategic plans are predicated on the continued expansion of its UK branch network and the development of its supply chain capabilities. Large scale acquisitions in existing UK markets are unlikely due to the Company's size and the potential concerns of the competition authorities to ensure competitive markets. Therefore the Company will rely on developing smaller scale opportunities, in new catchment areas or in new formats within existing sites or on expanding into adjacent markets in which it does not have a presence. The Company also needs to ensure that funding is available to support its plans. It is a party to the Travis Perkins group banking facilities. The Travis Perkins group has been reliant on the banking market for funding, a market that has contracted in recent years and which may continue to contract in the future. It has an established bond issuance capability, but the availability of funds from that market at a sensible cost may depend upon the Company's rating which can be affected by its trading performance.	Adverse effect on financial results.	Responsibility for identifying and implementing opportunities to expand the Company's operations rests with each of the divisional boards, with capital being deployed to those projects giving the best return on capital. The Company has identified a significant number of opportunities for expansion throughout the United Kingdom and continues to develop alternative trading formats that will open up additional opportunities in future. The Company continues to invest in its leading supply chain infrastructure. Its capabilities in this area allow it to source directly from manufacturers, offer superior availability to customers and operate cost efficient mechanisms to deliver products to customers when they most need them. It is the responsibility of the treasury function to manage the Company's liquidity, funding availability and treasury risk by reference to the policies and plans set out in the board approved funding strategy. Regular reporting of a series of key metrics is designed to monitor treasury activities and maintain opportunities to diversify sources and access suitable funding.
Business transformation projects fail to deliver the expected benefits,	The Company is undertaking a large number of strategic projects throughout its business. These projects are intended to transform the	Adverse effect on financial results.	All potentially significant projects are subject to detailed investigation, assessment and approval prior to commencement.

cost more or take longer to implement than expected Inherent Risk: ▲▲ Trend: ⟺	Company's infrastructure and its information technology systems and to develop its supply chain operations and its branch and store networks. By their nature, strategic projects are often complicated, interlinked and require considerable resource to deliver them. As a result the expected benefits and the costs of implementation of each project may deviate from those anticipated at their outset.		Dedicated teams are allocated to each project, with additional expertise being brought into the Company to supplement existing resource when necessary. All strategic projects are closely monitored by the Travis Perkins Executive Committee with regular reporting to the Travis Perkins plc Board
UKs decision to leave the European Union Inherent Risk: ▲▲▲ Trend: ⬆	The result of the UK vote to leave the European Union has caused considerable market uncertainty, which has resulted in a significant weakening of sterling against the US dollar and the Euro, the main currencies used by the Company for imported goods. The effect on the Company's operations is unlikely to become clear until full details emerge about how the UK will seek to engineer its exit from the EU and the EU responds.	Adverse effect on financial results	It is too early to determine the effect of the decision to leave, but the Board is closely monitoring market conditions and will react accordingly. The Board has already taken steps to reduce some costs, but is carefully balancing the current needs of the business against what may or may not occur in the future. The Company continues to invest in the business where those investments are expected to realise acceptable returns, but it is prepared to reduce activity levels should market conditions so dictate. Where the cost of goods increases due to the exchange rate deteriorating, the Company will seek to pass those price increases through to its customers, but its ability to do so will depend upon market conditions at the time.

Legislation Inherent Risk: ▲▲ Trend: ⟺	The Company is subject to a broad range of existing and evolving governance, environmental, health and safety and other laws, regulations, standards and best practices which affect the way the Company operates and give rise to significant compliance costs, potential legal liability exposure and potential limitations on the development of the Company's operations.	Adverse effect on the Company's reputation, Adverse effect on branch operations. Adverse effect on financial performance	The Company's legal team is responsible for monitoring changes to laws and regulations that affect the business. The Company has policies in place that set out the ways employees and suppliers are expected to conduct themselves. Those expectations are widely disseminated using a range of methodologies to ensure colleagues and suppliers understand their responsibilities to comply with the law and other regulations affecting the Company at all times. The Travis Perkins Group Board and the Executive Committee regularly monitor compliance with laws and regulations. The Company operates a whistleblowing process that allows the anonymous reporting of non-compliance with health and safety, environmental, bribery and other laws and regulations.
Corporation Tax Inherent Risk: ▲ Trend: ⟺	The Travis Perkins group (the "Group") has a number of unresolved disputes with HMRC about the tax treatment of several commercial transactions undertaken in previous years, some of which the Company is a party to. Based on legal and tax technical advice the Group claimed £72m of tax benefits in its tax returns for several years and reduced its tax payments accordingly, although following a change in legislation in 2015, the Group subsequently paid HMRC £52m of the amount withheld.	Adverse effect on the Company's reputation, Adverse effect on financial performance	Given the lack of agreement with HMRC about the interpretation of key areas of the disputed transactions, coupled with the current tax litigation environment and HMRC's policy for pursuing such a route the Group has recognised a £20m provision for the disputed amounts claimed by HMRC and has not recognised any benefit in its income statement for the £52m tax legislation required it to pay to HMRC in respect of the disputed amounts, which it hopes will be repaid in future.

