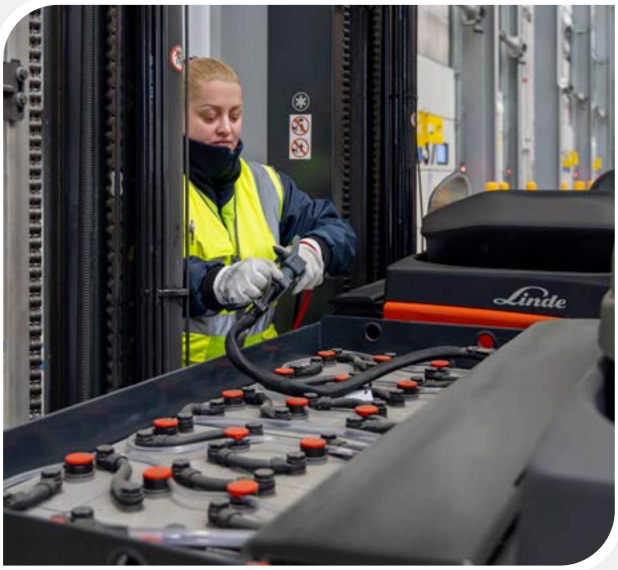
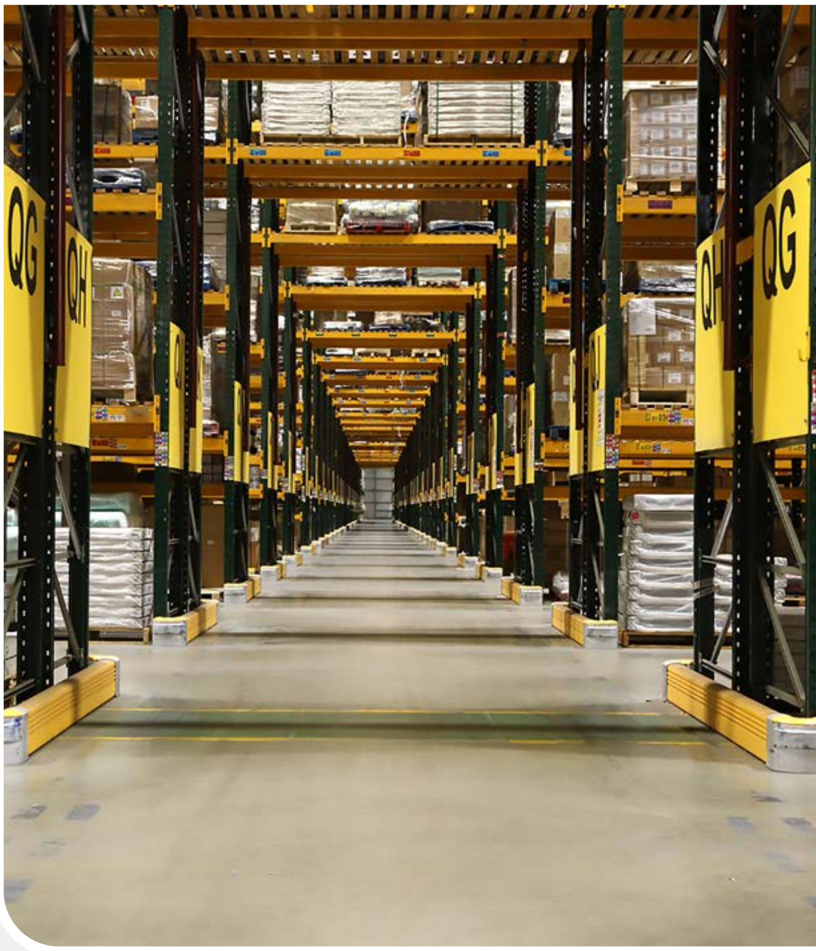
Travis Perkins plc

Leading partner to the construction industry

Annual Report and Accounts 2022





Our ambition

To be the leading partner to the construction industry

Who we are

We're here to help build better communities and enrich lives. We enable our customers to build, repair and maintain the buildings and infrastructure that touch all of our lives every day.

