Financial statements

Financial statements

Independent auditor's report

to the members of Travis Perkins plc

1. Our opinion is unmodified

We have audited the financial statements of Travis Perkins plc ("the Company") for the year ended 31 December 2022 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement, and the related notes, including the accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 28 May 2015. The period of total uninterrupted engagement is for the eight financial years ended 31 December 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£11.5m (2021: £13.0m) 4.7% (2021: 4.4%) of Group profit before tax*	
Coverage	89% (2021: 94%) of Group profit before tax	
Key audit matters		**vs 2021**
Recurring risks	Accounting for inventory	◀▶
	Gross defined benefit obligations	◀▶
	Parent Company's key audit matter: Recoverability of parent Company's investment in subsidiaries	◀▶

* In 2021 our materiality was based on Group profit before tax from continuing operations, excluding adjusting items.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2021), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The Risk	Our response
Accounting for inventory (£728 million; 2021: £724 million) *Refer to page 95 (Audit Committee Report) and page 147 (accounting policy and financial disclosures).*	**Accounting for inventory (quantities, cost (net of rebates) and provisions)** The Group holds a significant amount of inventory across its large branch network and a number of warehouses. The Group's inventory is comprised of a very large number of products, typically held in large quantities, with high inventory turns. The Group conducts periodic inventory counts and updates its inventory records to reflect the results of the counts, recognising a shrinkage provision to cater for an estimate of inventory losses between the count dates and the year-end. Cost is based on a weighted average purchase price, net of applicable rebates, plus attributable overhead. Provision is made for obsolete and slow moving items based on historical usage and for when cost is expected to exceed net realisable value on a specific item basis. The determination of cost is made more difficult by the ageing accounting systems. Whilst inventory is not considered to represent a significant risk of material misstatement, it is one of the matters that has the greatest effect on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team in order to conclude.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design and implementation of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: • **Tests of detail:** We counted a sample of inventory lines across a sample of the Group's branches and warehouses and compared the results of our counts to the Group's inventory records. Where our counts were performed prior to or just after the year-end date, we obtained evidence for any significant movements in inventory quantities to the year-end date. We evaluated the results of our count procedures using statistical routines. • **Independent reperformance:** We recalculated the net purchase prices attributed to a sample of individual inventory lines and rebates deferred into inventory using a combination of data and analytics and substantive tests of detail. • **Assessing assumptions:** We assessed whether the overheads absorbed into cost amounts recorded for inventory are attributable to bringing it into its current location and condition and analysed the amount absorbed based on our own expectation. • **Assessing methodology:** We assessed the basis on which provisions for obsolete, slow moving and net realisable value have been established, considering the data sources used, methods applied and assumptions adopted. **Our results:** • We found the accounting for inventory to be acceptable (2021: acceptable).
Gross defined benefit obligations (£962 million; 2021: £1,466 million) *Refer to page 95 (Audit Committee Report), page 152 (accounting policy) and pages 152 to 154 (financial disclosures).*	**Subjective valuation:** Small changes in the assumptions and estimates used to value the Group's defined benefit obligations (before deducting scheme assets) would have a significant effect on the Group's net pension position. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the gross defined benefit obligations has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 18) disclose the sensitivity estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: • **Benchmarking assumptions:** We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data. • **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of the sensitivity of the defined benefit obligations to these assumptions. **Our results:** We found the valuation of the pension obligations to be acceptable (2021: acceptable).
Recoverability of Parent Company's investment in subsidiaries (£1,869 million; 2021: £2,009 million) *Refer to page 175 (accounting policy and financial disclosures).*	**Low risk, high value** The carrying amount of the Parent Company's investments in subsidiaries represents 74% (2021: 58%) of the Parent Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: • **Tests of detail:** We compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • **Assessing subsidiary audits:** We assessed the work performed by the subsidiary audit teams on in scope subsidiaries and considered the results of that work on those subsidiaries' profits and net assets., • **Comparing valuations:** For the investments where the carrying amount exceeded the net asset value, we compared the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' profit. **Our results:** We found the Parent Company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable (2021: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £11.5m (2021: £13.0m), determined with reference to a benchmark of Group profit before tax*. It represents 4.7% (2021: 4.4%) of the stated benchmark, which amounts to £245m in 2022 (2021: £299m).

Materiality for the Parent Company financial statements as a whole was set at £8.0m (2021: £8.0m), determined with reference to a benchmark of the Parent Company total assets, of which it represents 0.3% (2021: 0.2%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2021: 65%) of materiality for the financial statements as a whole, which equates to £7.5m (2021: £8.5m) for the Group and £5.2m (2021: £5.2m) for the Parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements in prior periods and our knowledge of the Group's legacy IT environment.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m (2021: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

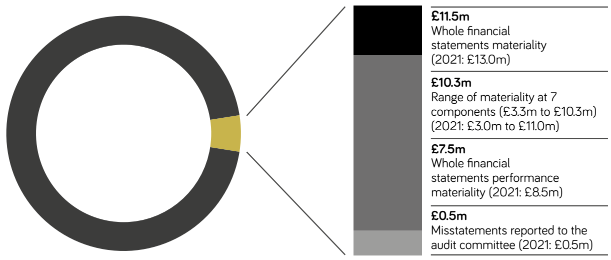
Of the Group's 29 (2021: 33) reporting components, we subjected 7 (2021: 7) to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated opposite. The remaining 5% (2021: 3%) of total Group revenue, 11% (2021: 6%) of the total profits and losses that made up the Group profit before tax and 7% (2021: 9%) of total Group assets is represented by 22 (2021: 26) reporting components, none of which individually represented more than 3% (2021: 3%) of any of total Group revenue, the total profits and losses that made up the Group profit before tax or total group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £3.3m to £10.3m (2021: £3.0m to £11.0m), having regard to the mix of size and risk profile of the Group across the components. The work on 2 of the 7 components (2021: 2 of the 7 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.

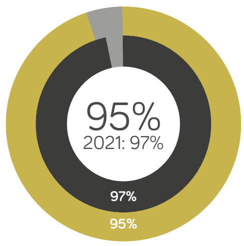
Group profit before tax*
£245m (2021: £299m)

Group materiality
£11.5m (2021: £13.0m)

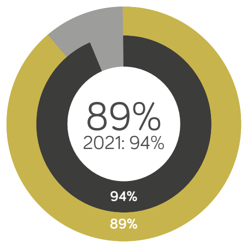


Profit before tax
Group materiality

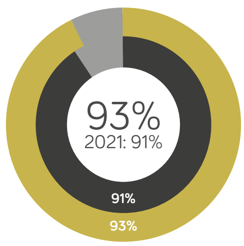
Group revenue



Total profits and losses that made up Group profit before tax



Group total assets



Full scope for group audit purposes 2022
Full scope for group audit purposes 2021
Residual components

*In 2021 our materiality was based on Group profit before tax from continuing operations, excluding adjusting items.

4. The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit.

As the Group has set out on page 79, climate change has the potential to significantly impact the construction sector during the transition to a low carbon environment. The Group has stated their commitment to help the industry to decarbonise and has set out its own commitments to reduce carbon.

The areas of financial statements that are most likely to be potentially affected by climate related changes and initiatives are balances subject to forward looking assessments such as those subject to impairment tests and those being depreciated or amortised over an estimated useful life of assets. The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements, as described on page 143 in relation to the estimated useful economic life of property, plant and equipment and 166 in relation to impairment.

We performed a risk assessment, taking into account climate change risks and the commitments made by the Group. This included enquiries of management, consideration of the Group's processes for assessing the potential impact of climate change risk on the Group's financial statements, assessing the TCFD scenario analysis performed by the Group and reading the Group's Carbon Disclosure Project submission.

We held discussions with our own climate change professionals to challenge our risk assessment.

Based on our risk assessment we determined that, taking into account the extent of headroom on goodwill and the nature and estimated useful economic life of property, plant and equipment, there are no significant risks of material misstatement in relation to climate change. Therefore, we assessed that there is not a significant impact on our audit for this financial year.

There was no impact of climate change on our key audit matters included in section 2.

We have read the Group's disclosure of climate related information in the front half of the annual report as set out on pages 50 to 61 and considered consistency with the financial statements and our audit knowledge.

5. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the uncertain economic environment to identify the inherent risks to the Group's business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and parent Company's available financial resources and metrics relevant to debt covenants over this period was adverse macroeconomic conditions resulting in lower than expected trading volumes.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures also included:

- Evaluating how the Group's risk assessment process identifies business risks relating to events and conditions that may cast significant doubt on the ability to continue as a going concern and evaluating the models the Group uses in its assessment.
- Critically assessing the assumptions in the base case and downside scenarios relevant to liquidity and covenant metrics, in particular in relation the Group's financing post the expiry of the £180m bond in September 2023 and the impacts of historical trends in severe economic situations and overlaying knowledge of the entity's plans based on approved budgets and our knowledge of the entity and the sector in which it operates.
- We considered whether the going concern disclosure in the 'General Information' section in the notes to the financial statements set out on page 133 gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in the 'General Information' section in the notes to the financial statements set out on page 133 on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in 'General Information' section in the notes to be acceptable; and
- the related statement under the Listing Rules set out on page 89 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee and internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee, remuneration committee and nomination committee minutes.
- Considering remuneration incentive schemes and performance targets for Directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because sales are individually low value (high volume) across a high number of independently managed branches and there is no judgement in applying the revenue recognition criteria.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, climate change, responsible sourcing and import compliance. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

- Based on those procedures, we have nothing material to add or draw attention to in relation to:
- the Directors' confirmation within the viability statement on page 74 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 74 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor's report continued

to the members of Travis Perkins plc

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 119, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

10. The purpose of our audit work and to whom we owe our responsibilities

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

James Tracey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

28 February 2023

Consolidated income statement

For the year ended 31 December 2022

£m	Notes	2022	2021
Revenue	1	**4,994.8**	4,586.7
Adjusted operating profit	2(a)	**295.3**	352.8
Adjusting items	3	**–**	6.8
Amortisation of acquired intangible assets		**(10.5)**	(11.1)
Operating profit	2(a)	**284.8**	348.5
Interest on lease liabilities	6(a)	**(21.5)**	(21.1)
Other finance costs	6(a)	**(27.5)**	(25.7)
Finance income	6(a)	**9.2**	3.9
Profit before tax		**245.0**	305.6
Tax	7(a)	**(52.8)**	(64.8)
Profit from continuing operations		**192.2**	240.8
Profit from discontinued operations	8	**–**	38.1
Profit for the year		**192.2**	278.9

Total profit for the year is all attributable to the owners of the Company.

Earnings per ordinary share:			
Adjusted basic earnings per share	20(b)	**94.6p**	107.3p
Basic			
– from continuing operations	20(a)	**90.8p**	103.9p
– total	20(a)	**90.8p**	120.3p
Diluted			
– from continuing operations	20(a)	**89.2p**	102.6p
– total	20(a)	**89.2p**	118.8p

The accompanying notes form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

£m	Notes	2022	2021
Profit for the year		**192.2**	278.9
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (loss) / gain on defined benefit pension schemes	18(b)	**(145.3)**	94.9
Income tax relating to other comprehensive income	7(b)	**36.3**	(34.3)
Items that may be reclassified subsequently to profit and loss:			
Foreign exchange differences on retranslation of foreign operations		**5.5**	2.9
Fair value gains on cash flow hedges	27(a)	**4.3**	–
Deferred tax on cash flow hedge	7(b)	**(1.1)**	–
Total other comprehensive (loss) / income for the year net of tax		**(100.3)**	63.5
Total comprehensive income for the year		**91.9**	342.4
Total comprehensive income for the year attributable to the owners of the Company arises from:			
Continuing operations		**91.9**	304.3
Discontinued operations		**–**	38.1
		91.9	342.4

All other comprehensive income is attributable to the owners of the Company.

Consolidated balance sheet

As at 31 December 2022

£m	Notes	2022	2021
Assets			
Non-current assets			
Goodwill	9(a)	**859.0**	853.0
Other intangible assets	9(b)	**115.9**	125.7
Property, plant and equipment	10	**847.3**	800.1
Right-of-use assets	11(a)	**451.7**	439.8
Other receivables	14	**17.2**	0.7
Deferred tax asset	16	**15.0**	13.9
Derivative financial instruments	28	**4.3**	–
Retirement benefit asset	18(b)	**135.9**	275.8
Total non-current assets		**2,446.3**	2,509.0
Current assets			
Inventories	12	**727.8**	724.4
Derivative financial instruments	28	**–**	0.2
Trade and other receivables	14	**725.9**	706.7
Tax debtor		**0.7**	–
Cash and cash equivalents, excluding bank overdrafts	23(b)	**235.7**	459.8
Total current assets		**1,690.1**	1,891.1
Total assets		**4,136.4**	4,400.1
Equity and liabilities			
Capital and reserves			
Issued share capital	19	**23.8**	25.2
Share premium account	19	**545.6**	545.6
Cash flow hedge reserve	27	**4.3**	–
Merger reserve	19	**326.5**	326.5
Revaluation reserve	19	**12.1**	10.5
Own shares	19	**(34.3)**	(61.4)
Foreign exchange reserve	19	**9.6**	4.1
Other reserves	19	**1.4**	–
Retained earnings	19	**1,213.2**	1,387.3
Total equity		**2,102.2**	2,237.8
Non-current liabilities			
Interest-bearing loans and borrowings	22	**349.1**	575.2
Lease liabilities	11(a)	**438.3**	414.7
Deferred tax liabilities	16	**96.0**	140.4
Long-term provisions	15	**4.9**	6.8
Total non-current liabilities		**888.3**	1,137.1
Current liabilities			
Interest-bearing loans and borrowings	22	**192.5**	–
Lease liabilities	11(a)	**74.3**	74.5
Derivative financial instruments	27	**0.2**	–
Trade and other payables	17	**852.4**	921.1
Tax liabilities		**–**	0.4
Short-term provisions	15	**26.5**	29.2
Total current liabilities		**1,145.9**	1,025.2
Total liabilities		**2,034.2**	2,162.3
Total equity and liabilities		**4,136.4**	4,400.1

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 27 February 2023 and signed on its behalf by:

Nick Roberts
Director

Alan Williams
Director

Consolidated statement of changes in equity

For the year ended 31 December 2022

£m	Share capital	Share premium	Cash flow hedge reserve	Merger reserve	Revaluation reserve	Own shares – treasury	Own shares – ESOT	Foreign exchange reserve	Other	Retained earnings	**Total equity**
At 1 January 2021	25.2	545.6	–	326.5	14.3	–	(39.5)	1.2	–	1,840.5	**2,713.8**
Profit for the year	–	–	–	–	–	–	–	–	–	278.9	**278.9**
Other comprehensive income for the year net of tax	–	–	–	–	–	–	–	2.9	–	60.6	**63.5**
Total comprehensive income for the year	–	–	–	–	–	–	–	2.9	–	339.5	**342.4**
Demerger dividend	–	–	–	–	–	–	–	–	–	(679.7)	**(679.7)**
Dividends paid	–	–	–	–	–	–	–	–	–	(105.4)	**(105.4)**
Adjustments in respect of revalued fixed assets	–	–	–	–	(1.1)	–	–	–	–	1.1	**–**
Shares purchased in share buyback and held as treasury shares (note 19)	–	–	–	–	–	(53.8)	–	–	–	–	**(53.8)**
Share purchased in share buyback and held as own shares by ESOT (note 19)	–	–	–	–	–	–	(16.7)	–	–	–	**(16.7)**
Sale of own shares	–	–	–	–	–	–	17.4	–	–	–	**17.4**
Own shares movement	–	–	–	–	–	–	31.2	–	–	(31.2)	**-**
Equity-settled share-based payments	–	–	–	–	–	–	–	–	–	23.2	**23.2**
Tax on equity-settled share-based payments	–	–	–	–	–	–	–	–	–	(0.7)	**(0.7)**
Tax on revalued assets	–	–	–	–	(2.7)	–	–	–	–	–	**(2.7)**
At 1 January 2022	25.2	545.6	–	326.5	10.5	(53.8)	(7.6)	4.1	–	1,387.3	**2,237.8**
Profit for the year	–	–	–	–	–	–	–	–	–	192.2	**192.2**
Other comprehensive income for the year net of tax	–	–	4.3	–	–	–	–	5.5	–	(110.1)	**(100.3)**
Total comprehensive income for the year	–	–	4.3	–	–	–	–	5.5	–	82.1	**91.9**
Other dividends	–	–	–	–	–	–	–	–	–	(81.7)	**(81.7)**
Adjustments in respect of revalued fixed assets	–	–	–	–	(1.1)	–	–	–	–	1.1	–
Shares purchased in share buyback and held as treasury shares (note 19)	–	–	–	–	–	(125.5)	–	–	–	–	**(125.5)**
Shares purchased in share buyback and held as own shares by ESOT (note 19)	–	–	–	–	–	–	(46.6)	–	–	–	**(46.6)**
Sale of own shares	–	–	–	–	–	–	3.8	–	–	–	**3.8**
Own shares movement	–	–	–	–	–	–	16.1	–	–	(16.1)	–
Cancelled shares	(1.4)	–	–	–	–	179.3	–	–	1.4	(179.3)	–
Equity-settled share-based payments, net of tax	–	–	–	–	–	–	–	–	–	17.0	**17.0**
Tax on equity-settled share-based payments	–	–	–	–	–	–	–	–	–	(2.3)	**(2.3)**
Tax on revalued assets	–	–	–	–	2.7	–	–	–	–	5.1	**7.8**
At 31 December 2022	23.8	545.6	4.3	326.5	12.1	–	(34.3)	9.6	1.4	1,213.2	**2,102.2**

Consolidated cash flow statement

For the year ended 31 December 2022

£m	2022	2021
Cash flows from operating activities		
Operating profit	**284.8**	348.5
Adjustments for:		
Depreciation of property, plant and equipment	**73.6**	69.2
Depreciation of right-of-use assets	**79.0**	80.0
Amortisation of other intangibles	**6.5**	9.7
Amortisation of acquisition-related intangibles	**10.5**	11.1
Share-based payments	**17.0**	19.1
Foreign exchange	**-**	(0.2)
Gain on disposal of property, plant and equipment	**(25.3)**	(48.9)
Purchase of tool hire assets	**(8.9)**	(11.2)
Increase in inventories	**(3.4)**	(204.5)
Increase in receivables	**(19.2)**	(171.5)
(Decrease) / increase in payables	**(53.9)**	224.2
Payments in respect of adjusting items in excess of the income statement charge	**(7.2)**	(27.4)
Cash generated from operations	**353.5**	298.1
Interest paid and debt arrangement fees	**(18.3)**	(15.1)
Interest on lease liabilities	**(21.5)**	(21.1)
Income taxes paid	**(57.6)**	(59.9)
Net cash from continuing operating activities	**256.1**	202.0
Net cash from discontinued operating activities	**-**	127.3
Net cash from operating activities	**256.1**	329.3
Cash flows from investing activities		
Interest received	**1.4**	1.4
Proceeds on disposal of property, plant and equipment	**22.5**	82.2
Purchase/development of computer software	**(7.0)**	(2.2)
Purchases of freehold land and buildings	**(38.0)**	(80.9)
Purchases of other property, plant and equipment	**(94.1)**	(81.6)
Acquisition of subsidiary, net of cash acquired	**-**	(32.3)
Disposal of subsidiaries	**-**	266.9
Cash flows from other investments	**-**	2.6
Net cash (outflow) / inflow from continuing investing activities	**(115.2)**	156.1
Net cash outflow from discontinued investing activities	**-**	(13.3)
Net cash (outflow) / inflow from investing activities	**(115.2)**	142.8
Cash flows from financing activities		
Bank facility fee	**-**	(0.5)
Shares purchased in share buyback	**(172.1)**	(70.5)
Sale of own shares	**3.8**	17.4
Repayment of lease liabilities	**(78.8)**	(75.5)
Payments to pension scheme	**(3.7)**	(3.6)
Dividends paid	**(81.7)**	(105.4)
Financing transactions with discontinued operations	**-**	(127.4)
Proceeds from borrowings	**75.0**	–
Repayment of bonds	**(120.0)**	–
Repayment of borrowings	**-**	(12.0)
Net cash used in continuing financing activities	**(377.5)**	(377.5)
Net cash used in discontinued financing activities	**-**	(140.4)
Net cash used in financing activities	**(377.5)**	(517.9)
Net decrease in cash and cash equivalents	**(236.6)**	(45.8)
Cash and cash equivalents at 1 January	**459.8**	505.6
Cash and cash equivalents at 31 December (note 23)	**223.2**	459.8

Notes to the consolidated financial statements

For the year ended 31 December 2022

General information

Overview

Travis Perkins plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 186. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 82.

These financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates.

Basis of accounting

The Group financial statements have been prepared in accordance with UK-adopted international accounting standards.

The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101; these are presented on pages 171 to 181.

Basis of preparation

The financial statements have been prepared on the historic cost basis, except that derivatives, other financial instruments and contingent consideration arising from business combinations are stated at fair value through profit and loss and designated financial instruments are stated at fair value through other comprehensive income. The consolidated financial statements include the accounts of the Company and all entities controlled by the Company (its subsidiaries, together referred to as "the Group") from the date control commences until the date that control ceases. Control is achieved where the Company:

- Has power over the investee
- Is exposed or has rights to a variable return from the involvement with the investee
- Has the ability to use its power to affect its returns

As such, the results of subsidiaries acquired are included in the consolidated income statement from the effective date of acquisition.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Going concern

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Board has formed the judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from the date of signing this Annual Report and Accounts. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

In arriving at their opinion the Directors considered:

- The Group's cash flow forecasts and revenue projections
- The impact on trading performance of severe but plausible downside scenarios. Key assumptions include significant reductions in revenue, removal of property profits and limited reductions in fixed overheads, as well as mitigating actions such as delayed capital expenditure and dividend suspension
- The committed debt facilities available to the Group and the covenants thereon
- The Group's debt maturity profile, including the upcoming bond maturity in 2023
- The Group's robust policy towards liquidity and cash flow management
- The Group's ability to successfully manage the principal risk and uncertainties outlined on pages 75 to 81 during periods of uncertain economic outlook and challenging macroeconomic conditions

The downside scenarios tested, outlining the impact of severe but plausible adverse scenarios based on a severe recession and housing market weakness, show that there is sufficient headroom for liquidity and covenant compliance purposes for at least the next 12 months from the date of approval of these financial statements. The going concern assessment is not sensitive to estimates on inflation.

Significant accounting policies

The principal accounting policies adopted in preparing the financial statements are provided throughout the notes to the financial statements.

Key judgements and estimates

The preparation of financial statements requires the Directors to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Future events and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. The Directors frequently re-evaluate these significant factors and make adjustments as facts and circumstances dictate.

General information continued

Some financial information in the Merchanting businesses is produced by finance systems that were first implemented by the Group over 30 years ago. As the business has grown, these have been amended to cope with significantly higher transaction levels and more complicated ways of doing business. This has made the systems unwieldy and increases the risk of material misstatement in the information calculated by the systems. There are processes and controls in place to mitigate these risks.

Key estimates including those that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are found in the following notes:

Page	Note	Description
152	18	Pension assumptions

The notes are organised into the following sections:

Income and expenses: Provides a breakdown of individual line items in the income statement and summarises the accounting policies, judgements and estimates relevant to understanding these items.

Assets and liabilities: Provides a breakdown of individual line items in the balance sheets and summarises the accounting policies, judgements and estimates relevant to understanding these items.

Capital: Provides information about the capital management practices of the Group and shareholder returns for the year.

Risks: Discusses the Group's impairment testing and the exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks.

Group structure: Explains aspects of the Group structure and how changes have affected the financial position and performance of the Group.

People: Provides information about the number of people employed by the Group and associated costs.

Other: Provides information on items which require disclosure, but are not considered critical in understanding the financial performance or position of the Group.

Income and expenses

1. Revenue

Accounting policy

Revenue recognition

Revenue is recognised when the Group has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. Performance obligations to the customer in respect of sales of goods are satisfied on delivery or collection by customer. Payments are typically due from credit customers not later than the last day of the month following the month of delivery. Revenue is measured at the transaction price received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added tax. For the Group sale of services comprises tool hire. Tool hire revenue is recognised on a straight-line basis over the period of hire.

Customer rebates

Where the Group has rebate agreements with its customers, the value of variable income with respect to customer rebates is calculated in accordance with the agreements in place so that the amount recognised as revenue in the year is based on the amount which is highly probable not to reverse.

a. Revenue

£m	2022	2021
Sale of goods	**4,836.0**	4,443.2
Sale of services	**158.8**	143.5
	4,994.8	4,586.7

b. Revenue reconciliation and like-for-like sales

£m	Merchanting	Toolstation	Total
2021 revenue	3,826.1	760.6	**4,586.7**
Network change	(9.2)	(11.9)	**(21.1)**
Trading days	(32.0)	(2.0)	**(34.0)**
2021 like-for-like revenue	3,784.9	746.7	**4,531.6**
Like-for-like change	434.9	28.3	**463.2**
2022 revenue	**4,219.8**	**775.0**	**4,994.8**
Network change	**(107.0)**	**(55.7)**	**(162.7)**
2022 like-for-like revenue	**4,112.8**	**719.3**	**4,832.1**
Like-for-like revenue %	**8.7%**	**(3.7)%**	**6.6%**
Total revenue growth %	**10.3%**	**1.9%**	**8.9%**

Like-for-like sales are a measure of underlying sales performance for two successive periods. Branches and stores contribute to like-for-like sales once they have been trading for more than 12 months. Revenue included in like-for-like is for the equivalent times in both years being compared. When branches close, revenue is excluded from the prior year figures for the months equivalent to the post-closure period in the current year.

2. Profit

a. Operating profit

£m	2022	2021
Revenue	**4994.8**	4,586.7
Cost of sales	**(3,610.1)**	(3,277.9)
Gross profit	**1,384.7**	1,308.8
Selling and distribution	**(816.4)**	(729.6)
Administrative expenses	**(324.5)**	(291.3)
Profit on disposal of properties	**25.3**	48.9
Other operating income (note 4b)	**15.7**	11.7
Operating profit	**284.8**	348.5
Adjusting items (note 3)	**–**	(6.8)
Amortisation of acquired intangible assets	**10.5**	11.1
Adjusted operating profit	**295.3**	352.8
Profit on disposal of properties	**(25.3)**	(48.9)
Adjusted operating profit before property disposals	**270.0**	303.9

b. Adjusted profit

£m	2022	2021
Profit before tax	**245.0**	305.6
Adjusting items (note 3)	**–**	(6.8)
Amortisation of acquired intangible assets	**10.5**	11.1
Adjusted profit before tax	**255.5**	309.9
Total tax	**(52.8)**	(64.8)
Tax on adjusting items	**–**	1.6
Adjusting items – deferred tax (note 3)	**–**	4.7
Tax on amortisation of acquired intangible assets	**(2.6)**	(2.7)
Adjusted profit after tax	**200.1**	248.7

Adjusted profit excludes adjusting items and amortisation of acquired intangible assets.

3. Adjusting items

Accounting policy

Adjusting items are those items of income and expenditure that, by reference to the Group, are material in size and unusual in nature or incidence and that in the judgement of the Directors should be disclosed separately on the face of the financial statements (or in the notes in the case of a segment) to ensure both that the reader has a clear understanding of the Group's underlying financial performance and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the Directors for designation as adjusting items include, but are not limited to, significant restructurings, onerous contracts, write-downs or impairments of current and non-current assets, the costs of acquiring and integrating businesses, gains or losses on disposals of businesses and investments, re-measurement gains or losses arising from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not achieved or is not effective, material pension scheme curtailment gains and the effect of changes in corporation tax rates on deferred tax balances.

2021 adjusting items

In 2021, the Group was able to exit the leases of a number of branches closed in 2020 for less than the contractual lease liability, which generated a net credit of £6.8m.

The 2021 tax charge includes an adjusting charge of £14.3m arising from the increase in the rate of UK corporation tax from 19% to 25% effective on 1 April 2023 and an adjusting credit of £9.6m arising from the recognition of a deferred tax asset in respect of losses in the Toolstation Netherlands business (see note 16).

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

Income and expenses continued

4. Expenses and other income

a. Operating profit

Operating profit has been arrived at after charging / (crediting):

£m	2022	2021
Movement of provisions against inventories	**(3.3)**	(0.6)
Cost of inventories recognised as an expense	**3,437.2**	3,119.5
Pension costs in administration expenses	**7.4**	6.5
Pension costs in selling and distribution costs	**13.9**	12.2
Impairment losses / (reversal of impairment) for trade receivables (note 14)	**11.0**	(5.7)
Gain on disposal of property, plant and equipment	**(25.3)**	(48.9)

Costs of £14.8m were incurred in 2022 in respect of restructuring activity (2021: credit of £6.8m).

b. Other operating income

£m	2022	2021
Rental income	**5.3**	6.6
Transitional Service Agreement income	**10.4**	5.1
	15.7	11.7

The "Transition Service Agreement" income represents amounts received in respect of specific services provided to businesses the Group has sold or demerged in order to maintain business continuity in those businesses. This income and the related costs will significantly decrease in 2023 as the service agreements expire.

c. Auditor's remuneration

During the year the Group incurred the following costs for services provided by the Company's auditor:

£'000	2022	2021
Fees payable to the Company's auditor for audit services:		
Audit of the Company's annual accounts	**270**	220
Auditor for the audit of the Company's subsidiaries	**1,561**	1,447
Additional fees payable for the prior period audit	**60**	153
Fees paid to the Company's auditor for other services:		
Audit-related assurance services	**85**	75
Services relating to corporate finance transactions	**–**	695
	1,976	2,590

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 93 to 97 and includes an explanation of how auditor objectivity and independence is safeguarded when the auditor provides non-audit services.

5. Business segments

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM"), which is considered to be the Board, to assess performance and allocate capital.

Segmental operating profit represents the result of each segment without allocation of certain central costs, finance costs and tax. Segmental adjusted operating profit is the result of each segment before adjusting items and property profits. Unallocated segment assets and liabilities comprise financial instruments, current and deferred tax, cash, borrowings and pension scheme assets and liabilities.

Both operating segments sell building materials to a wide range of customers, none of which are dominant, and operate predominantly in the United Kingdom.

The Wickes business was demerged on 27 April 2021 and the Plumbing & Heating business was sold on 30 September 2021 and are excluded from the 2021 comparatives.

a. Segment information

	2022			
£m	Merchanting	Toolstation	Unallocated	Consolidated
Revenue	4,219.8	775.0	-	**4,994.8**
Operating profit	331.3	(11.8)	(34.7)	**284.8**
Amortisation of acquired intangible assets	7.6	2.9	–	**10.5**
Adjusting items	–	–	–	–
Adjusted operating profit	338.9	(8.9)	(34.7)	**295.3**
Less property profits	(25.3)	–	-	**(25.3)**
Adjusted operating profit excluding property profits	313.6	(8.9)	(34.7)	**270.0**
Adjusted operating margin	8.0%	(1.1%)	–	**5.9%**
Adjusted operating margin excluding property profits	7.4%	(1.1%)	–	**5.4%**
Average capital employed	2,181.3	572.9	(83.4)	**2,670.8**
Segment assets	2,959.1	743.8	433.6	**4,136.5**
Segment liabilities	(1,083.3)	(309.4)	(641.6)	**(2,034.3)**
Consolidated net assets	1,875.8	434.4	(208.0)	**2,102.2**
Capital expenditure	91.6	49.9	–	**141.5**
Amortisation of acquired intangible assets	7.6	2.9	–	**10.5**
Depreciation and amortisation of software	65.6	14.6	–	**80.2**

	2021			
£m	Merchanting	Toolstation	Unallocated	Consolidated
Revenue	3,826.1	760.6	–	**4,586.7**
Operating profit	369.8	16.9	(38.2)	**348.5**
Amortisation of acquired intangible assets	6.1	5.0	–	**11.1**
Adjusting items	(6.8)	–	–	**(6.8)**
Adjusted operating profit	369.1	21.9	(38.2)	**352.8**
Less property profits	(48.9)	–	–	**(48.9)**
Adjusted operating profit excluding property profits	320.2	21.9	(38.2)	**303.9**
Adjusted operating margin	9.6%	2.9%	–	**7.7%**
Adjusted operating margin excluding property profits	8.4%	2.9%	–	**6.6%**
Average capital employed	2,055.8	486.4	(36.1)	**2,506.1**
Segment assets	2,933.2	694.2	772.7	**4,400.1**
Segment liabilities	(1,121.5)	(307.1)	(733.7)	**(2,162.3)**
Consolidated net assets	1,811.7	387.1	39.0	**2,237.8**
Capital expenditure	142.9	30.4	–	**173.3**
Amortisation of acquired intangible assets	6.1	5.0	–	**11.1**
Depreciation and amortisation of software	68.2	10.7	–	**78.9**

Income and expenses continued

5. Business segments continued

b. Unallocated segment assets and liabilities

Unallocated segment assets and liabilities comprise the following:

£m	2022	2021
Assets		
Financial instruments	**4.3**	4.9
Property, plant and equipment	**25.5**	17.6
Cash and cash equivalents	**235.7**	459.8
Retirement benefit surplus	**135.9**	275.8
Unallocated corporate assets	**16.5**	0.7
Tax asset	**0.7**	–
Deferred tax asset	**15.0**	13.9
	433.6	772.7
Liabilities		
Tax liabilities	–	(0.4)
Deferred tax liabilities	**(96.0)**	(140.4)
Interest-bearing loans, borrowings and loan notes	**(541.6)**	(575.2)
Unallocated corporate liabilities	**(4.0)**	(17.7)
	(641.6)	(733.7)

Non-current assets owned by the Toolstation Europe businesses are located in foreign countries.

6. Net finance costs

a. Finance costs and finance income

£m	2022	2021
Interest on bank loans and overdrafts	**(0.8)**	(0.6)
Interest on bonds	**(21.5)**	(20.0)
Interest on loan and interest rate swap	**(1.3)**	–
Amortisation of issue costs of bank loans	**(1.5)**	(1.2)
Unwinding of discounts – property provisions	**(0.4)**	(0.1)
Pension scheme SPV interest	**(1.7)**	(2.0)
Net loss on remeasurement of foreign exchange	–	(1.3)
Net loss on remeasurement of derivatives at fair value	**(0.3)**	(0.5)
Finance costs before lease interest	**(27.5)**	(25.7)
Interest on lease liabilities	**(21.5)**	(21.1)
Finance costs	**(49.0)**	(46.8)
Net gain on remeasurement of foreign exchange	**2.1**	–
Net gain on remeasurement of derivatives at fair value	–	–
Other finance income – pension scheme	**5.3**	2.4
Interest receivable	**1.8**	1.5
Finance income	**9.2**	3.9
Net finance costs	**(39.8)**	(42.9)

The charge caused by the unwinding of discounts relates to the property provisions (note 15) and the pension scheme SPV loan (note 18).

b. Interest for non-statutory measures

£m	2022	2021
Interest on bank loans and overdrafts	**0.8**	0.6
Interest on bonds	**21.5**	20.0
Loan and interest rate swap	**1.3**	–
Amortisation of issue costs of bank loans	**1.5**	1.2
Pension scheme SPV interest	**1.7**	2.0
Interest for non-statutory measures	**26.8**	23.8

7. Tax

Accounting policy

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

a. Tax charge in the income statement

£m	2022	2021
Current tax:		
Current year	**56.2**	62.1
Prior year	**1.4**	0.6
Total current tax	**57.6**	62.7
Deferred tax:		
Current year	**(2.5)**	1.9
Prior year	**(2.3)**	0.2
Total deferred tax	**(4.8)**	2.1
Total tax charge	**52.8**	64.8

The total tax charge in 2021 included £4.7m classified as adjusting (see note 3), and a charge of £1.6m relating to costs recognised as adjusting items.

Net finance costs continued

7. Tax continued

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax for the Group is as follows:

	2022		2021	
£m	£m	%	£m	%
Profit / (loss) before tax	245.0		305.6	
Tax at the UK corporation tax rate	46.6	19.0	58.1	**19.0**
Tax effect of expenses/credits that are not deductible/taxable	(0.1)		(0.4)	
Depreciation of non-qualifying property	2.9		2.8	
Share-based payments	1.3		(0.2)	
Deferred tax rate change	(0.2)		14.3	
Losses	3.3		(4.8)	
Property profits	1.2		(2.0)	
Current period deferred tax rate differential	(1.3)		(3.8)	
Prior period adjustment	(0.9)		0.8	
Tax expense and effective tax rate for the year	52.8	21.6	64.8	**21.2**

b. Tax charge in the statement of comprehensive income

The following amounts relating to tax have been recognised in other comprehensive income:

£m	2022	2021
Items that may be reclassified:		
Deferred tax charge on cash flow hedge	**(1.1)**	–
Items that may not be reclassified:		
Deferred tax charge on actuarial movement	**36.3**	(34.3)
Income tax relating to other comprehensive income	**35.2**	(34.3)

c. Tax credited directly to equity

The following amounts of tax have been recognised in equity:

£m	2022	2021
Current tax: Excess tax deductions for share-based payments on exercised options	**0.1**	0.7
Deferred tax: Revaluation reserve	**7.8**	(2.7)
Deferred tax: Share-based payments	**(2.4)**	(1.4)
Deferred tax: Cash flow hedge	**5.5**	(3.4)

8. Discontinued operations

During the year ended 31 December 2021, the Group completed the demerger of the Wickes business and the disposal of the Plumbing & Heating business. The Wickes business was demerged on 27 April 2021 and the Group recognised the distribution at a fair value of £679.7m. The difference between the fair value of the Wickes business and the carrying amount of the assets distributed has been recognised as an expense of £69.4m.

The Plumbing & Heating business was sold to H.I.G. Capital on 30 September 2021 for cash consideration of £303.4m. Total net assets sold were £210.4m and transaction costs were £12.0m, generating a profit on disposal of £81.0m. The Company received cash of £28.7m in 2021 from the Plumbing & Heating business before the completion of the sale.

a) Results of discontinued operations

£m	2021
Revenue	1,469.2
Operating profit	56.0
Net finance costs – interest on lease liabilities	(18.4)
Profit before tax	37.6
Tax	(11.1)
Profit for the period of discontinued operations	26.5
Pre-tax profit on disposal of P&H and loss after tax recognised on the remeasurement of assets held for distribution for Wickes	11.6
Profit for the period from discontinued operations	38.1

Net cash flows used in discontinued investing activities represent the purchase of tangible fixed assets. Net cash used in discontinued financing activities in 2021 consists of the repayment of £29.8m of lease liabilities, dividend payments from P&H to the continuing Group of £28.7m, the settlement of intra-group debt of £156.1m and £238.0m of cash and cash equivalents within Wickes at the date of its demerger.