	HMRC have disputed the Group's interpretation of the tax legislation. Whilst the Company believes it has acted appropriately when submitting its tax returns, HMRC has the power to levy penalties in circumstances where it believes a tax payer has been negligent,		The Company has a governance structure that requires specialist third party technical advice to be obtained on significant tax treatments before the Board of Directors agrees to the tax position to be adopted by the Company. Accordingly, it does not believe that its actions can be considered negligent and therefore should the Group's views ultimately not prevail the Company does not believe HMRC will have any basis for levying penalties. In the event that the Group's view does not prevail, interest will be payable on previously unpaid amounts. Given the current uncertainty interest payable by the Company has been fully accrued in the financial statements.

Corporate responsibility

Environment

The Travis Perkins Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities.

The Company operates in accordance with group policies, which are described in the Group's Annual Report, which does not form part of this report. Initiatives designed to minimise the Company's impact on the environment include improving energy use efficiency, reducing the amount of CO_2 emissions and minimising the consumption of water and the production of waste (both hazardous and non-hazardous).

Keyline Builders Merchants Limited

Strategic report (continued)

Employees

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

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company's employment policies have been designed to meet the needs of its business, and follow best practice whilst complying with both current and anticipated legislation. Applied consistently throughout the Company they provide a fair framework within which employees work.

The Company is firmly committed to ensuring that the manner in which it employs staff is fair and equitable. Its equal opportunities policy is designed to ensure that no person or group of individuals will be treated less favourably because of their race, colour, ethnic origin, gender or sexual orientation, age or disability.

The Company maintains a policy of regular consultation and discussion with its employee on a wide range of issues that are likely to affect their interests and ensure that all employees are aware of the financial and economic performance of their business units and of the Company as a whole.

With branches throughout the United Kingdom, the Company recognises its role in and responsibilities towards local communities. Branches are encouraged to support their local communities through involvement in local affairs, such as by sponsoring organisations or donating materials to projects.

Approved and signed on behalf of the Board

J. P. Carter
Director

26 May 2017

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.* Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Keyline Builders Merchants Limited

We have audited the financial statements of Keyline Builders Merchants Limited for the year ended 31 December 2016 set out on pages 18 to 42. The financial reporting framework that has been applied in their preparation is applicable law and UK 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 15, 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 Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year 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 Strategic report and 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.

Independent auditor's report (continued)

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.

G Watts 26 May 2017

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

Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Keyline Builders Merchants Limited

Profit and loss account
for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	3	**484,400**	494,450
Cost of sales		**(391,657)**	(402,714)
Gross profit		**92,743**	91,736
Selling and distribution costs		**(46,798)**	(51,548)
Other administrative expenses		**(13,947)**	(15,937)
Exceptional items	4	**(1,118)**	-
Administrative expenses		**(15,065)**	(15,937)
Other operating income		**1,825**	2,329
Operating profit	4	**32,705**	26,580
Net interest expense		**-**	(1)
Profit on ordinary activities before taxation		**32,705**	26,579
Tax charge on profit on ordinary activities	8	**(6,845)**	(4,949)
Profit on ordinary activities after taxation being profit for the financial year		**25,860**	21,630

All results relate to continuing activities.

There were no recognised gains or losses other than the profits for the years as shown above.