Contents

For more and the latest information please visit our website at:
www.travisperkinsplc.co.uk

Highlights

2022

Revenue growth	Adjusted EPS	Basic EPS
8.9%	**94.6p**	**90.8p**
2021: 24.0%	2021: 107.3p	2021: 103.9p

Revenue	Covenant net debt	Return on capital employed
£4,995m	**£279m**	**10.8%**
2021: £4,587m	2021: £87m	2021: 14.1%

Adjusted operating profit	Profit after tax
£295m	**£192m**
2021: £353m	2021: £241m

Financial highlights

- Robust revenue growth with elevated levels of materials cost inflation diligently managed
- Adjusted operating profit of £295m, impacted principally by lower year-on-year property profits and a £15m charge relating to restructuring activities in Q4
- Adjusted earnings per share of 94.6p, with lower operating profit partially offset by reduced share count
- Proactive cost actions to deliver benefits of around £25m in 2023
- Good cash conversion at 67%. Lease-adjusted leverage (net debt / EBITDA) of 1.8x remains comfortably within target range
- Total ordinary dividend increased to 39.0p per share (2021: 38.0p per share)

Operational highlights

- Solid performance in the Travis Perkins General Merchant, with further share gains, driven by focus on enhancement of digital capability and expansion of value-added services primarily across Hire, Benchmarx kitchens and Managed Services
- Continued strong performance from the Group's specialist distributors: BSS, Keyline and CCF. Staircraft now integrated and enhancing the Group's housebuilder proposition
- Toolstation returned to good growth in H2 after tough prior year comparatives in H1. Significant investment in expanding infrastructure in the UK and Europe
- Positive progress on sustainability targets, notably a 34% reduction in Scope 1 & 2 carbon emissions during the year

Chair's statement

> It brings me great pleasure to introduce the Annual Report for 2022. It has been a challenging year for businesses and many people in our society and I am proud that Travis Perkins has shown character and resilience throughout the year.

Jasmine Whitbread
Chair

Distribution to shareholders

In 2021 the Group laid out clear guidance on shareholder returns and I am pleased to reiterate those principles here. The Group will deliver returns to shareholders by:

- Achieving the best earnings number available given market conditions and in accordance with our values and long-term views.
- Paying out 30–40% of those (adjusted) earnings each year as an ordinary dividend.
- Ensuring that we fund this through strong cash conversion, disciplined capital allocation and remaining within our published leverage targets of 1.5–2 times net debt / EBITDA.

We have achieved these goals and announced a final dividend of 26.5p pence per share which, when combined with the interim dividend paid in November 2022 of 12.5p per share, will result in a total distribution of £82m for 2022.

In addition to this, the Group completed the return to shareholders of the proceeds from the sale of the Plumbing and Heating Division in 2021. A total of £321m has now been returned, comprising the special dividend of £78m and a share buy-back of £71m in 2021 and a further share buy-back of £172m in 2022, keeping the Group in the middle of our leverage target range.

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Section 172 statement

Working together with our stakeholders towards shared goals is part of how we deliver long-term sustainable success.

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Introduction

It has been a challenging year for business in 2022 as the full implications of the war in Ukraine have become apparent. The bright start to the year seems a long time ago and we have needed to adapt to a period of significant inflation and more cautious end markets. This has led to a difficult period for the share price, albeit one which has been sector and market wide. Throughout 2022 we have needed to remain focused on the fundamentals of the model laid out at our Capital Markets Update in September 2021 and I am proud of the response across the Group. We have taken the right decisions to help our customers, care for our people and be fair to our suppliers. Our Purpose and Values guide us through difficult times and this has given the Group a clear direction and sense of the right things to do.

People and Culture

The Group continued efforts building a culture of healthy sustainable performance, one where its 20,000 colleagues are successful individually and as a team, and are working together to create a fully inclusive and healthy workplace.

As I have visited the operations I have observed how the refreshed Group values have been developed, launched and integrated into our language and are also being demonstrated in actions and behaviours across the Group. Colleagues were at the heart of the development of the updated values, which reflect every part of the business and every colleague group. In a year of great workforce and workplace challenges the Group has rightly maintained keen attention on colleague voice and engagement. A group-wide engagement survey was completed and colleagues participated in the ESG materiality assessment. Pete Redfern continued as the designated workforce engagement Non-executive Director and his colleague listening focus was on drivers and new starters. Key feedback themes have included safety, belonging, equal opportunity, customer focus and corporate citizenship. Further progress on diversity, equity and inclusion (DEI) has been evident with continued improvement in overall gender balance and the extension of existing family policies.

Dividend per share

39.0p

Total cash to shareholders

£254m

Board and Leadership

I am pleased to report further strengthening of the Board and Executive Leadership Teams.

In January 2023 we welcomed Louise Hardy to the Board, increasing the range of experience and talent available to help steer and shape the Group. A civil engineer by background, Louise has wide-ranging experience across the construction sector from the delivery of major projects at the London 2012 Olympics through to the governance of large businesses in the sector in her role as Non-executive Director at Balfour Beatty plc and Crest Nicholson plc. In addition to her business roles, Louise is a keen volunteer within the industry as a STEM ambassador and diversity champion. Louise will make a broad contribution to the Group and we look forward to working with her.