Within the continuing cash flow statement, financing transactions with discontinued operations in 2021 represents an outflow of £127.4m for £156.1m settlement of intra-group debt and the dividend payment from P&H of £28.7m.

Assets and liabilities

9. Goodwill and other intangible assets

Accounting policy

Goodwill arising on acquisition represents the excess of the cost of acquisition over the share of the aggregate fair value of identifiable net assets (including intangible assets) of a business or a subsidiary at the date of acquisition. All material intangible fixed assets obtained on acquisition have been recognised separately in the financial statements. Goodwill is initially recognised as an asset and allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination and is then reviewed at least annually for impairment. Any impairment is recognised immediately in the income statement and is not reversed. Goodwill is accordingly stated in the balance sheet at cost less any provisions for impairment in value.

Goodwill arising on acquisitions before the date of transition to IFRS (1 January 2004) has been retained at the previous UK GAAP carrying value subject to being tested for impairment at that date. Goodwill written off to reserves prior to 1998 under UK GAAP has not been reinstated and would not be included in determining any subsequent profit or loss on disposal.

Intangible assets identified as part of the assets of an acquired business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition.

a. Goodwill by reportable segment

£m	Merchanting	Toolstation	Retail	Plumbing & Heating	Total
At 1 January 2021	**661.0**	**174.8**	**455.2**	**67.5**	**1,358.5**
Eliminated on disposal / distribution	–	–	(455.2)	(67.5)	**(522.7)**
Recognised on acquisition (see note 31)	21.5	–	–	–	**21.5**
Effect on movement in exchange rates	–	(4.3)	–	–	**(4.3)**
At 1 January 2022	682.5	170.5	–	–	**853.0**
Measurement period adjustments	2.3	–	–	–	**2.3**
Effect on movement in exchange rates	–	3.7	–	–	**3.7**
At 31 December 2022	684.8	174.2	–	–	**859.0**

b. Other intangible assets

Accounting policy

Intangible assets are amortised to the income statement on a straight-line basis over a maximum of 20 years except where they are considered to have an indefinite useful life. In the latter instance, they are reviewed annually for impairment.

The directly attributable costs incurred for the development of computer software controlled by and for use within the business are capitalised and written off over their estimated useful life, which ranges from three to ten years.

Interfaces are amortised over the lower of the remaining estimated useful lives of the systems they operate between. Costs relating to research, maintenance and training are expensed as they are incurred. No amortisation is charged on assets in the course of construction.

Amounts paid to third parties in respect of the development of assets not controlled by the Group are expensed over the period where the Group receives the benefit of the use of these assets. Licence fees for using third-party software are expensed over the period the software is in use.

Acquired customer relationships are amortised over their estimated useful lives, which range from five to 15 years. The remaining lives of amortised customer relationships range from one to seven years. No amortisation is charged on computer software under construction.

Assets and liabilities continued

9. Goodwill and other intangible assets continued

£m	Brand	Computer software	Customer relationships	Assets under construction	**Total**
Cost or valuation					
At 1 January 2021	318.7	132.8	145.2	2.6	599.3
Additions	–	2.2	–	0.3	2.5
Additions from acquired business	–	0.5	9.4	–	9.9
Transfers between categories	–	0.2	–	(0.2)	–
Derecognition	(168.3)	(34.2)	(3.0)	–	(205.5)
At 1 January 2022	**150.4**	**101.5**	**151.6**	**2.7**	**406.2**
Additions	–	6.8	–	0.4	**7.2**
Transfers between categories	–	2.4	–	(2.4)	–
At 31 December 2022	150.4	110.7	151.6	0.7	**413.4**
Amortisation					
At 1 January 2021	**72.9**	**99.7**	**114.7**	**–**	**287.3**
Charged on acquired intangibles	3.6	1.7	5.8	–	11.1
Charged on internally generated intangibles	–	12.3	–	–	12.3
Disposals	(5.1)	(22.1)	(3.0)	–	(30.2)
At 1 January 2022	**71.4**	**91.6**	**117.5**	**–**	**280.5**
Charged on acquired intangibles	2.3	–	8.2	–	**10.5**
Charged on internally generated intangibles	–	6.5	–	–	**6.5**
Disposals	–	–	–	–	–
At 31 December 2022	73.7	98.1	125.7	–	**297.5**
Net book value					
At 31 December 2021	79.0	9.9	34.1	2.7	125.7
At 31 December 2022	**76.7**	**12.6**	**25.9**	**0.7**	**115.9**

Where a brand has not been established for a significant period of time the Directors do not have sufficient evidence to support a contention that it will have an indefinite useful life. Accordingly for Toolstation and certain product-related brands the Directors have decided it is appropriate to amortise their brand costs over their estimated useful lives. The useful lives of those brands being amortised range from ten to 20 years. The Directors consider that the other brands, which are also all leading brands in their sectors with significant histories and significant growth prospects, have an indefinite useful life. They are reviewed annually for impairment; details of impairment tests are shown in note 29.

c. Cash-generating units

The Directors consider that each branch or distribution network in the Group is an individual cash-generating unit ("CGU"). Goodwill and intangible fixed assets with indefinite useful lives have been allocated and monitored for impairment testing purposes to groups of individual CGUs within the same brand. The following table analyses goodwill and intangible fixed assets with indefinite useful lives by CGU grouping.

£m		**2022**			2021	
CGU grouping	**Intangibles**	**Goodwill**	**Total**	Intangibles	Goodwill	Total
Merchanting						
CCF	–	43.6	43.6	–	43.6	43.6
Keyline	–	100.2	100.2	–	100.2	100.2
BSS Industrial	49.3	26.8	76.1	49.3	26.8	76.1
TF Solutions	–	7.8	7.8	–	7.8	7.8
Travis Perkins	–	482.6	482.6	–	482.6	482.6
Staircraft	–	23.8	23.8	–	21.5	21.5
Toolstation						
Toolstation UK	–	103.4	103.4	–	103.4	103.4
Toolstation Benelux	–	61.1	61.1	–	57.9	57.9
Toolstation France	–	9.7	9.7	–	9.2	9.2
	49.3	859.0	908.3	49.3	853.0	902.3

10. Property, plant and equipment

Accounting policy

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Assets are depreciated to their estimated residual value on a straight-line basis over their estimated useful lives as follows:

- Buildings – 50 years or, if lower, the estimated useful life of the building or the life of the lease
- Leasehold improvements – the life of the lease
- Plant and equipment – four to 10 years
- Freehold land is not depreciated

The estimated useful lives are estimated taking into consideration the potential impact of climate change.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds net of expenses and the carrying amount of the asset in the balance sheet and is recognised in the income statement. Where appropriate, the attributable revaluation reserve remaining in respect of properties revalued prior to the adoption of IFRS is transferred directly to retained earnings.

£m	Freehold	Long leasehold	Leasehold improvements	Plant and equipment	**Total**
At 1 January 2021	422.3	34.1	264.1	820.7	1,541.2
Additions related to continued operations	66.9	-	52.6	53.5	173.0
Additions related to discontinued operations	0.2	-	3.8	5.4	9.4
Acquired through business combinations	19.8	-	-	7.8	27.6
Disposals	(32.0)	(0.9)	(10.5)	(27.9)	(71.3)
Derecognition on demerger and disposal of subsidiaries	(2.6)	(1.2)	(145.7)	(353.8)	(503.3)
Reclassifications	9.3	-	(9.1)	3.0	3.2
Effect of movements in exchange rates	-	-	(0.4)	(0.3)	(0.7)
At 1 January 2022	**483.9**	**32.0**	**154.8**	**508.4**	**1,179.1**
Additions	38.6	-	31.9	71.0	141.5
Disposals	(15.3)	-	(13.4)	(8.4)	(37.1)
Reclassifications	7.6	-	(21.1)	13.5	-
Effect of movements in exchange rates	-	-	-	1.6	1.6
At 31 December 2022	514.8	32.0	152.2	586.1	1,285.1
Accumulated depreciation					
At 1 January 2021	59.1	15.3	85.5	550.9	710.8
Charged in the year on continued operations	7.1	0.7	10.2	51.2	69.2
Charged in the year on discontinued operations	-	-	2.4	9.9	12.3
Disposals	(16.6)	(0.9)	(1.3)	(27.9)	(46.7)
Derecognition on demerger and disposal of subsidiaries	(0.8)	(0.9)	(90.3)	(274.2)	(366.2)
Reclassifications	-	-	-	(0.3)	(0.3)
Effect of movements in exchange rates	-	-	(0.1)	-	(0.1)
At 1 January 2022	**48.8**	**14.2**	**6.4**	**309.6**	**379.0**
Charged in the year	2.0	0.8	11.2	59.6	73.6
Disposals	(3.2)	-	(1.3)	(10.8)	(15.3)
Reclassifications	(3.1)	-	3.1	-	-
Effect of movements in exchange rates	-	-	-	0.5	0.5
At 31 December 2022	44.5	15.0	19.4	358.9	437.8
Net book value					
At 31 December 2021	435.1	17.8	148.4	198.8	800.1
At 31 December 2022	**470.3**	**17.0**	**132.8**	**227.2**	**847.3**

Assets and liabilities continued

10. Property, plant and equipment continued

The cost element of the tangible fixed assets carrying value is analysed as follows:

	Freehold	Long leasehold	Leasehold improvements	Plant and equipment	**Total**
At deemed cost	20.2	3.6	–	–	**23.8**
At cost	494.6	28.4	152.2	584.4	**1,259.6**
	514.8	32.0	152.2	584.4	**1,283.4**

Included within freehold property is land with a value of £230.7m (2021: £194.5m) which is not depreciated. No assets are pledged as security for the Group's liabilities, other than 16 freehold properties, as disclosed in note 18. Included within leasehold improvements is £28.0m in respect of assets under construction which are not depreciated.

In assessing the useful economic lives of the Group's tangible fixed assets, management has considered the possible impacts of climate risks, as set out in the Statement of Principal Risks and Uncertainties and the Group's planned responses to climate change, per the TCFD Disclosure on pages 50 to 61.

11. Leases

Accounting policy

IFRS 16 – Leases establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

Identifying a lease

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for fleet leases in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. For each lease or lease component, the Group follows the lease accounting model as per IFRS 16 – Leases, unless the recognition exceptions can be used.

Recognition exceptions

The Group has elected to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

i) leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset

ii) leases where the underlying asset has a low value when new – this election can be made on a lease-by-lease basis

For leases where the Group has taken short-term lease recognition exemption and there are any changes to the lease term or the lease is modified, the Group accounts for the lease as a new lease.

Lessee accounting

Upon lease commencement the Group recognises a right-of-use asset and a lease liability.

Initial measurement

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability and are initially measured using the index or rate as at the commencement date. Amounts expected to be payable by the lessee under residual value guarantees are also included. Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss in the period in which the event or condition that triggers payment occurs, unless the costs are included in the carrying amount of another asset under another accounting standard.

Subsequent measurement

After lease commencement, the Group measures right-of-use assets using a cost model. Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is subsequently remeasured to reflect changes in:

- the lease term (using a revised discount rate)
- the assessment of a purchase option (using a revised discount rate)
- the amounts expected to be payable under residual value guarantees (using an unchanged discount rate)
- future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate)

The remeasurements are matched by adjustments to the right-of-use asset. Lease modifications may also prompt remeasurement of the lease liability unless they are determined to be separate leases.

Depreciation

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The payments related to leases are presented under cash flows from financing activities and cash flows from operating activities in the cash flow statement.

Lessor accounting

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the recognition exemption, then it classifies the sub-lease as an operating lease.

If an arrangement contains a lease and non-lease components, the Group applies IFRS 15 – Revenue from Contracts with Customers to allocate the consideration in the contract.

The Group recognises operating lease payments as income on a straight-line basis over the lease term as part of "other income". The Group recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

Sale and leaseback transactions

To determine whether the transfer of an asset is accounted for as a sale an entity applies the requirements of IFRS 15 – Revenue from Contracts with Customers for determining when a performance obligation is satisfied.

If an asset transfer satisfies the requirements to be accounted for as a sale the seller measures the right-of-use asset at the proportion of the previous carrying amount that relates to the right-of-use retained. Accordingly, the seller only recognises the amount of gain or loss that relates to the rights transferred to the buyer.

If the fair value of the sale consideration does not equal the asset's fair value, or if the lease payments are not market rates, the sales proceeds are adjusted to fair value, either by accounting for prepayments or additional financing.

a. Amounts recognised in the balance sheet

Right-of-use assets included in the statement of financial position at 31 December:

£m	2022	2021
Land and buildings	**435.3**	425.3
Plant and equipment	**16.4**	14.5
At 31 December	**451.7**	439.8

Additions to the right-of-use assets during the 2021 financial year end were £92.4m in respect of continuing operations and £2.0m in respect of discontinued operations.

Lease liabilities included in the statement of financial position at 31 December:

£m	2022	2021
Current	**74.3**	74.5
Non-current	**438.3**	414.7
	512.6	489.2

Assets and liabilities continued

11. Leases continued

Maturity analysis – contractual undiscounted cash flows:

	2022	2021
Less than one year	**88.5**	93.5
One to five years	**282.3**	270.9
More than five years	**262.1**	247.0
Total undiscounted lease liabilities at 31 December (note 28(f))	**632.9**	611.4

b. Amounts recognised in the statement of profit and loss

The statement of profit and loss shows the following amounts relating to leases:

£m	2022	2021
Depreciation of right-of-use assets	**79.0**	80.0
Interest expense (included in finance costs)	**21.5**	21.1
Expense relating to short-term leases	**4.7**	4.5
Expense relating to leases of low-value assets	**3.0**	1.8
Impairment / (reversal of impairment) of right-of-use assets	**3.3**	(4.3)
Gains on lease terminations	**(3.1)**	-

All impairments of right-of-use assets relate to land and buildings.

Depreciation of right-of-use assets by class of asset:

£m	2022	2021
Land and buildings	**70.3**	66.7
Plant and equipment	**8.7**	13.3
	79.0	80.0

The total cash outflow for leases in 2022 was £100.3m (2021: £96.7m).

c. The Group's leasing activities and how these are accounted for

The Group leases various properties, motor vehicles and equipment. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT equipment, vending machines and paint-mixing machines.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options and break clauses. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, and therefore the amount of lease liabilities and right-of-use assets recognised.

Judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For property leases the following factors are normally the most relevant:

- The profitability of the leased store/warehouse and future plans for the business
- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).

Most termination options on leases with impaired right-of-use assets are considered as reasonably certain to be exercised and therefore the lease liabilities were calculated only to the break-clause date.

a. Amounts recognised in the balance sheet

The Group leases a number of ex-trading properties and surplus units in trade parks owned by the Group to third parties. Property rental income earned during the year in respect of these properties was £5.3m (2021: £6.6m).

At the balance sheet date, the Group had contracts with lessees for the following undiscounted future minimum lease payments:

£m	2022	2021
Within one year	**4.0**	6.2
One to two years	**7.1**	5.1
Two to three years	**8.2**	4.6
Three to four years	**4.0**	4.0
Four to five years	**2.1**	3.5
After five years	**7.4**	18.7
	32.8	42.1

12. Inventories

Accounting policy

Inventories, which consist of goods for resale, are stated at the lower of average weighted cost and 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. Net realisable value is the estimated selling price less the estimated costs of disposal.

£m	2022	2021
Inventories	**727.8**	724.4

13. Supplier income

Accounting policy

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.

The Group receives customer sales support payments that are made entirely at the supplier's option, that are requested by the Group 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, ie 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 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, ie when all conditions for it to be earned have been met.

Notes to the consolidated financial statements continued
For the year ended 31 December 2022

Assets and liabilities continued

13. Supplier income continued
Supplier income balances included within the Group balance sheet are as follows:

£m	2022	2021
Other receivables	**84.0**	84.9
Trade payables	**66.1**	70.6
Inventories	**(45.4)**	(42.0)
Net balance sheet position	**104.7**	113.5

14. Trade and other receivables

Accounting policy

Trade and other receivables

The Group's trade and other receivables at the balance sheet date comprise principally of amounts receivable from the sale of goods, amounts due in respect of rebates in relation to unbilled work in progress and sundry prepayments.

Impairment of financial assets

Trade receivables are subject to the expected credit loss model in IFRS 9 – Financial Instruments. The Group applies the IFRS 9 – Financial Instruments simplified approach to measuring expected credit losses. This uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group and the commencement of legal proceedings.

£m	2022	2021
Current:		
Trade receivables	**581.4**	558.8
Allowance for doubtful debts	**(17.7)**	(13.7)
	563.7	545.1
Other receivables	**124.0**	122.3
Other financial assets – loan notes	**–**	4.7
Prepayments and accrued income	**38.2**	34.6
Trade and other receivables	**725.9**	706.7
Non current:		
Other receivables	**17.2**	–
Prepayments and accrued income	**–**	0.7
Trade and other receivables	**17.2**	0.7

The Directors consider that the only class of asset containing material credit risk is trade receivables. The average credit term taken for sales of goods is 56 days (2021: 57 days). No interest is charged on the trade receivable from the date of the invoice until the date the invoice is classified as overdue according to the trading terms agreed between the Group and the customer. Thereafter, the Group retains the right to charge interest at 4% pa above the clearing bank base rate on the outstanding balance.

The increase in the non-current prepayments balance reflects supplier licence fees and implementation costs incurred in respect of the Group's IT modernisation programmes, as well as deferred consideration from a property sold in Cambridge.

Movement in the allowance for doubtful debts

£m	2022	2021
At 1 January	**13.7**	30.6
Amounts written off during the year	**(7.0)**	(7.0)
Charge / (release) in the year	**11.0**	(5.7)
Derecognised on demerger/disposal of the business	**–**	(4.2)
At 31 December	**17.7**	13.7

Expected credit loss assessment

Loss rates are based on actual credit loss experience over the past five years and existing market conditions, as well as forward-looking estimated at the end of each reporting period.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2022.

£m	Gross carrying amount	Weighted average loss rate	Net loss allowance	Credit impaired
Current (not past due)	**534.2**	0.7%	(3.0)	No
Days overdue:				
1–30	**18.9**	6.0%	(0.9)	No
31–60	**5.4**	13.2%	(0.6)	No
61–90	**1.9**	22.3%	(0.3)	No
91–120	**(0.2)**	43.7%	–	No
More than 120	**21.2**	72.8%	(12.9)	
	581.4		**(17.7)**	

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2021.

£m	Gross carrying amount	Weighted average loss rate	Net loss allowance	Credit impaired
Current (not past due)	**516.4**	0.4%	(1.5)	No
Days overdue:				
1–30	**17.8**	13.3%	(0.9)	No
31–60	**6.8**	22.1%	(0.8)	No
61–90	**3.1**	45.5%	(0.6)	No
91–120	**0.8**	82.0%	(0.3)	No
More than 120	**13.9**	82.9%	(9.6)	Yes
	558.8		**(13.7)**	

Loss rates are based on actual credit loss experience over the past five years.

15. Provisions

Accounting policy

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation because 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 dates, and are discounted to present value.

Should a provision ultimately prove to be unnecessary then it is credited back into the income statement. Where the provision was originally established as an adjusting item, any release is shown as an adjusting credit.

The Group has a number of vacant and partly sublet leased properties. Where necessary a provision has been made for the residual commitments for rates and other payments, after taking into account existing and anticipated subtenant arrangements. The Group recognises provisions for the cost of reinstating certain Group properties at the end of their lease term, based on the conditions set out in the terms of the individual leases. The timing of the outflows will match the ends of the relevant leases, which range from two to 25 years.