Keyline Builders Merchants Limited

Balance sheet
as at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible fixed assets	9	**19,700**	40,094
Intangible fixed assets	10	**3,948**	4,236
Investments	11(a)	**1,269**	1,269
Investment properties	11(b)	**-**	20,992
		24,917	66,591
Current assets			
Stocks	12	**28,626**	31,605
Debtors	13	**346,209**	336,808
Cash at bank and in hand		**12,455**	8,585
		387,290	376,998
Creditors: amounts falling due within one year	14	**(136,049)**	(184,581)
Net current assets		**251,241**	192,417
Total assets less current liabilities		**276,158**	259,008
Creditors: amounts falling due after more than one year	15	**(6,000)**	(6,000)
Provisions for other liabilities	16	**(4,040)**	(2,901)
Net assets		**266,118**	250,107
Capital and reserves			
Called-up share capital	19	**85,543**	85,543
Share premium account	19	**1,306**	1,306
Capital contribution reserve	19	**110**	110
Profit and loss account		**179,159**	163,148
Shareholders' funds		**266,118**	250,107

The notes on pages 21 to 42 form an integral part of these financial statements.

The financial statements of Keyline Builders Merchants Limited, registered number SC042425, were approved by the Board of Directors and authorised for issue on 26 May 2017. They were signed on its behalf by:

J. P. Carter
Director

Keyline Builders Merchants Limited

Statement of changes in equity
for the year ended 31 December 2016

	Share capital £000	Share premium account £000	Capital contribution reserve £000	Profit and loss account £000	Total £000
At 1 January 2015	85,543	1,306	110	171,366	258,325
Profit for the financial year and total comprehensive income	-	-	-	21,630	21,630
Dividends paid on equity shares	-	-	-	(30,000)	(30,000)
Dividends paid on preference shares	-	-	-	(345)	(345)
Capital contribution from parent	-	-	-	497	497
At 31 December 2015	85,543	1,306	110	163,148	250,107
Profit for the financial year and total comprehensive income	-	-	-	25,860	25,860
Dividends paid on equity shares	-	-	-	(10,000)	(10,000)
Dividends paid on preference shares	-	-	-	(332)	(332)
Capital contribution from parent	-	-	-	483	483
At 31 December 2016	**85,543**	**1,306**	**110**	**179,159**	**266,118**

Keyline Builders Merchants 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. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 3 to 14.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain properties, 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. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

Going concern

The Company is a subsidiary of Travis Perkins plc. The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company is a guarantor company for the Group's borrowing facilities. The Company's ability to operate as a going concern is therefore directly linked to the Group's position.

As described in the viability assessment on page 36 of the Travis Perkins plc group Annual Report, the Board of Travis Perkins plc had a reasonable expectation as at 14 March 2017, based upon the assessment it had undertaken which was described in the directors' statement, that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

On the basis of their assessment of the Company's financial position and the viability assessment by the Board of Travis Perkins plc, the Company's Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue in operational existence for the 12 months from the date of signing these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1 Accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is twenty years. The Company has deemed twenty years to be the useful economic life based on the fact that the brand is a significant brand in its sector with significant history and significant growth prospects. Provision is made for any impairment.

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

Tangible fixed assets

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

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

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

Financial instruments

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

Investments in subsidiary undertakings are stated at cost less provision for impairment where appropriate. Investments held as current assets are stated at the lower of cost and net realisable value.

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated on a weighted average cost methodology. Provision is made where necessary for obsolete and slow moving items.

Impairment of assets

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

a) Non-financial assets

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

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

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

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.

1 Accounting policies (continued)

Leases

a) Finance leases

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

b) Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual installments over the periods of the leases. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Foreign currencies

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

Taxation

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

1 Accounting policies (continued)

Taxation (continued)

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

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Pension costs

The Company operates a defined contribution pension plan for its employees. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

For defined benefit schemes, operating profit is charged with the cost of providing pension benefits earned by the employees in the period. The Group accounts for pensions using IAS 19 – Employee Benefits. The Company accounts for pensions using FRS 102, thus as stated in note 18 and in accordance with the rules set out in FRS 102, contributions to the Group's defined benefit scheme are charged to the profit and loss account as they become payable.

Share-based payments

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

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

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

1 Accounting policies (continued)

Provisions

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

Supplier income

Supplier income comprises fixed price discounts, volume rebates and customer sales support.