The Executive leadership team under Nick Roberts continues to deliver experienced and high-quality leadership through the challenging macroeconomic conditions. I have been impressed by the way that the Executive team has risen to the challenge of leading the agenda on a variety of issues that support the need to change our industry.

In January 2023, the Group announced that Kieran Griffin, Managing Director of Travis Perkins would leave the Group after 28 years of valued service, to be replaced by James MacKenzie, currently the Managing Director of Toolstation. James' role at Toolstation will be filled by Angela Rushforth, who is currently Managing Director of BSS. I look forward to working with these talented individuals in their new roles.

Decarbonising our industry

The Group has demonstrated its ambition to play a leading role in the creation of a more sustainable construction industry with investments in skills, knowledge and capabilities to support the modernisation and decarbonisation of the sector. The integration of ESG into the Group's strategy is driving a number of commercial-opportunity-led initiatives directly addressing customer needs in reducing waste and in reporting and reducing their carbon use. In 2022 positive progress was made against existing carbon reduction targets and the Group set interim targets for buildings, fleet and Scope 3 emissions engagement by 2027.

Summary and looking forward

I take two perspectives in looking forward. Firstly, from a macro perspective it is hard to look forward without some uncertainty. At the time of writing it is difficult to predict the shape of the UK economy in 2023 and the route it will take to recover from the current low point. The second perspective I take is on whether the Group is in good shape to meet and overcome these challenges. Here I am confident, convinced that we have the right strategy, the right skills and the high-quality leadership to ensure we win and grow our share of an exciting and attractive market.