It is Group policy to self insure using policies with a high excess against claims arising in respect of damage to third party assets, or due to employers or public liability claims. Whilst the Group does not have a contractual right to defer payment, the nature of insurance claims means they may take some time to be settled. The insurance claims provision represents management's best estimate, based upon external advice of the value of outstanding claims against it where the final settlement date is uncertain, in line with IAS 37.

Assets and liabilities continued

15. Provisions continued

£m	Property	Insurance	Restructuring	Total
At 1 January 2021	41.8	31.3	6.8	**79.9**
(Release) / charge to income statement	(3.3)	4.1	(0.8)	–
Derecognised following demerger or disposal	(9.0)	(9.7)	(3.1)	(21.8)
Utilisation of provision	(13.6)	(5.6)	(2.9)	(22.1)
At 31 December 2021	**15.9**	**20.1**	**–**	**36.0**
Charge to income statement	3.3	4.5	–	7.8
Utilisation of provision	(6.8)	(5.6)	–	(12.4)
At 31 December 2022	**12.4**	**19.0**	**–**	**31.4**
Included in current liabilities	7.5	19.0	–	26.5
Included in non-current liabilities	4.9	–	–	4.9
	12.4	**19.0**	**–**	**31.4**

The restructuring provision related to the 2020 branch closures and restructuring activities treated as adjusting items in that year. It excluded property-related provisions and inventory and trade creditor amounts which were separately classified.

The following table details the Group's liquidity analysis of its provisions, based on the undiscounted net cash outflows. The impact of discounting is not material for the Group's provisions.

	0–1 year	1–2 years	2–5 years	5+ years	Total
2022:					
Property	7.5	1.7	1.6	1.6	12.4
Insurance	19.0	–	–	–	19.0
	26.5	1.7	1.6	1.6	31.4
2021:					
Property	9.1	0.3	4.4	2.1	15.9
Insurance	20.1	–	–	–	20.1
	29.2	0.3	4.4	2.1	36.0

16. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

£m (Asset) / liability:	At 1 Jan 2022	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 Dec 2022
Trading losses	(13.9)	(1.1)	-	-	**(15.0)**
Deferred tax asset	**(13.9)**	**(1.1)**	**-**	**-**	**(15.0)**
Capital allowances	2.8	5.7	-	-	**8.5**
Revaluation of property	11.2	-	(7.8)	-	**3.4**
Share-based payments	(5.9)	-	2.4	-	**(3.5)**
Provisions	5.8	(1.0)	-	-	**4.8**
Property assets acquired in business combinations	10.4	(1.1)	-	-	**9.3**
Brand	27.2	(2.2)	-	-	**25.0**
Pension scheme asset (note 18)	68.8	1.4	-	(36.3)	**33.9**
Deferred gains on property disposals	32.8	(1.7)	-	-	**31.1**
Leases	(12.7)	(4.9)	-	-	**(17.6)**
Cash flow hedge	-	-	-	1.1	**1.1**
Deferred tax liability	**140.4**	**(3.8)**	**(5.4)**	**(35.2)**	**96.0**
Net deferred tax	**126.5**	**(4.9)**	**(5.4)**	**(35.2)**	**81.0**

£m	At 1 Jan 2021	Acquisitions	Disposals and demerger	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 Dec 2021
Trading losses	-	-	-	(13.9)	-	-	**(13.9)**
Deferred tax asset	-	-	-	**(13.9)**	-	-	**(13.9)**
Capital allowances	**(5.7)**	1.5	1.2	5.8	-	-	**2.8**
Trading losses	**(2.3)**	-		2.3	-	-	**-**
Revaluation of property	**8.5**	-		-	2.7	-	**11.2**
Share-based payments	**(8.3)**	-	1.3	(0.3)	1.4	-	**(5.9)**
Provisions	**2.8**	-	1.2	1.8	-	-	**5.8**
Property assets acquired in business combinations	**4.8**	5.0	-	0.6	-	-	**10.4**
Brand	**52.5**	2.3	(31.2)	3.6	-	-	**27.2**
Pension scheme asset	**33.9**	-	-	0.6	-	34.3	**68.8**
Deferred gains on property disposals	**28.0**	-	-	4.8	-	-	**32.8**
Leases	**(37.0)**	-	27.5	(3.2)	-	-	**(12.7)**
Deferred tax liability	**77.2**	**8.8**	**-**	**16.0**	**4.1**	**34.3**	**140.4**
Net deferred tax	**77.2**	**8.8**	**-**	**2.1**	**4.1**	**34.3**	**126.5**

In 2021 the Group recognised an additional deferred tax asset of £9.6m in respect of the Toolstation Netherlands business, as the test in IAS 12 – Income Taxes for the recognition of a deferred tax asset was met. This was disclosed as an adjusting item (note 2). No deferred tax asset has been recognised on losses of £53.3m in the Group's other European Toolstation businesses as there is currently insufficient evidence that these losses would be utilised. This position will be reviewed annually. The deferred tax asset with respect to the Netherlands trading losses has been presented as a separate asset on the balance sheet as deferred tax assets and liabilities can only be offset if they arise in the same jurisdiction.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary/timing differences (2021: 25%).

17. Trade payables and other liabilities

Accounting policy

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs and are measured at amortised cost. The Directors consider that the carrying amount of trade payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

£m	2022	2021
Trade payables	**600.6**	642.0
Other taxation and social security	**63.7**	65.0
Other payables	**80.3**	88.0
Accruals and deferred income	**107.8**	126.1
Trade and other payables	**852.4**	921.1

Included in trade payables at 31 December 2022 are amounts of £87.2m (2021: £107.0m) which are due for settlement under supplier financing arrangements with third-party banks. Suppliers choose to enter into these arrangements which provide access to the option of early settlement of invoices at interest rates based on Travis Perkins' credit rating. If suppliers do not elect for early payment, invoices are settled on the date agreed in the existing payment terms. In some cases, Travis Perkins has agreed extensions to payment terms with suppliers who regularly access the scheme, with the longest payment terms in place of 93 days, an extension of 31 days.

The total net amount outstanding where terms have been extended at 31 December 2022 was £13.8m (2021: £9.9m). These arrangements do not provide the Group with a significant benefit of additional financing and have been put in place for the benefit of the Group's suppliers, providing them with access to cost-efficient third-party funding. As such, outstanding balances are classified as trade payables and form part of the operating cash flows movement in the Consolidated cash flow statement. There are no significant judgements applied in the calculation of supplier finance balances.

Assets and liabilities continued

18. Pension arrangements

The Group has a number of historical defined benefit pension schemes, all of which are closed to new members and future accruals. The Group operates four final salary schemes being The Travis Perkins Pensions and Dependants' Benefit Scheme ("the TP DB scheme"), the BSS Defined Benefit Scheme ("the BSS DB Scheme"), the immaterial Platinum pension scheme and the immaterial BSS Ireland Defined Benefit Scheme. The reconciliations and disclosures are presented as an aggregation of all schemes as each scheme is subject to similar risk characteristics.

Accounting policy

The cost of providing benefits under defined benefit pension schemes is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effects of asset ceilings and minimum funding payments and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income. Remeasurement recorded in the statement of comprehensive income is not recycled. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Net interest expense or income is recognised within finance costs.

a. Expected future cash flows

The Directors have agreed with the BSS DB Scheme's Trustees and the TP DB Scheme's Trustees that, following the elimination of the deficits in these schemes, no further contributions from the Group are currently required. The Group continues to fund the management and administrative expenses of the BSS DB schemes, whilst the TP DB scheme now funds its management and administrative expenses.

b. Balance sheet position and movements during the year

The amount included in the balance sheet arising from the Group's obligations in respect of all of its defined benefit schemes and the movements during the year:

	2022			2021		
£m	**Gross assets**	**Gross obligations**	**Net**	Gross assets	Gross obligations	**Net**
At 1 January actuarial asset / (deficit)	**1,742.2**	**(1,466.4)**	**275.8**	1,770.8	(1,592.4)	**178.4**
Amounts recognised in income:						
Current service costs and administration expenses	**(1.5)**	**(0.2)**	**(1.7)**	(1.6)	(0.3)	**(1.9)**
Interest income / (interest cost)	**33.4**	**(28.1)**	**5.3**	24.4	(21.9)	**2.5**
Other movements:						
Contributions from sponsoring companies	**1.5**	**–**	**1.5**	1.9	-	**1.9**
Foreign exchange	**0.8**	**(0.5)**	**0.3**	(0.5)	0.5	**-**
Benefits paid	**(50.4)**	**50.4**	**–**	(50.6)	50.6	**-**
Amounts recognised in other comprehensive income:						
Return on plan assets (excluding amounts included in net interest)	**(628.6)**	**–**	**(628.6)**	(2.2)	-	**(2.2)**
Actuarial loss arising from changes in demographic assumptions	**–**	**7.5**	**7.5**	-	(15.5)	**(15.5)**
Actuarial gain arising from changes in financial assumptions	**–**	**550.6**	**550.6**	-	93.5	**93.5**
Actuarial (loss) / gain arising from experience adjustments	**–**	**(74.8)**	**(74.8)**	-	19.1	**19.1**
Gross pension asset / (liability) at 31 December	**1,097.4**	**(961.5)**	**135.9**	1,742.2	(1,466.4)	**275.8**

The assets valuation of £1,097.4m (2021: £1,742.2m) at 31 December 2022 consists of the TP DB Scheme £839.2m (2021: £1,334.5m) and the BSS DB Scheme £258.2m (2021: £407.7m). The obligation valuation of £961.5m (2021: £1,466.4m) consists of the TP DB Scheme £729.2m (2021: £1,115.8m) and the BSS DB Scheme £232.3m (2021: £350.6m). The significant reduction in the valuation of the assets and the obligation is principally the result of the increase in bond yields in 2022.

The actual return on scheme assets of £595.2m (2021: £22.2m) is represented by the interest income and 'return on plan assets (excluding amounts included in net interest)' figures above.

The deferred tax liability of £33.9m (2021: £68.8m) has been recognised at the standard rate of corporation tax and not the 35% rate applicable for refunds from pension schemes, as this rate best reflects the rate at which the liability will unwind. The pension surplus, net of deferred tax, as at 31 December 2022 is £102.0m (2021: £207.0m). There are no restrictions on the current realisability of the pension surplus.

c. Defined benefit scheme obligations

i. Valuation of scheme obligations

Full actuarial valuations of the TP DB scheme and the BSS DB scheme have been carried out as at 30 September 2020. The IAS 19 valuations have been based upon the results of the 30 September 2020 valuations, updated to 31 December 2021 by a qualified actuary.

The defined benefit pension schemes expose the Group to actuarial risks such as investment risk, interest rate risk and longevity risk. A summary of the risks and the management of those risks is given below and continued overleaf.

Investment risk	The present value of the defined benefit liabilities of the schemes is calculated using a discount rate predetermined by reference to high-quality corporate bond yields. If the return on scheme assets is below this rate it may create a plan deficit.
Interest risk	A decrease in corporate bond yields will increase the schemes' liabilities, but the effect will be partially offset by an increase in the return on the schemes' bond and gilt assets.
Longevity risk	The present value of the liabilities of the schemes is calculated by reference to the best estimate of mortality of pension scheme members both during and after their employment. An increase in the life expectancy of the schemes' members will increase the schemes' liabilities.

ii. Major actuarial assumptions

£m	**At 31 December 2022**	At 31 December 2021
Rate of increase of pensions in payment (post 2006 entitlement)	2.10%	2.05%
Rate of increase of pensions in payment 1997–2006	3.00%	3.00%
Discount rate	4.80%	1.95%
Inflation assumption – RPI	3.10%	3.10%
Inflation assumption – CPI	2.60%	2.50%

The yield curve used in setting the discount rate, which includes bonds with an average AA rating and excludes bonds which are sub-sovereign or issued by universities to reflect the credit risk of the defined benefit schemes. In respect of longevity, the valuation adopts the S3PA year of birth tables with improvements in life expectancy to continue in the medium term, with base year appropriate to the member's date of birth.

The weighted average life expectancy of 65-year-old members for the mortality tables used to determine pension liabilities at 31 December 2022 was 21.2 years for men and 23.2 years for women (2021: 21.5 years for men and 23.6 years for women). The mortality assumptions have not been adjusted to reflect the potential effects of Covid-19, as a result of the uncertainty of its impact on long-term mortality rates.

The mortality assumptions have been adjusted to reflect the effects of Covid-19 as it has been determined that the impact of the pandemic on long-term mortality outcomes has moved from a 'neutral' to 'negative' outlook. In particular, this takes into account: the possible mortality impact of Covid-19 becoming endemic; data on waning vaccine effectiveness (noting that waning may be mitigated, at least in part, by future booster programmes); the potential impact of new variants; and knock-on impacts of Covid-19 on the healthcare system.

iii. Maturity profile of obligations

The weighted average duration of the obligations of the defined benefit pension schemes is 21.1 years, with c.90% of the obligations expected to mature by 2060 and the benefits to be paid on a broadly straight-line basis over the period to 2060.

iv. Sensitivities

Key estimate over pension assumptions
The Group has chosen to adopt assumptions that the Directors believe are generally in line with comparable companies. If the difference between actual inflation is greater than assumed, or if long-term interest rates are lower than assumed, or if the average life expectancy of pensioners increases, then the pension surplus could be materially greater/lower than currently stated in the balance sheet. Where the pension obligation is included in the balance sheet at the net present value of the minimum funding payments then the impact on the balance sheet of changes in these assumptions is reduced.

The estimated effects of changing the key assumptions (discount rate, inflation and life expectancy) on the IAS 19 – Employee Benefits (revised 2011) balance sheet position as at 31 December 2022 is given below. The sensitivities below are presented as 25 basis point changes rather than the 10 basis points included in the prior year to reflect the heightened market volatility.

£m Assumption		TP & BSS Schemes Consolidated
Discount rate	Increase of 0.25%	(25.7)
	Decrease of 0.25%	27.2
Inflation	Increase of 0.25%	16.1
	Decrease of 0.25%	(15.2)
Longevity	Increase of 1 year	64.9
	Decrease of 1 year	(64.7)

Assets and liabilities continued

18. Pension arrangements continued

d. Scheme assets

i. Scheme assets and investment strategy

The assets of the TP DB Scheme and the BSS DB Scheme are held separately from those of the Group in funds under the control of the schemes' trustees.

In June 2010, an agreement was reached with the Trustees of the TP DB scheme to fund £34.7m of the funding deficit using a Group-controlled special purpose vehicle ("SPV"). The pension scheme is entitled to receive the income of the SPV for a period of up to 20 years. This income is backed by the security of 16 Travis Perkins' freehold properties. As the SPV is consolidated into the Travis Perkins plc Group accounts, advantage has been taken of Regulation 7 of The Partnership (Accounts) Regulations 2008 and accounts for the SPV will neither be audited or filed.

The investment strategy for the UK scheme is controlled by the trustee in consultation with the Company. The scheme assets do not include any of the Group's own financial instruments. In accordance with the schemes' derisked investment strategy, a high proportion of the largest two pension schemes' assets are invested in gilts and corporate bonds ("liability-driven investments").

All fair values are provided by the fund managers. Where available, the fair values are quoted prices (e.g. listed equity, sovereign debt and corporate bonds). Unlisted investments are included at values provided by the fund manager in accordance with relevant guidance. Other significant assets are valued based on observable inputs such as yield curves. The liability-driven investments, which comprise fixed-interest and index-linked gilts, futures, interest and inflation rate swaps, repurchase agreements and liquidity funds, are all daily priced and traded.

ii. Fair value of scheme assets

The major categories and fair values of scheme assets at the end of the reporting period for each category are as follows:

£m	At 31 December 2022	At 31 December 2021 (restated*)
Level 1:		
Cash	**9.1**	4.3
Level 2:		
Equities	**3.1**	4.1
Secured finance	**149.9**	156.0*
Corporate bonds	**476.4**	534.1
Diversified growth fund	**0.9**	1.0
Liability driven investments	**926.4**	1,965.9
Repurchase agreements	**(569.8)**	(1,037.3)
Property funds	**0.2**	0.4
Level 3:		
SPV asset	**25.1**	34.1
Secured finance income fund	**76.1**	79.6*
	1,097.4	1,742.2

*One of the funds within the secured finance category has been reassessed and is considered to fall within the definition of Level 3 within the fair value hierarchy. The comparative has therefore been restated to re-classify the fund with a fair value of £79.6m at 31 December 2021 to Level 3, having previously been classified as Level 2.

e. Defined contribution schemes

The Group operates two defined contribution schemes for all qualifying colleagues. The pension cost, which represents contributions payable by the Group, amounted to £19.8m (2021: £16.8m).

f. Pension scheme contributions for the year

The total charge to the income statement disclosed in note 4 of £21.3m (2021: £18.7m) comprises defined benefit scheme current service costs of £1.5m (2021: £1.9m) and £19.8m (2021: £16.8m) of contributions payable to the defined contribution schemes.

Capital

19. Share capital and reserves

Accounting policy

Equity instruments represent the ordinary share capital of the Group and are recorded at the proceeds received, net of directly attributable incremental issue costs.

Consideration paid by the Group for its own shares is deducted from total shareholders' equity. Where such shares vest to colleagues under the terms of the Group's share incentive schemes or the Group's Sharesave schemes or are sold, any consideration received is included in shareholders' equity.

a. Share capital

	Authorised, issued and fully paid	
Ordinary shares	No.	£m
At 1 January 2021	252,143,923	25.2
Share consolidation	(27,117,997)	-
At 1 January 2022	225,025,926	25.2
Cancellation of share capital	(12,516,592)	(1.4)
	212,509,334	**23.8**

The Company has one class of Ordinary Share that carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Share buyback

The Group concluded its buyback programme in May 2022 as announced in 2021 following the disposal of the Plumbing and Heating business.

A total of 12.3m shares were purchased in 2022 (2021: 4.6m), of which none were held as treasury shares (2021: 3.5m) and 3.3m were transferred to the Employee Share Ownership Trust (2021: 1.1m). The shares were acquired at an average price of £13.70 per share (2021: £15.19 per share), with prices ranging from £11.72 to £16.20 (2021: £14.58 to £15.76). The total cost of £172.1m, including £2.2m of after-tax transaction costs (2021: £70.5m including £0.3m of after-tax transaction costs), was deducted from shareholder's equity.

b. Own shares

	2022			2021		
No.	**Treasury shares**	**ESOT shares**	**Total**	Treasury shares	ESOT shares	Total
At 1 January	**3,533,419**	**507,371**	**4,040,790**	-	2,879,021	2,879,021
Share consolidation	**-**	**-**	**-**	-	(309,495)	(309,495)
Shares purchased in share buyback and held as own shares by ESOT	**-**	**-**	**-**	-	1,100,000	1,100,000
Shares purchased in share buyback and held as treasury shares	**(3,533,419)**	**3,533,419**	**-**	3,533,419		3,533,419
Reissued	**-**	**(1,444,106)**	**(1,444,106)**	-	(3,162,155)	(3,162,155)
At 31 December	**-**	**2,596,684**	**2,596,684**	3,533,419	507,371	4,040,790

The own shares held by the Employee Share Ownership Trust are to satisfy options under the Group's share option schemes. None of the own shares have been allocated to grants of executive options and all rights attaching to the shares are suspended until the shares are reissued.