Fixed price discounts and volume rebates received and receivable in respect of goods which have been sold are initially deducted from the cost of inventory and therefore reduce cost of sales in the income statement when the goods are sold. Where goods on which the fixed price discount or volume rebate has been earned remain in inventory at the year-end, the cost of that inventory reflects those discounts and rebates (see inventory accounting policy).

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

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

Other promotional arrangements are not significant.

Customer rebates

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

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.

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

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

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

Supplier income

The overwhelming majority of supplier income, in excess of 85% by value is determined by reference to fixed price discounts on actual purchases with less than 5% being volume rebates that are subject to stepped rebate targets, the rebate percentage increasing as values or volumes purchased reach pre-agreed targets. However, by the year-end the Company knows whether those targets were reached.

Approximately 80% of amounts receivable for supplier income are received during the year as they are earned and settled monthly, although some agreements may also stipulate quarterly, bi-annual or annual payments; with only two of the arrangements not being co-terminus with the Company's statutory year end. Therefore the key judgements relate to the total value of rebates and fixed price discounts still to be received at the year-end and the amount to be set against the gross value of inventory. These are determined using established methodologies and in the case of collectability management's knowledge of the parties involved and historical collection trends.

Other supplier income relates to customer sales support received in respect of sales of specific products to specific customers which is included in the income statement when the relevant sale occurs, i.e. when all conditions for it to be earned have been met.

Insurance provisions

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

3 Turnover

Turnover is recognised when goods are received by the customer and the risks and rewards of ownership have passed to them. Turnover is measured at the fair value of consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of customer rebates, discounts and value added tax. The Company supplies all goods within the United Kingdom. All turnover (2015: all turnover) is generated from the sale of goods.

4 Operating profit

In October 2016, as a result of economic uncertainty the Group announced a number of branch and distribution centre closures together with other cost reduction measures. The exceptional items charge of £1,118,000 consists of associated property, redundancy and other costs. Further details of this cost reduction program are given in the financial statements of Travis Perkins plc.

Operating profit is stated after charging/(crediting):

	2016 **£000**	2015 £000
Depreciation of tangible fixed assets	**4,113**	3,740
Amortisation of goodwill	**288**	288
Profit on disposal of fixed assets	**54**	(468)
Impairment of trade receivables	**529**	763
Inventory recognised as an expense	**397,625**	402,714
Investment property income	**(1,825)**	(1,595)
Property revaluation	**-**	(435)
Operating lease charge – plant and equipment	**778**	1,053
Operating lease charges – property	**3,443**	2,871

The analysis of auditor's remuneration is as follows:

Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**41**	32

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

5 Directors' remuneration

Eight of the Directors are paid by other group companies and received total emoluments (including non-performance related bonus) of £4,637,000 (2015: £4,497,000), pension contributions of £67,000 (2015: £149,000) and performance related bonus of £198,000 (2015: £312,000) during the year, but it is not practicable to allocate their remuneration from other group companies for services rendered. In addition, of these nine Directors (2015: eight), one (2015: one) are accruing benefits under the Travis Perkins Pensions and Dependents' Benefit Scheme, which is a defined benefit pension scheme, and five (2015: five) are contributing towards the Travis Perkins Pension Plan, which is a defined contribution scheme, in respect of their service to other group companies.

The remuneration paid directly to the Directors of Keyline Builders Merchants Limited by the Company.

	2016	2015
	£000	£000
Salary	**192**	189
Pension contributions	**17**	16
Other emoluments (excluding performance related bonus)	**150**	38
	359	243

The number of Directors who were members of a defined benefit scheme are:

	2016	2015
	No.	No.
Number of Directors who are members of a defined benefit scheme	**1**	1

One Director paid directly by the Company exercised share options during the year (2015: one). Seven Directors paid by another group company exercised share options during the year (2015: eight).

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

	2016	2015
	£000	£000
Emoluments	**342**	227
Accrued pension	**17**	16

The highest paid Director exercised (2015: exercised) share options during the year.

6 Employee information

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

	2016 No.	2015 No. (Restated)
Selling and distribution	**1,046**	930
Administration	**78**	137
	1,124	1,067

The average number of employees in 2015 has been restated to reflect a change in the method adopted by the Group to allocate employees engaged in central functions to its businesses.