Details of all movements in reserves for both the Group and Company are shown in their respective Statement of Changes in Equity.

The cumulative total of goodwill written off directly to reserves for acquisitions from December 1989 to December 1998 is £40.1m.
The aggregate information for the accounting periods prior to this period is not available.

c. Reserves

A description of the nature and purpose of each reserve is given below:

- The share premium represents the amounts above the nominal value received for shares sold
- The merger reserve represents the premium on equity instruments issued as consideration for the acquisition of BSS
- The revaluation reserve represents the revaluation surplus that arose from property revaluations in 1999 and prior years
- The cash flow hedge reserve represents the cumulative gain or loss on the fair value of effective hedging instruments used in cash flow hedges which have not yet been reclassified to profit or loss
- The own shares reserve represents the cost of shares purchased in the market and held by the Employee Share Ownership Trust to satisfy options under the Group's share option schemes
- Foreign exchange reserve represents the exchange differences recognised on translation of the assets and liabilities of the foreign operations that have a functional currency different from the Group
- Other reserves relates to a capital redemption reserve arising as a result of the share buybacks and the subsequent cancellation of shares
- Retained earnings represents cumulative results for the Group

Capital continued

20. Earnings per share

a. Basic and diluted earnings per share

£m	2022	2021
Profit attributable to the owners of the parent		
-from continuing operations	**192.2**	240.8
-from discontinued operations	**-**	38.1
Weighted average number of shares for the purposes of basic earnings per share	**211,630,413**	231,766,613
Dilutive effect of share options on potential ordinary shares	**3,789,212**	2,967,694
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**215,419,625**	234,734,307
Earnings per share		
-from continuing operations	**90.8p**	103.9p
-from discontinued operations	**-**	16.4
-total	**90.8p**	120.3p
Diluted earnings per share		
-from continuing operations	**89.2p**	102.6p
-from discontinued operations	**-**	16.2p
–total	**89.2p**	118.8p

528,262 share options (2021: 6,545 share options) had an exercise price in excess of the average market value of the shares during the year. As a result, these share options were excluded from the calculation of diluted earnings per share. Share options that would be anti-dilutive due to the Group generating a loss have also been excluded from the calculation.

b. Adjusted earnings per share

Adjusted earnings per share is calculated by excluding the effect of adjusting items and amortisation of acquired intangible assets from earnings.

£m	2022	2021
Earnings for the purposes of earnings per share	**192.2**	240.8
Adjusting items	**-**	(6.8)
Amortisation of acquired intangible assets	**10.5**	11.1
Tax on adjusting items	**-**	1.6
Adjusting deferred tax	**-**	4.7
Tax on amortisation of acquired intangible assets	**(2.6)**	(2.7)
Earnings for adjusted earnings per share	**200.1**	248.7
Adjusted earnings per share	**94.6p**	107.3p
Adjusted diluted earnings per share	**92.9p**	105.9p

21. Dividends

Accounting policy

Dividends proposed by the Board of Directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting.

Amounts were recognised in the financial statements as distributions to equity shareholders as follows:

£m	2022	2021
Final dividend for the year ended 31 December 2021 of 26.0 pence (2020: nil pence) per ordinary share	**55.5**	–
Interim dividend for the year ended 31 December 2022 of 12.5 pence (2021: 12.0 pence) per ordinary share	**26.2**	26.9
Special dividend of nil pence (2021: 35.0 pence) per ordinary share	**-**	78.5
Total dividend recognised during the year	**81.7**	105.4

The Directors are recommending a final dividend of 26.5p in respect of the year ended 31 December 2022. The anticipated cash payment in respect of the proposed final dividend is £56.3m (2021: £58.5m).

22. Borrowings

Accounting policy

Interest-bearing bank loans and overdrafts, loan notes and other loans are recognised in the balance sheet at amortised cost. Finance charges associated with arranging non-equity funding are recognised in the income statement over the life of the facility. All other borrowing costs are recognised in the income statement in accordance with the effective interest rate method.

A summary of the Group's objectives, policies, procedures and strategies with regard to financial instruments and capital management can be found in the Strategic Report on page 78. At 31 December 2022, all borrowings were denominated in sterling (2021: sterling).

a. Summary

£m	2022	2021
Liability to pension scheme	**26.7**	28.5
Sterling bonds	**430.0**	550.0
Finance charges netted off borrowings	**(2.6)**	(3.3)
Loan note	**75.0**	–
Overdraft	**12.5**	–
	541.6	575.2
Current liabilities	**192.5**	–
Non-current liabilities	**349.1**	575.2
	541.6	575.2

b. Analysis of other borrowings

£m	2022	2021
Borrowings repayable:		
On demand or within one year	**192.5**	–
More than one year, but not more than five years	**325.0**	550.0
More than five years	**26.7**	28.5
Gross borrowings	**544.2**	578.5
Unamortised fees	**(2.6)**	(3.3)
	541.6	575.2

c. Facilities

At 31 December 2022, the following facilities were available:

£m	2022	2021
Drawn facilities:		
£250m sterling bond	**250.0**	250.0
£180m sterling bond (2021: £300m sterling bond)	**180.0**	300.0
Term loan	**75.0**	–
	505.0	550.0
Un-drawn facilities:		
Five year committed revolving credit facility	**400.0**	400.0
Bank overdrafts	**15.0**	15.0
	415.0	415.0

In April 2022, the Group completed a tender offer on the 2023 guaranteed notes, repurchasing £120m principal amount of notes which were subsequently cancelled. In August 2022 the Group obtained a five year term loan of £75m repayable in August 2027, and entered into an interest rate swap to hedge the risk relating to the variable element of the interest rate on the loan. Further details of the swap transaction are disclosed in note 27.

The Group's £400m banking facility with a syndicate of banks was extended in 2020, with £54m maturing in January 2024 and the remaining £346m maturing in April 2025. The disclosures in note 22(c) do not include leases or the effect of finance charges netted off bank debt.

22. Borrowings continued

d. Interest

The weighted average interest rates received on assets and paid on liabilities were as follows:

£m	2022	2021
Assets:		
Short-term deposits	**1.0**	0.1
Liabilities:		
£250m sterling bond	**3.8**	3.8
£180m sterling bond (2021: £300m)	**4.5**	4.5
£75m term loan	**4.6**	n/a
Bank loans and overdrafts	**2.1**	1.9

In respect of income earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date:

	2022		2021	
£m	Effective interest rate	£m	Effective interest rate	£m
Assets:				
Short-term deposits	**3.3%**	**194.0**	0.2%	435.0
Liabilities:				
£250m sterling bond) (2026)	**3.8%**	**250.0**	3.8%	250.0
£180m sterling bond (2021: £300m) (2023)	**4.5%**	**180.0**	4.5%	300.0
Term loan	**4.6%**	**75.0**	–	–
		505.0		550.0

e. Fair values

The book values of financial assets and liabilities have been determined based on amortised cost. For the majority of these, the fair values are not materially different from their carrying amounts. Significant differences were identified for the Group's £430m of bonds as at 31 December 2022, where the assessed fair value based on quoted mid-market prices was £399.6m. Details of the fair values of derivatives are given in notes 27 and 28.

f. Guarantees and security

There are cross guarantees on the overdrafts between Group companies.

Travis Perkins Trading Company Limited, Travis Perkins (Properties) Limited, TP Property Company Limited, Keyline Civils Specialist Limited, Toolstation Limited, CCF Limited and The BSS Group Limited are guarantors of the following facilities advanced to Travis Perkins plc:

- £250m sterling bond
- £180m sterling bond (2021: £300m)
- £75m term loan
- £400m revolving credit facility
- Interest rate swap[1]
- Currency derivatives (note 28)[2]

The Group companies have entered into other guarantee and counter-indemnity arrangements in respect of guarantees issued in favour of Group companies by several banks amounting to approximately £32m (2021: £32m).

Other guarantors

[1] Interest rate swap is guaranteed by Travis Perkins Trading Company Limited, Travis Perkins (Properties) Limited, CCF Limited and Keyline Civils Specialist Limited.

[2] Currently derivatives are guaranteed by CCF Limited in addition to the above listed guarantors.

23. Net debt

Accounting policy

Cash and cash equivalents comprise cash balances and cash deposits with an original maturity of three months or less held by the Group and Company, net of overdrafts. The carrying amount of these assets approximates to their fair value.

a. Movement in net debt

£m	Cash and cash equivalents, including overdraft	Leases	Term loan, revolving credit facility and loan notes	Sterling bonds	Liability to pension scheme	**Total**
At 1 January 2021	**(505.6)**	**1,327.1**	**(2.0)**	**547.6**	**30.1**	**1,397.2**
Additions to leases	-	92.4	-	-	-	**92.4**
Disposals of leases	-	(13.6)	-	-	-	**(13.6)**
Debt taken on following acquisition	-	-	12.0	-	-	**12.0**
Cash flow	45.8	(96.7)	(12.5)	-	(3.6)	**(67.0)**
Derecognition of lease liabilities on the demerger and disposal of subsidiaries	-	(841.1)	-	-	-	**(841.1)**
Finance charges movement	-	-	1.0	0.6	-	**1.6**
Discount unwind on liability to pension scheme	-	-	-	-	2.0	**2.0**
Discount unwind on lease liabilities	-	21.1	-	-	-	**21.1**
At 1 January 2022	**(459.8)**	**489.2**	**(1.5)**	**548.2**	**28.5**	**604.6**
Additions to leases	-	114.7	-	-	-	**114.7**
Disposals of leases	-	(12.5)	-	-	-	**(12.5)**
Cash flow	236.6	(100.3)	75.0	(120.0)	(3.7)	**87.6**
Finance charges movement	-	-	(0.1)	0.7	-	**0.6**
Amortisation of swap cancellation receipt	-	-	-	0.1	-	**0.1**
Discount unwind on liability to pension scheme	-	-	-	-	1.9	**1.9**
Discount unwind on lease liabilities	-	21.5	-	-	-	**21.5**
31 December 2022	**(223.2)**	**512.6**	**73.4**	**429.0**	**26.7**	**818.5**

b. Covenant net debt

£m	**2022**	2021
Cash and cash equivalents, including bank overdraft	**223.2**	459.8
Current interest-bearing loans and borrowings	**(180.0)**	-
Non-current interest-bearing loans and borrowings	**(349.1)**	(575.2)
Non-current lease liabilities (note 11a)	**(438.3)**	(414.7)
Current lease liabilities (note 11a)	**(74.3)**	(74.5)
Net debt	**(818.5)**	(604.6)
Less: Liability to pension scheme	**26.7**	28.5
Less: Lease liabilities	**512.6**	489.2
Covenant net debt	**(279.2)**	(86.9)

Cash and cash equivalents comprises short-term deposits of £194.0m (2021: £435.0m) and cash of £29.2m (2021: £24.8m).

Capital continued

24. Free cash flow

£m	2022	2021
Adjusted operating profit	**295.3**	352.8
Less: Profit on disposal of properties	**(25.3)**	(48.9)
Adjusted operating profit excluding property profit	**270.0**	303.9
Share-based payments	**17.0**	19.1
Other net interest paid	**(16.9)**	(13.7)
Interest on lease liabilities	**(21.5)**	(21.1)
Income tax paid	**(57.6)**	(59.9)
Movement on working capital	**(76.5)**	(151.8)
Depreciation of property, plant and equipment	**73.6**	69.2
Amortisation and impairment of internally-generated intangibles	**6.5**	9.7
Capital expenditure excluding freehold purchases	**(110.0)**	(95.0)
Disposal of plant and equipment	**10.1**	4.4
Free cash flow	**94.7**	64.8

25. Net debt to adjusted EBITDA

£m	2022	2021
Operating profit	**284.8**	348.5
Depreciation and amortisation	**169.6**	170.0
EBITDA	**454.4**	518.5
Adjusting operating items (note 2)	–	(6.8)
Adjusted EBITDA	**454.4**	511.7
Net debt (note 23a)	**818.5**	604.6
Net debt to adjusted EBITDA	**1.8x**	1.2x
Covenant net debt (note 32b)	**279.2**	*86.9*
Covenant net debt adjusted EBITDA	**0.6x**	*0.2x*
Memo: covenant net debt to pre-IFRS 16 adjusted EBITDA	*0.8x*	*0.2x*

All figures relate to continuing operations.

26. Return on capital ratios

Group return on capital employed is calculated as follows:

£m	2022	2021
Operating profit	284.8	348.5
Amortisation of acquired intangible assets	10.5	11.1
Adjusting items (note 3)	–	(6.8)
Adjusted operating profit	295.3	352.8
Opening net assets	2,237.8	2,713.8
Net pension surplus	(207.0)	(144.5)
Net debt	604.6	1,397.2
Less: net assets of discontinued operations	–	(747.7)
Less: net borrowings of discontinued operations	–	(842.1)
Opening capital employed	2,635.4	2,376.7
Closing net assets	2,102.2	2,237.8
Net pension surplus	(102.0)	(207.0)
Net debt	818.5	604.6
Closing capital employed	2,818.7	2,635.4
Average capital employed	2,727.1	2,506.1

Group return on capital employed is calculated as follows:

£m	2022	2021
Adjusted operating profit	295.3	352.8
Average capital employed in continuing operations	2,727.1	2,506.1
Return on capital employed	10.8%	14.1%

Risk

27. Financial risk management

The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net assets. The Group manages the principal financial and treasury risks within a framework of policies and operating parameters reviewed and approved annually by the Board of Directors. The Group does not enter into speculative transactions. The Group's risk management policy is further discussed on pages 73-74.

a. Derivatives

During 2022 the Group obtained a five year term loan facility for £75m (note 22) and at the same time entered into an equal interest rate swap arrangement to hedge the interest rate. For 2022 through to 2025, the Board of Directors has decided to maintain a ratio of fixed and floating rate net debt at 1:1. The risk management objective is to hedge against the fair value of the variable interest rate element of the loan facility. The interest rate swap is a derivative measured at fair value and is designated in the hedging relationship in its entirety, therefore the hedging instrument is eligible for hedge accounting.

The Group's accounting policy for its cash flow hedges is set out in note 28.

The Group has the following derivative financial instruments in the following line items in the balance sheet:

£m	2022	2021
Non-current assets		-
Interest rate swap – cash flow hedge	4.3	-
Total non-current derivative financial instrument assets	4.3	-

Risk continued

27. Financial risk management continued

The Group's hedging reserve relates to the following hedge instrument:

£m	Interest rate swaps	Total cash flow hedge reserve
At 1 January 2021 and 1 January 2022	-	-
Change in fair value of hedging instrument recognised in OCI	4.3	4.3
Deferred tax	(1.1)	(1.1)
At 31 December 2022	3.2	3.2

The following amounts were recognised in the Group's profit and loss:

£m	2022	2021
Net loss on foreign currency forwards not qualifying as hedges included in other gains/(losses)	**(0.3)**	(0.5)

Hedge effectiveness was determined at the inception of the swap arrangement and through prospective effectiveness assessments, to ensure that an economic relationship exists between the loan facility and the interest rate swap. As both the loan and interest rate swap have the same critical terms, with the value, term and payment timings aligned, there is no portion of the hedge which is considered to be ineffective.

Swaps currently in place cover approximately 100% of the variable term loan principal outstanding. The fixed interest rate of the swap is 2.673%. The interest rate of the term loan consists of a variable element based on the Sterling Overnight Index Average ("SONIA") and a margin between 1.8% – 2.4%. The swap contracts require settlement of the net interest receivable or payable every six months and coincides with the dates on which payment is due on the underlying term loan.

The effects of the interest rate swaps of the Group's financial position and performance are as follows:

£m	2022	2021
Carrying amount (non-current assets)	**4.3**	-
Notional amount	**75.0**	-
Maturity date	**15 August 2027**	-
Hedge ratio	**1:1**	-
Change in fair value of hedging instruments for the year	**4.3**	-
Weighted average hedged rate for the year	**2.43%**	-

28. Financial instruments

Accounting policy

Investments and other financial assets classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income "FVOCI", or through profit or loss "FVTPL")
- Those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTPL or at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in finance income or finance costs, together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the income statement.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains / (losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in finance income or finance costs in the income statement as applicable. Impairment losses (and the reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 – Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing activities. The Group does not enter into speculative financial instruments. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for derivative trading purposes.

Derivative financial instruments are stated at fair value. The fair value of derivative financial instruments is the estimated amount the Group would receive or pay to transfer to a market participant the derivative at the balance sheet date, taking into account current interest and exchange rates and the current creditworthiness of the counterparties. Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are immediately recognised in the Statement of Comprehensive Income. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the items being hedged.

In order to qualify for hedge accounting, the Company is required to document, from inception, the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an on-going basis. This effectiveness testing is performed at each reporting date to ensure that the hedge remains highly effective.

Derivative financial instruments are classified as cash flow hedges when they hedge the Company's exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction. The effective element of any gain or loss from re-measuring the derivative instrument is recognised directly in equity.

The associated cumulative gain or loss is removed from equity and recognised in the Statement of Comprehensive Income in the same period during which the hedged transaction affects the Statement of Comprehensive Income.

The classification of the effective portion when recognised in the Statement of Comprehensive Income is the same as the classification of the hedged transaction. Any element of the re-measurement criteria of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the Statement of Comprehensive Income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting or is de-designated. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs or the original hedged item affects the Statement of Comprehensive Income. If a forecasted hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Statement of Comprehensive Income

Foreign currency forward contracts are marked-to-market at the balance sheet date, with any gains or losses being taken through the income statement.

Derivatives embedded in commercial contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the underlying contracts, with unrealised gains or losses being reported in the income statement.

Risk continued

28. Financial instruments continued

a. The carrying value of categories of financial instruments

£m	2022	2021
Financial assets:		
Mandatorily at FVTPL	–	0.2
Loans and receivables (including cash and cash equivalents) at amortised cost	923.4	1,131.9
Designated instrument-by-instrument as either FVTPL or FVOCI	4.3	–
	927.7	1,132.1
Financial liabilities:		
Mandatorily at FVTPL	0.2	–
Borrowings (note 22a)	541.6	575.2
Trade and other payables (including overdrafts) at amortised cost (note 17)	681.0	730.0
	1,222.8	1,305.2

Loans and receivables exclude prepayments of £38.2m (2021: £34.6m). Trade and other payables exclude taxation and social security and accruals and deferred income totalling £171.5m (2021: £191.1m). The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group has considered the impact of credit risk on its financial instruments and because the counterparties are banks with strong credit ratings considers its impact to be immaterial. The issuer credit ratings of the banks where the Group's deposits are held ranges from A to A+ (S&P), A2 to Aa3 (Moody's), and A- to A+ (Fitch).

b. Fair value of financial instruments

Financial assets and financial liabilities designated as FVTPL comprise foreign currency forward contracts and are measured using quoted forward exchange rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There were no transfers between levels during the year.