The associated staff costs were:

	2016 £000	2015 £000
Wages and salaries	**28,144**	30,053
Social security costs	**2,428**	2,607
Pension and post-retirement benefit contributions (note 18)	**1,403**	1,996
Share-based payments (note 7)	**483**	497
	32,458	35,153

7 Share-based payments

The Company charged £483,000 (2015: £497,000) to the income statement in respect of equity-settled share-based payment transactions during the year.

a) Executive options

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

b) SAYE

The employee Save-As-You-Earn (SAYE) share purchase plan is open to all employees with at least three months' service and provides for the purchase of shares at a price equal to the three day average market price before the date of invitation to the plan, less 20%. Employees may participate in the Employee Share Savings Plan for a three or five year period.

7 Share-based payments (continued)

c) Nil price options

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

8 Tax on profit on ordinary activities

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

	2016	2015
	£000	£000
Current tax on profit on ordinary activities		
UK corporation tax	**6,778**	4,946
Adjustment in respect of prior years	**13**	(186)
Total current tax	**6,791**	4,760
Deferred tax		
Origination and reversal of timing differences	**167**	163
Adjustment in respect of prior years	**(113)**	26
Total deferred tax (note 16)	**54**	189
Total tax on profit on ordinary activities	**6.845**	4,949

8 Tax on profit on ordinary activities (continued)

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 due to:

	2016 £000	2015 £000
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.25%)	**6,542**	5,382
Effects of:		
Expenses not deductible for tax purposes	**162**	154
Depreciation on non-qualifying property	**108**	109
Adjustment in respect of prior years	**(100)**	(160)
Deferred tax rate change	**(4)**	(11)
Property sales	-	(56)
Revaluation of property	-	(88)
Share-based payments	**205**	100
Schedule 23 deduction	**(68)**	(481)
Total tax charge for the year	**6,845**	4,949

Deferred tax balances at the balance sheet date have been calculated by reference to 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.

9 Tangible fixed assets

	Freehold property £000	Short leasehold property £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2016	21,142	8,575	43,569	73,286
Additions	11	219	2,592	2,822
Disposals	(4)	(14)	(1,588)	(1,606)
Intragroup transfers	(21,149)	(5,426)	(4,913)	(31,488)
At 31 December 2016	**-**	**3,354**	**39,660**	**43,014**
Depreciation				
At 1 January 2016	5,877	4,798	22,517	33,192
Charge for the year	323	332	3,458	4,113
Disposals	-	(2)	(1,413)	(1,415)
Intragroup transfers	(6,200)	(3,065)	(3,311)	(12,576)
At 31 December 2016	**-**	**2,063**	**21,251**	**23,314**
Net book value				
At 31 December 2016	**-**	**1,291**	**18,409**	**19,700**
At 31 December 2015	15,265	3,777	21,052	40,094

Included in freehold property at 31 December 2015 was freehold land of £9,190,000 which was not depreciated. All freehold property was transferred to other Group companies in the period at net book value.

The net book value of leasehold property includes an amount of £nil (2015: £978,000) in respect of leases with a contract term of less than 50 years.

10 Intangible fixed assets

	Goodwill £000
Cost	
At 1 January 2016	29,077
At 31 December 2016	29,077
Accumulated amortization and impairment	
At 1 January 2016	24,841
Amortisation	288
At 31 December 2016	**25,129**
Net book value	
Net book amount at 31 December 2016	**3,948**
Net book amount at 31 December 2015	4,236

Goodwill is amortised over its useful economic life and the remaining amortisation period is between 3 and 16 years.