£m	2022	2021
Included in assets:		
Level 1		
Interest rate swap	4.3	–
Foreign currency forward contracts at fair value through profit and loss	–	0.2
	4.3	0.2
Included in liabilities:		
Level 2		
Foreign currency forward contracts at fair value through profit and loss	(0.2)	–
	(0.2)	–

c. Interest risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts and forward interest rate contracts when appropriate. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles. At 31 December 2022, the Group had entered into an interest rate swap arrangement to hedge the variable interest rate risk on a £75m five-year loan facility. The risk management objective is to hedge against the fair value of the variable interest rate element of the loan facility. The interest rate swap is a derivative measured at fair value and is designated in the hedging relationship in its entirety. (2021: no interest rate risks were hedged).

d. Currency forward contracts

The Group acquires goods for sale from overseas, which when not denominated in sterling are paid for principally in US dollars and euros. The Group has entered into forward foreign exchange contracts (all of which are less than one year in duration) to buy US dollars and euros to hedge the exchange rate risk arising from these anticipated future purchases. At the balance sheet date the total notional value of contracts to which the Group was committed was EUR10.0m and US$30.0m (2021: EUR11.0m and US$20.5m). The fair value of these derivatives was £0.2m liability (2021: £0.2m asset). These contracts are not designated cash flow hedges and accordingly the fair value movement has been reflected in the income statement.

e. Interest rate sensitivity analysis

A sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1.0% increase or decrease is used when reporting interest rate risk internally to key management personnel.

At 31 December 2022 the Group had no floating rate liabilities. There was £194.0m on short-term deposit at 31 December 2022 (2021: £435m). A 1.0% increase/decrease in interest rates, with all other variables held constant, would have the following impact on:

- Profit before taxation for the year ended 31 December 2022 would have increased/decreased by £1.9m (2021: increased/decreased by £4.4m) due to the short-term deposits
- Net equity would have increased/decreased by £1.6m (2021: increased/decreased by £3.5m)

f. Liquidity analysis

The following table details the Group's liquidity analysis for its derivative financial instruments and other financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis and the undiscounted gross cash flows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

			2022		
£m	0–1 year	1–2 years	2–5 years	5+ years	**Total**
Total gross settled: foreign exchange forward contracts	(33.9)	–	–	–	**(33.9)**
Total net settled: Interest rate swap – cash flow hedge	0.5	1.5	2.8	–	**4.8**
Total derivative financial instruments	(33.4)	1.5	2.8	–	**(29.1)**
Net settled:					
Borrowings	(192.5)	–	(349.1)	–	**(541.6)**
Trade and other payables at amortised cost (note 28a)	(681.0)	–	–	–	**(681.0)**
Leases (note 11a)	(88.5)	(81.5	(200.8)	(262.1)	**(632.9)**
Total financial instruments	(962.0)	(81.5)	(549.9)	(262.1)	**(1,855.5)**

			2021		
£m	0–1 year	1–2 years	2–5 years	5+ years	Total
Total gross settled: foreign exchange forward contracts	(25.2)	–	–	–	(25.2)
Total derivative financial instruments	(25.2)	–	–	–	(25.2)
Net settled:					
Borrowings	–	–	(550.0)	(28.5)	(578.5)
Trade and other payables at amortised cost (note 28a)	(730.0)	–	–	–	(730.0)
Leases (note 11a)	(93.5)	(151.5)	(119.4)	(247.0)	(611.4)
Total financial instruments	(848.7)	(151.5)	(669.4)	(275.5)	(1,945.1)

29. Impairment

Accounting policy

Impairment of tangible and intangible assets

The carrying amounts of the Group's tangible and intangible assets with a definite useful life are reviewed at each balance sheet date to determine whether there is any indication of impairment to their value. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount of an asset is the greater of its fair value less disposal cost and its value-in-use (the present value of the future cash flows that the asset is expected to generate). In determining value in use the present value of future cash flows is discounted using a pre-tax discount rate that reflects current market assessments of the time value-of-money in relation to the period of the investment and the risks specific to the asset concerned.

Where the carrying value exceeds the recoverable amount a provision for the impairment loss is established with a charge being made to the income statement. When the reasons for a write down no longer exist the write down is reversed in the income statement up to the net book value that the relevant asset would have had if it had not been written down and if it had been depreciated.

For intangible assets that have an indefinite useful life the recoverable amount is estimated on an annual basis.

Measuring recoverable amounts

The Group tests goodwill and other non-monetary assets with indefinite useful lives for impairment annually or more frequently if there are indications that an impairment may have occurred. The recoverable amounts of the goodwill and other non-monetary assets with indefinite useful lives are determined from value-in-use calculations, except for the Toolstation Benelux and Toolstation France CGUs where fair value less cost of disposal ("FVLCOD") calculations have been used to better reflect the long-term nature of these investments and their early stage of maturity. The valuation is considered to be level 3 in the fair value due to unobserveable inputs used in the valuation.

The key assumptions for the value-in-use and the FVLCOD calculations are those regarding the discount rates, growth rates and like-for-like market volume changes which impact sales and therefore cash flow projections and maintenance capital expenditure. Management estimates pre-tax discount rates that reflect current market assessments of the time-value of money and the risks specific to the CGU groupings that are not reflected in the cash flow projections.

In developing these assumptions, management has considered the possible impacts of climate risks, as set out in the Statement of Principal Risks and Uncertainties and the Group's planned responses to climate change, per the TCFD Disclosure on pages 50 to 61. This has included consideration of the impact of climate risks on the Group's required capital expenditure, on energy costs directly in the business and the supply chain and the impact of the changes on the Group's markets and customers.

At the end of the financial year the recoverable amount of goodwill and intangible assets with indefinite useful lives in all segments was in excess of their book value. In the absence of a binding agreement to sell the assets and active reference market on which fair value can be determined, the recoverable amount of the goodwill and intangible assets with indefinite useful lives was determined according to value-in-use. The value-in-use calculations require the use of assumptions.

Key assumptions

The key financial assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of current market conditions and future trends and have been based on historical data from both external and internal sources.

	2022	2021
Pre-tax discount rate	**11.2%-14.7%**	8.9%–10.2%
Long-term growth rate	**1.7%**	1.7%

Management determined the values assigned to these financial assumptions as follows:

- Pre-tax discount rates: these are calculated by reference to the weighted average cost of capital ("WACC") of the Group and reflect specific risks relating to the Group's industries and the countries in which the Group operates. The pre-tax discount rate is adjusted for risks not adjusted for in the cash flow forecasts, including risks related to the size and industry of each CGU.
- Long-term growth rate: This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. This represents the forecast GDP growth for the final year considered in the Office for Budget Responsibility's most recent Economic and Fiscal Outlook report.

Cash flow forecasts are derived from the most recent Board-approved strategic plans. The key operating assumptions used in the estimation of future cash flows are:

- Sales market volume growth on which the approved corporate plans are based are derived from a variety of sources including construction and consumer outlook reports, current and forecast housing-market transaction numbers and mortgage-approval levels. The Directors consider this to be the principal operating assumption as it determines management's approach to the interlinked factors underlying the operating margin percentage.

- Operating margin percentage is forecast in the context of the sales market volume growth assumptions and is based on historical experience of operating margins, adjusted for the impact of changes to product costs and cost-saving initiatives.

Cash flows beyond the corporate plan period (2026 and beyond for the UK CGUs) have been determined using the long-term growth rate.

Impairment charge
The recoverable amount of goodwill and intangible assets with indefinite useful lives was in excess of their book value in all CGUs and therefore no impairments have been recognised (2021: no impairments recognised). There are no reasonably possible changes in the key assumptions used in the impairment reviews that would cause the recoverable amounts to be materially lower than the carrying amounts.

30. Capital commitments

£m	**2022**	2021
Contracted for but not provided in the accounts	**8.3**	51.9

Group structure

31. Business combinations and disposals

Accounting policy
All business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the Group
- Fair value of any asset or liability resulting from a contingent consideration arrangement
- Fair value of any pre-existing equity interest in the subsidiary

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 – Business Combinations are recognised at their fair value at the acquisition date except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits respectively
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 – Share-based Payments

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

Where a business combination is achieved in stages, the Group's previously-held interest in the acquired entity is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in the income statement.

Liabilities for contingent consideration are classified as fair value through profit and loss.

a. Demerger of Wickes
On 27 April 2021 Wickes business was demerged, as described in note 8. As a result of this transaction, £455.2m of goodwill and £162.5m of intangible fixed assets were derecognised by the Group.

b. Disposal of Plumbing & Heating
On 30 September 2021 the Group sold the Plumbing & Heating distribution business to an affiliate of H.I.G. Capital, as described in note 8. As a result of this transaction, £67.5m of goodwill was derecognised by the Group.

c. Acquisition of Staircraft business
On 26 October 2021 the Group acquired an additional 85% of the Ordinary Share capital of P. H. Properties Limited ("Staircraft") for consideration of £48.0m, giving the Group a 100% equity share of the business. Staircraft is a market-leading business that provides integrated stair, floor and door solutions. This acquisition expands the Group's customer proposition by adding digital component design, timber engineering and production capability. Goodwill of £21.5m was recognised as a result of this acquisition.

In 2021, the acquired business contributed revenue of £10.2m and a net loss of £0.3m to the Group results. If the acquisition had occurred on 1 January 2021, the Group's revenue for the year ended 31 December 2021 would have been £49.4m higher and the Group's profit for the year would have been £3.9m higher.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

People

32. Staff costs

a. Average number of persons employed

The average monthly number of persons employed (including Executive Directors):

No.	2022	2021
Sales and distribution	**18,453**	17,415
Administration	**1,503**	1,418
	19,956	18,833

The average monthly number of persons employed (including Executive Directors) in 2021 including the discontinued operations was 24,136.

b. Aggregate remuneration

£m	2022	2021
Staff costs – wages and salaries	**594.7**	544.5
Staff costs – social security costs	**54.2**	48.6
Staff costs – other pension costs (note 18)	**21.3**	18.7
Share-based payments (note 33)	**17.0**	19.1
	687.2	630.9

Director's remuneration, including pension contributions and Long-Term Incentive (LTI) plan awards, is set out in the Single Total Figure of Remuneration table in the Directors' Remuneration report on page 105.

The total amounts received or receivable by Directors under long term incentive schemes in respect of qualifying service in the year is £127,000 (2021: £278,000). The aggregate of gains made by the Directors in the year on the exercise of share options equated to £nil (2021: £nil).

Details with respect to share options exercised in the year are set out on page 111.

33. Share-based payments

Accounting policy

The Group issues equity-settled share-based payments to colleagues: long-term incentives, executive share options and Save As You Earn ("SAYE"). These payments are measured at fair value at the date of grant using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the options were granted. The cost of equity-settled awards is recognised on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

a. Fair value of options

The Black-Scholes option-pricing model is used to calculate the fair value of the options and the amount to be expensed. The probability of the performance conditions being achieved was included in the fair-value calculations. The inputs into the model for options granted in the year expressed as weighted averages are as follows:

	2022		2021	
£m	**SAYE**	**Nil-price options**	SAYE	Nil-price options
Share price at grant date (pence)	**889.4**	**1245.0**	1,518.5	1,610.6
Option exercise price (pence)	**710.0**	**-**	1,411.0	-
Volatility (%)	**44.5%**	**44.0%**	44.3%	45.7%
Option life (years)	**3.3**	**2.9**	3.1	2.1
Risk-free interest rate (%)	**4.4%**	**1.4%**	0.5%	0.1%
Expected dividends as a dividend yield (%)	**2.5%**	**1.8%**	1.3%	1.3%

Volatility is based on historic share prices over a period equal to the vesting period. Option life used in the model has been based on options being exercised in accordance with historical patterns. For executive share options the vesting period is three years.

If options remain unexercised after a period of ten years from the date of grant, these options expire. Options are forfeited if the colleague leaves the Group before options vest. SAYE options vest after three or five years and expire three and a half or five and a half years after the date of grant.

The risk-free interest rate of return is the yield on zero-coupon UK Government bonds on a term consistent with the vesting period. Dividends used are based on actual dividends where data is known and future dividends estimated using a dividend cover of three times (within the Board's target range).

The expected life of options used in the model has been adjusted, based upon management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

b. Income statement charge and shares granted

A description of the share schemes operated by the Group is contained in the Remuneration report on page 99. The estimated fair values of the shares under option granted under the Group's share schemes in 2022 are as follows:

Share scheme	Grant date	Fair value for the Group £m
Restricted Share Plan (nil-price options)	1 April 2022	7.3
Restricted Recruitment Award (nil-price options)	9 Sep 2022	-
Restricted Retention Award (nil-price options)	9 Sep 2022	-
Save As You Earn	11 October 2022	10.6

The Group charged £17.0m (2021: £23.2m, of which £19.1m related to continuing operations) to the income statement in respect of equity-settled share-based payment transactions.

c. Share options for the Group

The number and weighted average exercise price of share options is as follows:

	The Group					
	2022			2021		
In thousands of options	**Weighted average exercise price (pence)**	**Number of options**	**Number of nil price options**	Weighted average exercise price (pence)	Number of options	Number of nil price options
Outstanding at the beginning of the year	**1,054**	**4,185**	**2,997**	947	6,233	4,265
Forfeited during the year	**1,107**	**(1,863)**	**(225)**	969	(1,303)	(541)
Exercised during the year	**909**	**(544)**	**(902)**	955	(1,808)	(1,255)
Granted during the year	**710**	**3,498**	**698**	1,411	1,064	529
Outstanding at the end of the year	**823**	**5,276**	**2,568**	1,054	4,185	2,997
Exercisable at the end of the year	**1,314**	**38**	**152**	1,579	326	51

Details of the options outstanding at 31 December are as follows:

	The Group					
	2022			2021		
	Executive options	**SAYE**	**Nil price options**	Executive options	SAYE	Nil price options
Range of exercise prices (pence)	**1,061-1,958**	**710-1,411**	**-**	743-1,958	898-1,616	-
Weighted average exercise price (pence)	**1,200**	**814**	**-**	1,183	1,042	-
Number of shares (thousands)	**120**	**5,156**	**2,568**	221	3,953	3,127
Weighted average expected remaining life (years)	**0.2**	**2.6**	**1.2**	0.8	2.6	1.0
Weighted average contractual remaining life (years)	**7.7**	**3.1**	**8.1**	8.3	2.7	8.4

People continued

33. Share-based payments

d. Impact of vesting and exercise

If all 2.0m outstanding executive options vest and then are exercised on the date of vesting, or in the case of SAYE all 5.1m shares are acquired on the first possible day, 7.1m of shares will be issued for a consideration of £42.9m in the years below:

		2023		2024		2025		2026		2027
	No. m	£m	No. m	£m	No. m	£m	No. m	£m	No. m	£m
Options	1.4	1.1	0.4	-	0.6	-	0.1	-	0.1	-
SAYE	1.1	10.3	0.3	4.7	3.0	21.7	0.1	0.8	0.6	4.3

The table above shows theoretical amounts. For the Company to receive the cash indicated in the periods shown, the following must occur:

- All performance conditions on executive share options must be fully met
- Options must be exercised on the day they vest (option holders generally have a seven year period post vesting to exercise the option)
- The share price at the exercise date for SAYE options must exceed the exercise price and every holder must exercise
- All option/SAYE holders must remain with the Company, or leave on good terms

If none of the requirements are met then the Company will receive no consideration.

34. Key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 – Related Party Disclosures.

£m	2022	2021 restated*
Short-term employee benefits	**10.9**	17.4*
Post-employment benefits	**0.4**	0.4
Share-based payments	**7.8**	11.5
	19.1	29.3*

*The 2021 remuneration of key management personnel has been restated as short term employee benefits was previously understated. This only impacts the disclosure note and there is no impact on the Income Statement for the year ended 31 December 2021.

35. Related party transactions

The Group has a related party relationship with its subsidiaries, its Directors and with its pension schemes (note 18). Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Other

36. Impact of new standards and interpretations

A number of new or amended standards became applicable for the current reporting period and as a result the Group has applied the following standards:

- Reference to the Conceptual Framework (amendments to IFRS 3)
- Property, plant and equipment – proceeds before intended use (amendments to IAS 16)
- Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)
- Annual improvements to IFRS Standards 2018-2020

The above requirements did not have a material impact on the Group and have been adopted without restating comparatives.

At the date of the approval of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue, but not yet effective:

- IFRS 17 – Insurance contracts
- Classification of liabilities as current or non-current (amendments to IAS1)
- Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of accounting estimates (amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

Based on the initial assessment, the Directors anticipate that adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Group.

Company balance sheet

As at 31 December 2022

£m	Notes	2022	2021
Assets			
Non-current assets			
Tangible assets		**0.2**	0.2
Investment in subsidiaries	2	**1,868.6**	2,008.9
Deferred tax asset	3	**-**	3.1
Derivative financial instruments	9	**4.3**	-
Total non-current assets		**1,873.1**	2,012.2
Current assets			
Debtors	4	**472.2**	981.5
Derivative financial instruments	9	**-**	0.2
Cash and cash equivalents, excluding bank overdrafts		**195.7**	440.4
Total current assets		**667.9**	1,422.1
Total assets		**2,541.0**	3,434.3
Equity and liabilities			
Capital and reserves			
Issued capital		**23.8**	25.2
Share premium account		**545.6**	545.6
Cash flow hedge reserve		**4.3**	-
Merger reserve		**326.5**	326.5
Own shares		**(34.3)**	(61.4)
Other reserves		**1.4**	-
Accumulated profits		**1,107.8**	1,373.2
Total equity	5	**1,975.1**	2,209.1
Non-current liabilities			
Interest-bearing loans and borrowings	6	**322.5**	546.7
Amounts due to subsidiaries	7	**32.9**	642.0
Total non-current liabilities		**355.4**	1,188.7
Current liabilities			
Interest-bearing loans and borrowings	6	**192.5**	-
Derivative financial instruments	9	**0.2**	-
Amounts due to subsidiaries	7	**0.8**	13.1
Other creditors	10	**16.9**	23.4
Deferred tax liabilities	3	**0.1**	-
Total current liabilities		**210.5**	36.5
Total liabilities		**565.9**	1,225.2
Total equity and liabilities		**2,541.0**	3,434.3

The Company's loss for the year was £2.8m (2021: loss of £24.0m), and total comprehensive income for the year was £0.4m (2021: loss of £24.0m).

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 27 February 2023 and signed on its behalf by:

Nick Roberts
Director

Alan Williams
Director

Company statement of changes in equity

For the year ended 31 December 2022

£m	Share capital	Share premium	Merger reserve	*Hedging reserve*	Own shares Treasury	*Own shares ESOT*	Other	Retained earnings	**Total equity**
At 1 January 2021	**25.2**	**544.3**	**326.5**	-	**–**	**(39.5)**	-	**2,191.6**	**3,048.1**
Profit and total comprehensive loss for the year	-	-	-	-	-	-	-	(24.0)	**(24.0)**
Demerger dividend	-	-	-	-	-	-	-	(679.7)	**(679.7)**
Dividends	-	-	-	-	-	-	-	(105.4)	**(105.4)**
Shares purchased in share buyback and held as treasury shares	-	-	-	-	(53.8)	-	-	-	**(53.8)**
Shares purchased in share buyback and held as own shares by ESOT	-	-	-	-	-	(16.7)	-	-	**(16.7)**
Sale of own shares	-	-	-	-	-	17.4	-	-	**17.4**
Own shares movement	-	-	-	-	-	31.2	-	(31.2)	**-**
Equity-settled share-based payments	-	-	-	-	-	-	-	23.2	**23.2**
Other movement	-	1.3	-	-	-	-	-	(1.3)	**-**
At 31 December 2021	**25.2**	**545.6**	**326.5**	-	**(53.8)**	**(7.6)**	**-**	**1,373.2**	**2,209.1**
Profit and total comprehensive loss for the year	-	-	-	4.3	-	-	-	(3.9)	**0.4**
Dividends	-	-	-	-	-	-	-	(81.7)	**(81.7)**
Shares purchased in share buyback and held as treasury shares	-	-	-	-	(125.5)	-	-	-	**(125.5)**
Shares purchased in share buyback and held as own shares by ESOT	-	-	-	-	-	(46.6)	-	-	**(46.6)**
Sale of own shares	-	-	-	-	-	3.8	-	-	**3.8**
Own shares movement	-	-	-	-	-	16.1	-	(16.1)	-
Cancelled shares	(1.4)	-	-	-	179.3	-	1.4	(179.3)	-
Equity-settled share-based payments	-	-	-	-	-	-	-	17.0	**17.0**
Tax on equity-settled share-based payments	-	-	-	-	-	-	-	(1.4)	**(1.4)**
At 31 December 2022	**23.8**	**545.6**	**326.5**	**4.3**	-	**(34.3)**	**1.4**	**1,107.8**	**1,975.1**

Notes to the Company's financial statements

For the year ended 31 December 2022

General information

Overview

Travis Perkins plc is the ultimate parent of the Travis Perkins plc Group ("the Group"). The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 2 to 82. The Company is incorporated and is domiciled in the United Kingdom as a public limited company under the Companies Act 2006. The address of the registered office is given on page 179.

These financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates.

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 and as such these financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As permitted by section 408 of the Companies Act 2006, the income statement of the Company has not been presented.

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

- The requirements of IFRS 2 Share Based Payments in respect of Group settled share-based payments;
- The requirements of IFRS 7 "Financial Instruments: Disclosures"
- The requirements of paragraphs 91 to 99 of IFRS 13 "Fair Value Measurement"
- The requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 "Presentation of Financial Statements"
- The requirements of IAS 7 "Statement of Cash Flows"
- The requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error"
- The requirements of paragraphs 17 and 18A of IAS 24 "Related Party Disclosures"
- The requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 "Impairment of Assets".

Where required, equivalent disclosures are given in the consolidated financial statements of Travis Perkins plc.

Basis of preparation

The financial statements have been prepared on the historic cost basis, except that derivative and other financial instruments and contingent consideration arising from business combinations are stated at fair value through profit and loss and also designated financial instruments are stated at fair value through other comprehensive income.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Notes to the Company's financial statements continued
For the year ended 31 December 2022

General information continued

Going concern
After reviewing the Group's forecasts and risk assessments and making other enquiries, the Board has formed the judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the 12 months from the date of signing this Annual Report and Accounts. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

In arriving at their opinion the Directors considered:

- The Group's cash flow forecasts and revenue projections
- Reasonably possible changes in trading performance
- The committed debt facilities available to the Group and the covenants thereon
- The Group's robust policy towards liquidity and cash flow management
- The Group's ability to successfully manage the principal risk and uncertainties outlined on pages 75 to 81 during periods of uncertain economic outlook and challenging macroeconomic conditions.

The downside scenarios tested, outlining the impact of severe but plausible adverse scenarios based on a severe recession and housing market weakness, show that there is sufficient headroom for liquidity and covenant compliance purposes for at least the next 12 months from the date of approval of these financial statements.

Significant accounting policies
The principal accounting policies adopted in preparing the financial statements are provided throughout the notes to the financial statements.

Standards issued but not yet effective
New standards, amendments and interpretations which are in issue but not yet effective are not expected to have a material impact on the Company's financial statements.

Key judgements and estimates
The preparation of financial statements requires the Directors to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Future events and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. The Directors frequently re-evaluate these significant factors and make adjustments as facts and circumstances dictate. There are no significant judgements and estimates involved in the preparation of the financial statements.

1. Income statements disclosures
The audit fee for the Company and the consolidated financial statements is disclosed in note 4(c) of the Group consolidated financial statements. Fees payable to KPMG LLP for audit and non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis. Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Audit Committee report on pages 87 to 92.

Dividend disclosures are provided in note 21 to the consolidated financial statements.

Staff costs (including Directors):

£m	2022	2021
Wages and salaries	**6.6**	7.5
Social security costs	**0.9**	1.0
Other pension costs	**0.2**	0.2
Share-based payments (note 12)	**7.5**	10.0
	15.2	18.7

The average monthly number of persons employed including Directors during the year was 52 (2021: 56).

2. Investments in subsidiaries

Accounting policy
Investments in subsidiaries are carried at cost less impairment.

£m	2022	2021
Cost		
At 1 January	**2,930.1**	4,047.9
Additions	**73.5**	49.5
Reclassification from other investments	-	1.0
Derecognised on demerger	-	(1,168.3)
At 31 December	**3,003.6**	2,930.1
Provision for impairment		
At 1 January	**(921.2)**	(1,321.0)
Impairment charge	**(213.8)**	(88.8)
Derecognised on demerger	-	488.6
At 31 December	**(1,135.0)**	(921.2)
Net book value at 31 December	**1,868.6**	2,008.9

The additions to investments in 2022 represent the capitalisation of a £53.2m (2021: £37.9m) intercompany loan with Toolstation Europe Limited, other additions recorded as part of the Group's ongoing project to simplify its legal structure and share-based payments to employees of subsidiary undertakings. Furthermore, during the year there was a share purchase of the £10.1m investment by Travis Perkins Group Holdings Limited in Tool & Fastener Solutions Limited from Travis Perkins Plc.

The reclassification from other investments of £1.0m relates to the Staircraft Group, which the Group obtained control of in 2021 having previously held a 15% investment.

The impairment charge relates to the Company's investment in Travis Perkins Finance Company Limited, following the settlement of an interest-bearing intercompany loan held with the Company via a distribution. This resulted in a reduction in the subsidiaries net assets below the carrying amount of the investment held by the Company, and accordingly an impairment loss has been recognised.

On 27 April 2021, the Wickes business was distributed to the Company's shareholders. The previous carrying value of the Company's investment in Wickes of £768.5m has been derecognised, with the fair value of the assets distributed recognised as a movement in equity and the remaining balance of £88.8m recognised as an impairment. See Group note 31.

A full listing of all related undertakings is provided in note 13.

3. Deferred tax

£m Liability / (asset):	At 1 Jan 2021	Recognised in income	At 1 Jan 2022	Recognised in income	Recognised in equity	Recognised in other *comprehensive income*	**At 31 Dec 2022**
Share-based payments	(4.1)	1.2	(2.9)	0.8	1.4	-	**(0.7)**
Cash flow hedge	-	-	-	-	-	1.1	1.1
Other timing differences	(0.4)	0.2	(0.2)	(0.1)	-	-	**(0.3)**
	(4.5)	1.4	(3.1)	0.7	1.4	1.1	**0.1**

4. Debtors

Accounting policy
Debtors are originally recognised at fair value. Subsequent to the initial recognition they are measured at amortised cost using the effective interest rate method.

£m	2022	2021
Current:		
Amounts owed by subsidiaries	**376.3**	881.5
Other financial assets – loan notes	**4.0**	4.7
Other debtors	**91.9**	95.3
	472.2	981.5

Amounts owed by subsidiaries include loans and other balances. The loans are interest-free and repayable on demand.

Notes to the Company's financial statements continued

For the year ended 31 December 2022

General information continued

5. Share capital and reserves

Accounting policy
Equity instruments represent the ordinary share capital of the Company and are recorded at the proceeds received, net of directly attributable incremental issue costs.

a. Share capital

Ordinary shares of 10p (authorised, issued and fully paid)	No.	£m
At 1 January 2021	252,143,923	25.2
Share consolidation	(27,177,997)	
At 1 January 2022	225,025,926	25.2
Share consolidation	(12,516,592)	(1.4)
At 31 December 2022	212,509,334	23.8

The Company has one class of ordinary share that carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. See Group note 19 for the explanation of movements in share capital and own shares.

b. Own shares

	2022			2021		
No.	**Treasury shares**	**ESOT shares**	**Total**	Treasury shares	ESOT shares	Total
At 1 January	**3,533,419**	**507,371**	**4,040,790**	-	2,879,021	2,879,021
Share consolidation	-	-	-	-	(309,495)	(309,495)
Shares purchased in share buyback and held as own shares by ESOT	-	-	-	-	1,100,000	1,100,000
Shares purchased in share buyback and held as treasury shares	-	-	-	3,533,419	-	3,533,419
Transferred to ESOT	**(3,533,419)**	**3,533,419**	-	-	-	-
Reissued	-	**(1,444,106)**	**(1,444,106)**	-	(3,162,155)	(3,162,155)
At 31 December	-	**2,596,684**	**2,596,684**	3,533,419	507,371	4,040,790

The own shares held by the Employee Share Ownership Trust are to satisfy options under the Group's share option schemes. None of the own shares have been allocated to grants of executive options and all rights attaching to the shares are suspended until the shares are reissued.

As at 31 December 2022 £nil (2021: 3.5m) of own shares were held as treasury shares with a value of £nil (2021: £53.8m), representing 0% (2021: 2%) of issued share capital.

c. Reserves
A description of the nature and purpose of each reserve is given below:

- The share premium represents the amounts above the nominal value received for shares sold
- The cash flow hedge reserve represents the cumulative gain or loss on the fair value of effective hedging instruments used in cash flow hedges which have not yet been reclassified to profit or loss
- The merger reserve represents the premium on equity instruments issued as consideration for the acquisition of BSS
- The own shares reserve represents the cost of shares purchased in the market and held by the Employee Share Ownership Trust to satisfy options under the Group's share option schemes
- Retained earnings represents cumulative results for the Company.

Distributable reserves
The distributable reserves accessible to the Company broadly approximate its accumulated profits. When required the Company can receive dividends from its subsidiaries to increase the available distributable reserves.

6. Interest bearing loans and borrowings

Accounting policy

Interest-bearing bank loans and overdrafts, loan notes and other loans are recognised in the balance sheet at amortised cost. Finance charges associated with arranging non-equity funding are recognised in the income statement over the life of the facility. All other borrowing costs are recognised in the income statement in accordance with the effective interest rate method.

£m	2022	2021
Sterling bonds	430.0	550.0
Finance charges netted off borrowings	(2.5)	(3.3)
Term loan	75.0	–
Overdraft	12.5	–
	515.0	546.7
Current liabilities	192.5	–
Non-current liabilities	322.5	546.7
	515.0	546.7

£m	2022	2021
Borrowings repayable:		
On demand or within one year	192.5	–
More than one year, but not more than five years	325.0	550.0
More than five years	–	–
Gross borrowings	517.5	550.0
Unamortised fees	(2.5)	(3.3)
	515.0	546.7

At 31 December 2022 all borrowings were denominated in sterling (2021: sterling).

In respect of income earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date.

	2022		2021	
	Effective interest rate	£m	Effective interest rate	£m
Assets:				
Short-term deposits	3.3%	194.0	0.2%	435.0
Liabilities:				
£250m sterling bond	3.8%	250.0	3.8%	250.0
£180m sterling bond (2021: £300m)	4.5%	180.0	4.5%	300.0
Term loan	4.6%	75.0	-	-
		505.0		550.0

Details of the sterling bonds are given in note 22 to the consolidated financial statements.

7. Amounts due to subsidiary undertakings

£m	2022	2021
Amounts due to subsidiary undertakings – non current	32.9	642.0
Amounts due to subsidiary undertakings – current	0.8	13.1
	33.7	655.1

Amounts due to subsidiary undertakings relate to loans and other balances. These loans are interest-free.

Notes to the Company's financial statements continued

For the year ended 31 December 2022

General information continued

8. Financial risk management

For more details of the Group's hedging instruments see notes 27 and 28 of the Group financial statements.

£m	2022	2021
Non-current assets:		
Interest rate swap – cash flow hedge	**4.3**	-
Total non-current derivative financial instrument assets	**4.3**	-

The Group's hedging reserve relates to the following hedge instrument:

£m	Interest rate swaps	Total cash flow hedge reserve
At 1 January 2021 and 1 January 2022	-	**-**
Change in fair value of hedging instrument recognised in OCI	4.3	4.3
Deferred tax	(1.1)	(1.1)
At 31 December 2022	**3.2**	**3.2**

The following amounts were recognised in the Group's profit and loss:

£m	2022	2021
Net loss on foreign currency forwards not qualifying as hedges included in other losses	**(0.3)**	(0.5)

£m	2022	2021
Carrying amount (non-current assets)	**4.3**	-
Notional amount	**75.0**	-
Maturity date	**15 August 2027**	-
Hedge ratio	**1:1**	-
Change in fair value of hedging instruments for the year	**4.3**	-
Weighted average hedged rate for the year	**2.43%**	-

9. Financial instruments

For the full details of the cash flow hedging instrument and the resulting accounting policy, see notes 27 and 28 of the Group accounts.

a. The carrying value of categories of financial instruments

£m	2022	2021
Financial assets:		
Mandatorily at FVTPL	–	0.2
Loans and receivables (including cash and cash equivalents) at amortised cost	**583.0**	1,421.9
Designated instrument-by-instrument as either FVTPL or FVOCI	**4.3**	–
	587.3	1,422.1
Financial liabilities:		
Mandatorily at FVTPL	**0.2**	–
Borrowings (note 6)	**515.0**	546.7
Trade and other payables at amortised cost	**44.7**	677.6
	559.9	1,224.3

b. Liquidity analysis

The following table details the Company's liquidity analysis for its derivative financial instruments and other external financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis and the undiscounted gross cash flows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

			2022		
£m	0–1 year	1–2 years	2–5 years	5+ years	Total
Total gross settled: foreign exchange forward contracts	(33.9)	–	–	–	(33.9)
Total net settled: Interest rate swap – cash flow hedge	0.5	1.5	2.8	–	4.8
Total derivative financial instruments	(33.4)	1.5	2.8	–	(29.1)
Net settled:					
Borrowings	(192.5)	–	(322.5)	–	(515.0)
Trade and other payables at amortised cost	(44.7)	–	–	–	(44.7)
Total financial instruments	(237.2)	–	(322.5)	–	(559.7)

			2021		
£m	0–1 year	1–2 years	2–5 years	5+ years	Total
Total gross settled: foreign exchange forward contracts	–	–	–	–	–
Total derivative financial instruments	–	–	–	–	–
Net settled:					
Borrowings	–	–	(546.7)	–	(546.7)
Trade and other payables at amortised cost	(22.5)	–	–	–	(22.5)
Total financial instruments	(22.5)	–	(546.7)	–	(569.2)

10. Other creditors

Accounting policy

Other creditors are measured at amortised cost. The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

£m	2022	2021
Other creditors	4.9	22.5
Accruals	12.0	0.9
	16.9	23.4

General information continued

11. Related undertakings

The registered office of all subsidiary undertakings is Lodge Way House, Lodge Way, Harlestone Road, Northampton NN5 7UG except for companies with a superscript where the registered office is given after the list of subsidiary companies and investments.

Active subsidiary companies (100% ownership and UK registered)

CCF Limited
Independent Construction Technologies Limited[1]
Keyline Civils Specialist Limited[2]
Staircraft Group Limited[1]
The BSS Group Limited
The Cobtree Scottish Limited Partnership[1]
Tools & Fasteners Solutions Limited
Toolstation Holdings Limited
Toolstation Limited
TP Property Company Limited
Travis Perkins (Properties) Limited
Travis Perkins Finance Company Limited
Travis Perkins Group Holdings Limited
Travis Perkins Leasing Company Limited
Travis Perkins P&H Group Holdings Limited
Travis Perkins Trading Company Limited
Wickes Properties Limited

Dormant & non-trading subsidiary companies (100% ownership and UK registered)

B. & G. (Heating & Plumbing) Limited*
Benchmarx Kitchens and Joinery Limited
BMSS Limited
British Steam Specialties (International) Limited (The)
Bss (UK) Limited
BSS GPS Trustee Limited
Builders Mate Limited
Building Integrated Solutions Limited[1]
Built For Trade Limited
Burt Boulton (Timber) Limited*
Cobtree Nominees Limited
Curran Sawmills Limited – The[17]
Downpatrick Timber Slate and Coal Company Limited[17]
E. East & Son Limited
Fry & Pollard Limited*
Harrison Trenery Limited*
HT (1995) Limited
Hunter Estates Limited*
IJM Enterprises Limited
IJM Holdings Limited*
Independent Construction Technologies Limited
J S Towell Limited*
MD-DOR3 Limited
MD-DOR4 Limited
Monteith Building Services Limited[1]*
P. H. Properties Limited[1]
P.T.S. Plumbing Trade Supplies Limited
Property Newco Two Limited
Rudridge Limited*
Staircraft Integrated Solutions Limited[1]
Staircraft Limited[1]
Terant Supplies Limited
TFS Holdings Limited*
Tile It All (UK) Limited *
The BSS EBT Company Limited
Tile Giant Holdings Limited
TP Directors Ltd
TP General Partner (Scotland) Limited[1]
TP Newco 2 Limited *
TPG Management Services Limited
Travis & Arnold Limited
Travis Perkins Acquisitions Company Limited*
Travis Perkins Capital Partner Limited
Travis Perkins Financing Company No.2 Limited*
Travis Perkins Financing Company No.3 Limited
Travis Perkins Installation Services Limited*
Travis Perkins Merchant Holdings Limited
Travis Perkins P&H Partner Limited*
Travis Perkins Plumbing & Heating LLP*
Travis Perkins (PSL2015) Limited
Tricom Group Limited
Tricom Supplies Limited*
Trubuildingsystems Limited[1]
Wickes Developments Limited*

* companies in voluntary liquidation

Other subsidiary companies

Company Name	Registered	% Ownership	Status
BSS (Ireland) Limited[9]	Ireland	100	Active
City Investments Limited[10]	Jersey	100	Dormant
Gestion Toolstation inc.[6]	Jersey	100	Dormant
Toolexpert Benelux BV[11]	Netherlands	97	Active
Toolstation BV[11]	Netherlands	97	Active
Toolstation NV/SA[12]	Belgium	97	Active
Toolstation Europe BV[11]	Netherlands	97	Active
Toolstation Europe Limited	United Kingdom	97	Active
Toolstation GmbH[13]	Germany	97	Dormant
Toolstation Netherlands BV[11]	Netherlands	97	Active
Toolstation SAS[14]	France	97	Active
Travis Perkins Hong Kong Limited[15]	Hong Kong	100	Active
Travis Perkins Sourcing (Shanghai)Ltd[16]	China	100	Active

Other subsidiary companies

Company Name	Registered	% Ownership	Status
Hermitage Park Management Company Limited [18]	United Kingdom	25	Active

Registered offices (not Lodge Way House)

1 Ryehill House, Ryehill Close, Lodge Farm Industrial Estate, Northampton, England, NN5 7UA, United Kingdom
2 50 Mauchline Street, Glasgow, G5 8HQ, United Kingdom
3 C/O Mazars Llp, Restructuring Services Apex 2, 97 Haymarket Terrace, Edinburgh, EH12 5HD, United Kingdom
4 C/O MAZARS LLP, 1st Floor Two Chamberlain Square, Birmingham, B3 3AX, United Kingdom
6 5303 boul. Saint-Laurent, Montréal Québec H2T1S5, Canada
9 White Heather Industrial Estate, South Circular Road, Dublin, 8, Ireland
10 Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
11 Brandpuntlaan Zuid 12, 2665NZ, Bleiswijk, Netherlands
12 Boomsesteenweg 58, 2630 Aarlselaar, Belgium
13 Regus Building, Kranhaus 1, Business Centre GmbH Co KG, Im Zollhafen 18, 50678 Koln, Germany
14 61 Route de Grenoble, 69800 Saint Priest, Lyon, France
15 Suite 2401, 24/F, China Insurance Group Building, 141 Des Voeux Road, Central, Hong Kong
16 Building No.17, No. 800 Changde Road, JingAn District, Shanghai 200040
17 Clarendon Road, Belfast, BT1 3BG
18 C/O Bruton Knowles Llp 2 Paris Parklands, Railton Road, Guildford, Surrey, United Kingdom, GU2 9JX

12. Share-based payments

The Company operates a number of share incentive plans. A description of the share schemes operated by the Group, including that of the Company, is contained in the remuneration report on page 99 and pages 108 to 110 and in note 33 to the consolidated financial statements.