11 Fixed asset investments

a) Investments in subsidiary undertakings

	2016 £000	2015 £000
At 1 January	**1,269**	1,269
At 31 December	**1,269**	1,269

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

Keyline Builders Merchants Limited

Notes to the financial statements (continued)

11 Fixed asset investments (continued)

Details of the investments in subsidiary undertakings are as follows:

Name of subsidiary	Country of incorporation	Type and percentage of shares held	Nature of business
Keyline (CML) Limited	England and Wales	100% ordinary shares	Dormant
Baird Lindsay Limited	Scotland	100% ordinary shares	Dormant
Edwards & Company (Longfield) Limited	England and Wales	100% ordinary shares	Dormant
Monteith Building Services Limited	Scotland	100% ordinary shares	Dormant
John H Turner & Lisney Limited	England and Wales	100% ordinary shares	Dormant
Palpak Marketing Limited	England and Wales	100% ordinary shares	In liquidation
Blyth & Taylor (Builders Merchants) Limited	England and Wales	100% ordinary shares	In liquidation
Blyth & Taylor (Hants) Limited	England and Wales	100% ordinary shares	Dormant

The registered office of all subsidiary undertakings is Lodge Way House, Lodge Way, Harlestone Road, Northampton, England, NN5 7UG apart from the following:

Name of subsidiary	Registered office
Baird Lindsay Limited	Suite S3, 8 Strathkelvin Place, Kirkintilloch, G66 1XT
Monteith Building Services Limited	Suite S3, 8 Strathkelvin Place, Kirkintilloch, G66 1XT
Palpak Marketing Limited	Mazars LLP, 45 Church Street, Birmingham, B3 2RT
Blyth & Taylor (Builders Merchants) Limited	Mazars LLP, 45 Church Street, Birmingham, B3 2RT

11 Fixed asset investments (continued)

b) Investment properties

	Total £000
At 1 January 2015	27,498
Additions	119
Disposals	(7,060)
Net gains arising from revaluation	435
At 1 January 2016	20,992
Intragroup transfers	(20,992)
At 31 December 2016	-

All transfers of tangible fixed assets to other Group companies were made at the recorded value.

12 Stocks

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

Inventories are stated after provisions for impairment of £1,192,000 (2015: £784,000).

13 Debtors

	2016 £000	2015 £000
Amounts falling due within one year		
Trade debtors	**76,762**	74,103
Other debtors	**18,082**	26,901
Prepayments and accrued income	**573**	456
Amounts owed by group undertakings	**250,792**	235,348
	346,209	336,808

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

Trade debtors are stated after provisions for impairment of £1,152,000 (2015: £1,156,000).

Keyline Builders Merchants Limited

Notes to the financial statements (continued)

14 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	**80,298**	83,948
Amounts owed to group undertakings	**40,913**	89,239
Corporation tax	**3,880**	2,448
Other creditors	**7,512**	6,649
Accruals and deferred income	**3,446**	2,297
	136,049	184,581

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.

15 Creditors: amounts falling due after more than one year

	2016	2015
	£000	£000
10% redeemable cumulative participating preference shares of £1 each	**6,000**	6,000

The dividends attributable to the 10% redeemable cumulative participating preference shares have been waived by the holder of these shares, being Keyline (UK) Limited prior to 4 June 1999 and Travis Perkins plc, the parent undertaking, from 4 June 1999. No accrued rights in respect of these dividends have been retained by either Keyline (UK) Limited or Travis Perkins plc. Thus no dividends have been accrued or appropriations made in respect of these non-equity shares, as the prospect of ultimate payment is remote. There are no other finance costs attributable to these shares.

The holder of the 10% redeemable cumulative participating preference shares has no right to attend or vote at General Meetings of the Company unless the business of such meeting involves a resolution to alter the Articles of Association of the Company, wind up the Company, increase or decrease the authorised or issued share capital of the Company or vary the rights attributable to any class of shares. In such event the holder shall be entitled to receive notice of and attend the meeting at which any such resolution is proposed and to vote upon any such resolution.

Notes to the financial statements (continued)

16 Provisions for liabilities

	Deferred tax (note 17)	Onerous leases	Insurance excess	Exceptional	Total
	£000	£000	£000	£000	£000
At 1 January 2016	171	36	2,694	-	2,901
Charged to profit and loss account	54	201	281	836	1,372
Utilised during the year	-	(103)	(130)	-	(233)
At 31 December 2016	**225**	**134**	**2,845**	**836**	**4,040**

The onerous lease provisions will be utilised over the life of the properties to which they relate, the longest being eight years.

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

In October 2016, as a result of economic uncertainty the Group announced a number of branch and distribution centre closures together with other cost reduction measures. The £836,000 provided for in the Company consists of associated property, redundancy and other costs. Further details of this cost reduction program are given in the financial statements of Travis Perkins plc.