13. Related party transactions

The Company has a related party relationship with its subsidiaries, its Directors and with its pension schemes. In addition the remuneration of the Directors, and the details of their interests in the share capital of the Company are provided in the audited part of the remuneration report on pages 98 to 106. Other than the payment of remuneration there have been no related party transactions with Directors.

Details of balances outstanding with subsidiary companies are shown in notes 5 and 8 and in the balance sheet on page 171

Five-year summary

Consolidated income statement

	2022 £m	2021 £m	2020 (re-presented) £m	2019* £m	2018* £m
Revenue	**4,994.8**	4,586.7	3,697.5	6,955.7	6,740.5
Operating profit before amortisation and adjusting items	**295.3**	352.8	128.3	441.5	374.5
Amortisation	**(10.5)**	(11.1)	(8.6)	(9.0)	(9.5)
Adjusting items – operating	-	6.8	(92.7)	(200.4)	(386.7)
Operating profit/(loss)	**284.8**	348.5	27.0	232.1	(21.7)
Adjusting items – business acquisitions	-	-	–	40.3	–
Share of associates' results	-	-	0.1	(4.3)	(4.0)
Net finance costs	**(39.8)**	(42.9)	(47.4)	(87.3)	(23.7)
Profit / (loss) before tax	**245.0**	305.6	(20.3)	180.8	(49.4)
Adjusting items – deferred tax	-	(4.7)	(9.0)	(27.1)	–
Income tax expense	**(52.8)**	(60.1)	(5.8)	(30.9)	(34.1)
Net profit / (loss) from continuing operations	**192.2**	240.8	(35.1)	122.8	(83.5)
Net profit from discontinued operations	-	38.1	13.2	-	-
Profit / (loss) for the period	**192.2**	278.9	(21.9)	122.8	(83.5)
Basic earnings / (loss) per share from continuing operations	**90.8p**	103.9p	(14.3p)	48.9p	(34.4p)
Basis earnings per share from discontinued operations	-	16.4p	5.3p	-	-
Adjusted earnings per share	**94.6p**	107.3p	21.0p	112.7p	114.5p
Dividend declared per ordinary share	**39.0p**	73.0p	-	48.5p	47.0p
Number of branches at 31 December (includes branches of associates)	**1,484**	1,513	1,389	2,154	2,091
Average number of colleagues	**19,956**	18,833	17,512	30,059	29,748

* The comparative numbers for 2019 and 2018 were not re-presented for discontinued operations

Consolidated free cash flow statement

	2022 £m	2021 £m	2020 (re-presented) £m	2019* £m	2018* £m
Adjusted operating profit	**295.3**	352.8	128.3	441.5	374.5
Less: Profit on disposal of properties	**(25.3)**	(48.9)	(9.2)	(20.6)	(26.8)
Adjusted operating profit excluding property profit	**270.0**	303.9	119.1	420.9	347.7
Depreciation of property, plant and equipment	**73.6**	69.2	60.0	97.5	102.0
Amortisation of internally generated intangibles	**6.5**	9.7	11.5	23.5	15.5
Share-based payments	**17.0**	19.1	12.2	19.9	19.6
Movement on working capital	**(76.5)**	(151.8)	197.4	(128.7)	(107.1)
Other net interest paid	**(16.9)**	(13.6)	(28.3)	(26.2)	(25.5)
Interest on lease liabilities	**(21.5)**	(21.2)	(21.3)	(57.0)	–
Income tax paid	**(57.6)**	(59.9)	(27.6)	(52.9)	(55.1)
Capital expenditure excluding freehold purchase	**(110.0)**	(95.0)	(87.1)	(120.9)	(143.1)
Disposal of plant and equipment	**10.1**	4.4	5.4	19.4	13.8
Free cash flow	**94.7**	64.8	241.3	195.5	167.8

* The comparative numbers for 2019 and 2018 were not re-presented for discontinued operations

Consolidated balance sheet

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Assets					
Non-current assets					
Property, plant and equipment	**847.3**	800.1	830.4	882.0	913.2
Goodwill and other intangible assets	**974.9**	978.7	1,670.5	1,691.7	1,674.6
Right-of-use assets	**451.7**	439.8	1,145.5	1,276.8	–
Interest in associates	-	–	–	1.9	34.2
Other receivables	**17.2**	0.7	–	–	43.3
Retirement benefit asset	**135.9**	275.8	178.4	57.5	81.2
Investment property and other investments	-	-	9.2	6.7	6.6
Derivative financial instruments	**4.3**	-	-	-	-
Deferred tax asset	**15.0**	13.9	-	-	-
Current assets					
Inventories	**727.8**	724.4	840.7	937.8	855.3
Trade and other receivables	**725.9**	706.7	892.7	1,239.7	1,253.8
Tax debtor	**0.7**	–	6.5	–	–
Derivative financial instruments	-	0.2	–	–	–
Cash and cash equivalents	**235.7**	459.8	505.6	207.9	255.4
Assets held for sale	-	–	–	138.0	–
Total assets	**4,136.4**	4,400.1	6,079.5	6,440.0	5,117.6
Capital and reserves					
Issued capital	**23.8**	25.2	25.2	25.2	25.2
Share premium account	**545.6**	545.6	545.6	545.6	545.4
Merger reserve	**326.5**	326.5	326.5	326.5	326.5
Own shares	**(34.3)**	(61.4)	(39.5)	(50.8)	(47.8)
Other reserves	**27.4**	14.6	15.5	13.6	9.1
Accumulated profits	**1,213.2**	1,387.3	1,840.5	1,722.6	1,847.5
Equity attributable to owners of the Company	**2,102.2**	2,237.8	2,713.8	2,582.7	2,705.9
Non-controlling interests	-	-	–	4.4	11.8
Total equity	**2,102.2**	2,237.8	2,713.8	2,587.1	2,717.7
Non-current liabilities					
Interest-bearing loans and borrowings	**349.1**	575.2	575.7	583.3	605.2
Lease liability	**438.3**	414.7	1,168.3	1,253.6	–
Derivative financial instruments	-	–	–	–	0.9
Retirement benefit obligations	-	–	–	4.9	–
Long-term provisions and other payables	**4.9**	6.8	21.9	8.0	18.4
Deferred tax liabilities	**96.0**	140.4	77.2	62.7	77.8
Current liabilities					
Interest-bearing loans and borrowings	**192.5**	–	–	–	3.8
Lease liability	**74.3**	74.5	158.8	158.7	
Derivative financial instruments	**0.2**	–	1.6	2.5	4.7
Trade and other payables	**852.4**	921.1	1,304.2	1,613.9	1,603.2
Tax liabilities	-	0.4	–	13.4	25.9
Short-term provisions	**26.5**	29.2	58.0	60.4	60.0
Total liabilities	**2,034.2**	2,162.3	3,365.7	3,761.4	2,399.9
Liabilities held for sale	-	–	–	91.5	–
Total equity and liabilities	**4,136.4**	4,400.1	6,079.5	6,440.0	5,117.6

ESG data report (including SASB data)

Note that all data below represents only the ongoing businesses. Businesses that have been sold or demerged have been removed from current and prior year numbers;

£m	Unit of Measure	SASB reference	2022	2021	2020	2019	2018
Energy and fuel							
Total energy consumed	kWh	N/A (SECR compliance)	300,026,522	364,826,976	339,716,233	415,844,450	521,115,345
Total energy consumed	Gigajoules	CG-MR-1.30a.1	1,080,095	1,313,377	1,222,978	1,497,040	1,876,015
Grid energy	%	CG-MR-1.30a.1	34.7%	28.4%	33.4%	27.4%	24.1%
Renewable energy	%	CG-MR-1.30a.1	23.5%	5.8%	-	-	-
Fuel consumption	Litres	N/A	18,399,690	22,650,200	21,430,651	28,068,903	31,306,429
Waste							
Non-hazardous Waste	Tonnes	N/A	27,238	28,175	18,946	27,561	39,514
Hazardous Waste	Tonnes	N/A	297	229	236	457	468
Landfilled Waste	Tonnes	N/A	1,622	1,492	1,353	1,773	2,121
Recycled Waste	Tonnes	N/A	8,656	10,084	9,614	11,535	15,033
Incinerated Waste	Tonnes	N/A	16,960	16,829	8,216	14,710	22,828
Total waste	Tonnes	N/A	27,535	28,404	19,182	28,018	39,982
Data Security							
Data breaches	#	CG-MR-230a.2	-	-	1	1	-
Involving Personally Identifiable Information ("PII")	%	CG-MR-230a.2	-	-	100%	100%	-
Customers affected	#	CG-MR-230a.2	-	-	9	4	-
Description of approach to identifying and addressing data security risks	Text	CG-MR-230a.1	See text below the table				
Labour practices							
Average hourly wage	£	CG-MR-310a.1	13.5	12.8	12.4	12.2	12.1
In-branch colleagues earning minimum wage by region	%	CG-MR-310a.1	-	-	7.4%	4.4%	4.3%
Voluntary turnover rate for in-branch colleagues	Rate	CG-MR-310a.2	27.1%	42.7%	35.3%	40.2%	43.8%
Involuntary turnover rate for in-branch colleagues	Rate	CG-MR-310a.2	4.6%	3.8%	3.4%	4.7%	4.2%
Total amount of monetary losses as a results of legal proceedings associated with labour law violations	£m	CG-MR-310a.3	0	0	0	0	0
Workforce Diversity and Inclusion							
Gender							
Management	Grade M1+						
Female	%	CG-MR-330a.1	23.6%	20.6%	18.3%	19.6%	20.0%
Male	%	CG-MR-330a.1	76.4%	79.4%	81.7%	80.4%	80.0%
Not available or Not disclosed	%	CG-MR-330a.1	-	-	-	-	-
All other employees							
Female	%	CG-MR-330a.1	25.6%	25.7%	20.7%	19.6%	22.8%
Male	%	CG-MR-330a.1	74.4%	74.3%	79.3%	80.4%	77.3%
Not available or Not disclosed	%	CG-MR-330a.1	-	-	-	-	-
Ethnic group							
Management							
Asian	%	CG-MR-330a.1	2.5%	1.9%	2.0%	2.0%	2.2%
Black or African American	%	CG-MR-330a.1	0.7%	0.5%	0.3%	0.3%	0.3%
Hispanic or Latino	%	CG-MR-330a.1	0.8%	0.9%	0.7%	0.6%	0.4%
White	%	CG-MR-330a.1	80.1%	82.5%	85.9%	74.3%	77.2%
Other	%	CG-MR-330a.1	0.3%	0.4%	0.5%	0.3%	0.5%
Not available or Not disclosed	%	CG-MR-330a.1	15.7%	13.7%	10.7%	22.5%	19.4%

£m	Unit of Measure	SASB reference	2022	2021	2020	2019	2018
All other employees							
Asian	%	CG-MR-330a.1	2.5%	2.6%	2.0%	1.5%	1.7%
Black or African American	%	CG-MR-330a.1	1.2%	1.0%	0.7%	0.6%	0.6%
Hispanic or Latino	%	CG-MR-330a.1	1.5%	1.6%	1.4%	1.2%	1.2%
White	%	CG-MR-330a.1	65.1%	64.3%	67.8%	60.3%	67.5%
Other	%	CG-MR-330a.1	0.5%	0.7%	0.7%	0.5%	0.7%
Not available or Not disclosed	%	CG-MR-330a.1	29.3%	29.8%	27.4%	36.0%	28.3%
Total amount of monetary losses as a result of legal proceedings associated with employee discrimination	£m	CG-MR-330a.2	-	-	-	0.04	-
Product Sourcing, Packaging and Marketing							
Revenue from products third-party certified to environmental and/or social sustainability standards	£m	CG-MR-410a.1	538	555	386	445	-
Description of processes to assess and manage risks and/or hazards associated with chemicals in product	Text	CG-MR-410a.2	See text below the table				
Discussion of strategies to reduce the environmental impact of packaging	Text	CG-MR-410a.3	See text below the table				
Water consumption							
Water consumption	m^3	N/A	258,321	316,852	281,050	260,845	264,601

CG-MR-230a.1: Description of approach to identifying and addressing data security risks

The Group approaches the identification of vulnerabilities in its information systems through a combination of people, process and technology, and uses the NIST Cyber Security Framework to track its maturity. The NIST Cyber Security Framework is a widely-adopted voluntary framework consisting of standards, guidelines and best practices to manage cybersecurity risk developed and promoted by the National Institute of Standards and Technology, a USA government department. The activities of building, procuring, deploying, running and managing IT systems (all of which are carried out from time to time) are conducted in accordance with a policy and standard framework, the currency of which is maintained through periodic review. Any exceptions to policies or standards are risk-assessed, managed and monitored via an exceptions process. The organisation continually allocates specific funding for delivery of security-related projects to improve our security posture and manage risk within board appetite. Annual colleague data protection training is a required part of every colleague's learning plan and cyber awareness training is available to the business. Furthermore, colleagues are targeted regularly with phishing campaign testing. Technology is deployed across the IT estate to both protect and detect against cyber threats and attacks; technical controls such as firewalls, antivirus, web proxies and data loss prevention systems are deployed by the Group. Security events are monitored 24/7/365 to ensure the detection of events is achieved in a timely manner. From a testing perspective, regular penetration tests and vulnerability scans are performed on components of the IT infrastructure and systems to identify any exploitable vulnerabilities. Where vulnerabilities are found these are assessed and tracked using the Group's risk management standard. The Group also regularly tests its incident response capabilities via table top exercises to ensure the effectiveness of its incident response plans and playbooks.

CG-MR-410a.2: Description of processes to assess and manage risks and/or hazards associated with chemicals in product

The Group requires its suppliers to adhere to its published 'Supplier Commitments' (https://www.travisperkinsplc.co.uk). Suppliers are required to notify immediately where any product supplied contains substances of very high concern (SVHCs), explosives precursors or poisons or has other restrictions on sale and to take steps to replace any products that contain restricted substances or SVHCs with suitable alternatives. For such products, suppliers are required to provide a Safety Data Sheet (SDS). The business undertakes supplier assessments either via an Online Risk Assessment or via factory audits, based on risk, to assess adherence to the Supplier Commitments. The supplier assessment programme covers both private label and branded product suppliers. Restricted products are flagged within the business systems, triggering processes at point of sale to ensure they're not sold to underage customers (ie solvents). This includes, for example, corrosive products, under the Offensive Weapons Act 2019, including acids and chemicals which may burn the skin but not normal strength household bleach and cleaners); and solvents, under the Psychoactive Substances Act 2016, including glues and adhesives, flammable products such as fire lighter fluid, solvent cement, paint stripper, thinners, essentially any substances which are capable of producing a psychoactive effect in a person who consumes it and it is not an exempted substance; and spray paint and aerosols; under the Anti-Social Behaviour Act 2003. There is a requirement in the Group Supplier Manual (https://www.travisperkinsplc.co.uk) for suppliers delivering to the Group's sites to provide a safety data sheet for all substances delivered which are harmful to health.

CG-MR-410a.3: Discussion of strategies to reduce the environmental impact of packaging

The Group is committed to reducing its environmental impact relating to packaging. For more information on objectives and progress, please refer to pages 40-41. The Group held supplier webinars during 2022 requesting assistance with packaging reductions and reviewing packaging materials to begin to eliminate single use plastic, increase the amount recycled content and improve recyclability. Throughout 2022, the Group worked with the direct sourcing team to optimise the amount of material used, achieving packaging reductions and improvements. The EU Directive on Packaging and Packaging Waste (94/62/EC) has been adopted into UK law and the Group's suppliers are required to comply with all relevant legislations. Packaging data collected from suppliers is differentiated by packaging levels; primary, secondary and tertiary, and by material type. The Group's Packaging team is working with the supply chain to ensure that packaging materials are being designed for reuse, optimising recycled content and recyclability. Travis Perkins and BSS branches backhaul cardboard, plastic, wood and metal supplier packaging to their distribution centres to bale and send for reprocessing.

Other shareholder information

Financial diary

Ex-dividend date	6 April 2023
Record date	11 April 2023
Annual General Meeting	4 May 2023
Trading statement	4 May 2023
Payment of final dividend	18 May 2023

Annual General Meeting ("AGM")
The AGM will be held on 4 May 2023 at 9am.

Registrars
For information about shareholdings and dividends and to report changes to your address, bank details or any other account information please contact the Company's registrars:

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Shareholder portal: www.travisperkins-shares.com
Email: shareholderenquiries@linkgroup.co.uk
Telephone: +44 (0) 371 664 0300*

Shareholder portal
You can view and manage your shareholder account online via the shareholder portal www.travisperkins-shares.com. You will need to register to use this service and to do so you will require your unique investor code ("IVC"), which can be found on your share certificate or dividend confirmation.

Dividends
It is more secure to have your dividends paid directly into your bank account than by cheque. If you do not already have your dividends paid directly into your account and would like to do so, you can do this on the shareholder portal www.travisperkins-shares.com or you can contact Link Group and they will send you the relevant form to complete.

Shareholder communications
Company website
Travis Perkins plc Annual and Interim Reports, results announcements and presentations are available on the Investors section of our website www.travisperkinsplc.co.uk. The website also carries a range of information about the Group and its principal brands, products and services which can be accessed via the "Our Businesses" section.

Annual Report
The Annual Report is published on our website and a hard copy will be posted to shareholders who have requested it. All other shareholders will be notified of its availability on the website, either in writing or by email. A paper copy is available by writing to the Company Secretary at the following address:

Travis Perkins plc
Ryehill House
Ryehill Close
Northampton
NN5 7UA

Email: cosec@travisperkins.co.uk

Electronic shareholder communications
The Company prefers that you receive your shareholder communications electronically. This is a faster, more environmentally-friendly and more effective way to communicate with you. If you have received a paper copy of this report or notification of its availability by post and would like to receive fully electronic communication, please register your preference on the shareholder portal www.travisperkins-shares.com.

Shareholder services
The Company's registrars provide a number of other services that, as a shareholder, might be useful to you:

Duplicate share register accounts
If you are receiving more than one copy of our report, it may be that your shares are registered in two or more accounts on our register of members. If that is not your intention you may wish to consider merging the accounts into one single entry. Please contact Link Group who will be pleased to help you.

Dividend Re-Investment Plan ("DRIP")
This is a scheme which allows you to use your dividends to buy shares in Travis Perkins. For any shareholders who wish to re-invest dividend payments in the Company, a facility is provided by Link Market Services Trustees Limited in conjunction with the Company's Registrar. Full details are available by calling Link Asset Services on +44 (0) 371 664 0381. Alternatively, you can sign up for this service on the shareholder portal (by clicking on "Manage your account" followed by "Dividend payments" and following the on-screen instructions).

Share-dealing services
Share-dealing services are available from the Company's Registrar:
On-line dealing: ww2.linkgroup.eu/share-deal/
Telephone dealing: +44 (0) 371 664 0445*

These services are only available to private shareholders resident in the UK.

* Calls will be charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate; lines are open 9.00am to 5.30pm, Monday to Friday with the exception of share-dealing lines which are open from 8.00am to 4.30pm.

Notes

Notes

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