17 Deferred tax

The provided and unprovided amounts of deferred tax are:

	Provided		Unprovided	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Capital allowances in excess of depreciation	**352**	371	-	-
Share options	**(127)**	(200)	-	-
Deferred property gains	-	-	-	3,342
	225	171	-	3,342

There are no unused tax losses or unused tax credits.

Notes to the financial statements (continued)

18 Pension commitments

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

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

A full actuarial valuation of the Group Scheme was carried out on 30 September 2014 and updated to 31 December 2016 by a qualified actuary.

The Group accounts for pensions using IAS 19 – Employee Benefits. However, because the Company's share of the net assets and liabilities of the Group Scheme cannot be separately identified, the Company accounts for its pension contributions to the Group Scheme on a defined contribution basis, as allowed by FRS 102. During the year the Company made contributions to the Group Scheme of £478,000 (2015: £1,463,000).

The Plan is a defined contribution scheme, contributions of £925,000 (2015: £533,000) were made to the Plan during the year.

The following information relates to the Group Scheme:

	2016	2015
Assumptions:		
Rate of increase of salaries	**2.65%**	2.45%
Rate of increase of pensions in payment post 2006	**2.25%**	2.20%
Rate of increase of pensions in payment 1997-2006	**3.30%**	3.10%
Discount rate	**2.65%**	3.85%
Inflation assumption – RPI	**3.40%**	3.20%
Inflation assumption – CPI	**2.40%**	2.20%

18 Pension commitments (continued)

The amount relating to the Group scheme included in the balance sheet of Travis Perkins plc:

	2016	2015
	£000	£000
Fair value of plan assets	**1,076,900**	913,800
Present value of defined benefit obligations	**(1,138,600)**	(879,400)
Actuarial surplus	**(61,700)**	34,400
Restriction on asset recognised	-	(34,400)
Total pension liability	**(61,700)**	-
Related deferred tax asset	**11,723**	-
Net pension liability	**49,977**	-

19 Share capital and reserves

a) Share capital

	No.	£000
Allotted and fully paid ordinary shares of £1 each		
At 1 January 2016 and at 31 December 2016	78,364,000	78,364
Allotted and fully paid preference shares of £1 each		
At 1 January 2016 and at 31 December 2016	7,178,501	7,179
At 1 January 2016 and at 31 December 2016	**85,542,501**	**85,543**

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. Dividends are payable at the discretion of the Company's directors.

Preference shareholders have priority over ordinary shareholders in respect of the right to receive a distribution of assets upon the winding up of the Company, up to a maximum value of £1 per share. Thereafter, all shares rank equally. The preference shares have no voting rights and no automatic rights to dividends, and are accordingly classified as equity rather than debt.

19 Share capital and reserves (continued)

b) Reserves

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

The capital contribution reserve represents contributions received from the Company's parent undertaking.

The profit and loss reserve represents cumulative profits or losses.

20 Dividends

	2016	2015
	£000	£000
Interim 2016 dividend (2015: interim 2015 dividend) paid on ordinary shares	**10,000**	30,000
Dividends paid on preference shares	**332**	345

21 Contingent liabilities

At 31 December 2015 the Company, together with four other subsidiaries in the Travis Perkins' group have guaranteed:

- the Group's £550 million UK syndicated bank facility. At 31 December 2016 the facility was undrawn (2015: £110 million drawn).
- £550 million of UK guaranteed notes, issued by Travis Perkins plc.

In addition $200m of US private placement notes were guaranteed by the Company prior to their repayment on 26 January 2016.

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.

Along with other group companies the Company is also guarantor of certain agreements entered into during the normal course of business by the Group which at the year-end totaled £22,400,000 (2015: £22,400,000).

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

22 Financial commitments

At 31 December 2016 the Company had the following capital commitments:

	2016 **£000**	2015 £000
Contracts for future capital expenditure not provided in the financial statements – property, plant and equipment	-	1,024

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

	2016 **£000**	2015 £000
Operating leases which expire:		
Not later than one year	**2,724**	3,167
Later than one year and not later than five years	**10,206**	10,521
Later than five years	**33,509**	36,116
	46,439	49,804

23 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.

24 Ultimate parent company

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