Overview

Our purpose

We're here to help build better communities and enrich lives

Our ambition

To be the leading partner to the construction industry

Sustainability Priority

Decarbonising the industry

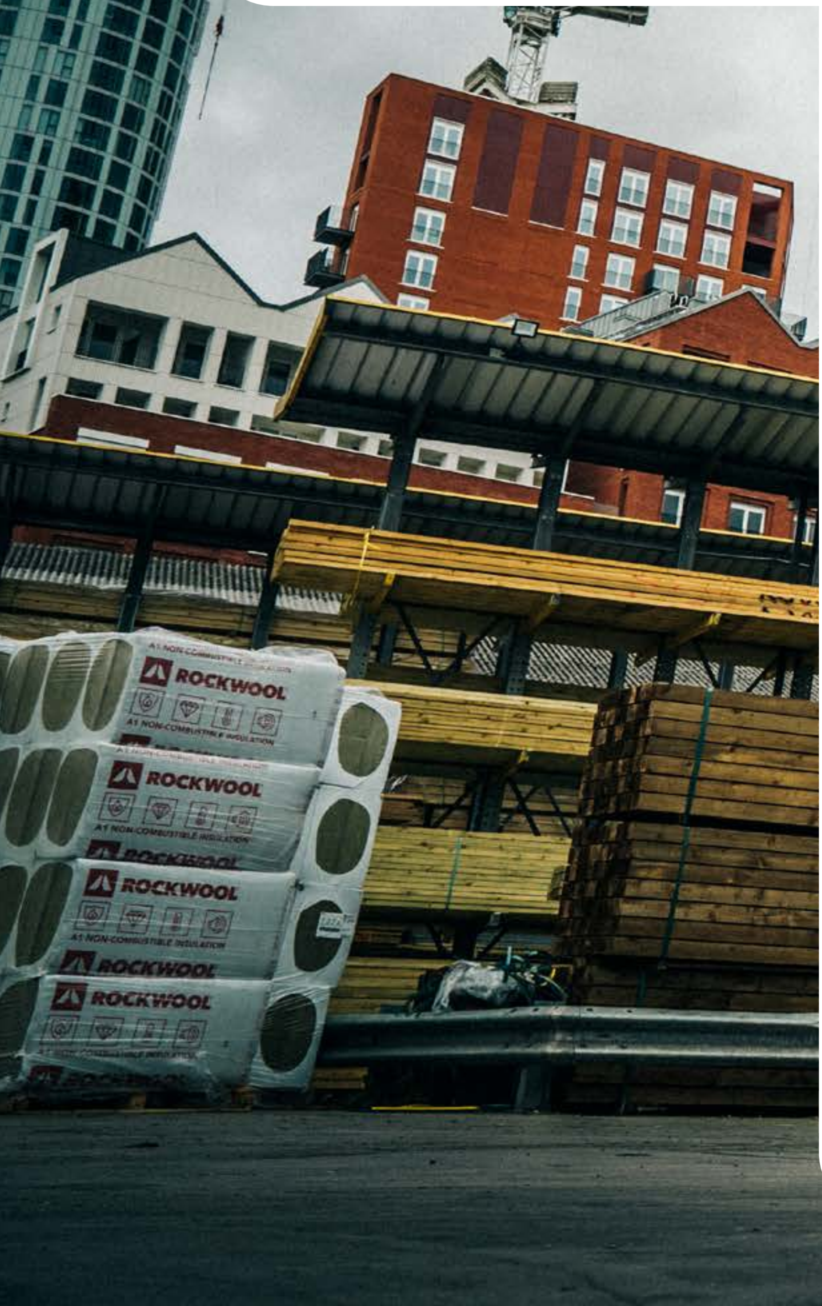
Building for better

Changing the game

Modernising construction	Sourcing responsibly
Operating sustainably	Developing the next generation

Doing the Right Thing

Safety and wellbeing | Colleague voice
Diversity, equity and inclusion | Reward
Charity and volunteering | Legal compliance
Modern slavery and human rights



Our strategy

Our strategy is to grow the share of our market-leading businesses by offering our customers attractive propositions which means they spend more with the Group. We seek to elevate our customer relationships through the addition of value added services, solving customer pain points and moving us along the value chain. In addition we are deepening our relationships by winning a greater share of customer spend, through the addition of digital channels, new ranges and highly relevant offers.

Our values

Our values reflect what matters to us and how we do things.

Delivering shareholder value

At a glance

Travis Perkins is the largest distributor of building materials in the UK

A trade-focused Group, serving generalist and specialist trades with products and services that are designed to help customers to grow their businesses in new and established markets.

Large and varied customer base	Broad geographical spread in the UK	Engaged colleagues in the UK and Europe	Evolving branch network
200k	**£5bn**	**20k**	**1,488**
Trade credit customers	Revenue	Colleagues	Branches

Merchanting

Travis Perkins

The market-leading general merchant, offering a destination for heavyside products, complemented by lightside convenience. Serving general trades and specialist contractors with 60% delivered products from c. 550 national locations. Contains a comprehensive Hire offer plus innovative Managed Services solutions.

BSS

Market-leading supplier of commercial and industrial heating and cooling solutions, supplying specialist contractors with a wide variety of products from over 50 branches and two bespoke distribution centres. Offers customers a tailored Hire proposition and contains TF Solutions, a specialist provider of air-conditioning products.

CCF

Distributes insulation and interior building products from just under 40 branches to contractors throughout Great Britain. Supports the new build and renovation of both domestic and commercial buildings with service and specialist knowledge.

Keyline

A civils specialist, Keyline supports housebuilders, groundworkers and infrastructure contractors to build and redevelop facilities which are vital to the nation. Delivering heavy products from over 40 branches in a safe and accurate manner, Keyline works as a partner to their specialist customers and is developing new areas of expertise in roads and highways and Hire.

Go to pages 68-69 to see more

Toolstation

Toolstation

Offers customers an innovative lightside proposition. With a wide range of products available in-branch and for next-day delivery, long opening hours, a strong digital offering and a committed customer service ethos, Toolstation is changing the purchasing experience of trade and DIY customers. Toolstation operates from over 550 branches across Great Britain and is growing quickly in the Netherlands, Belgium and France.

Go to page 33 to see more

Our goal is to deliver exceptional customer service from advantaged businesses operating from well positioned networks in our chosen geographies. We offer a range of high quality products and give customers the choice of a range of channels, fulfilment options and ways to pay.

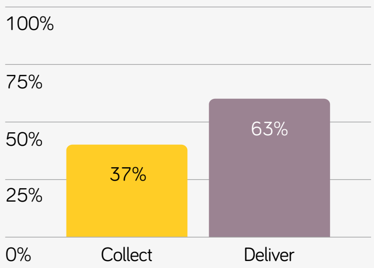
Geographic split

South East	**32%**
Midlands	**24%**
North and Scotland	**22%**
Wales and South West	**20%**
Europe	**2%**

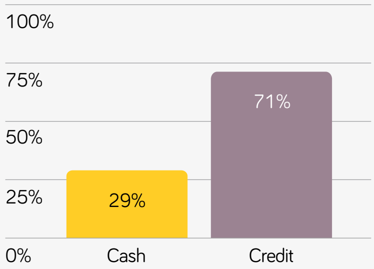
Product mix

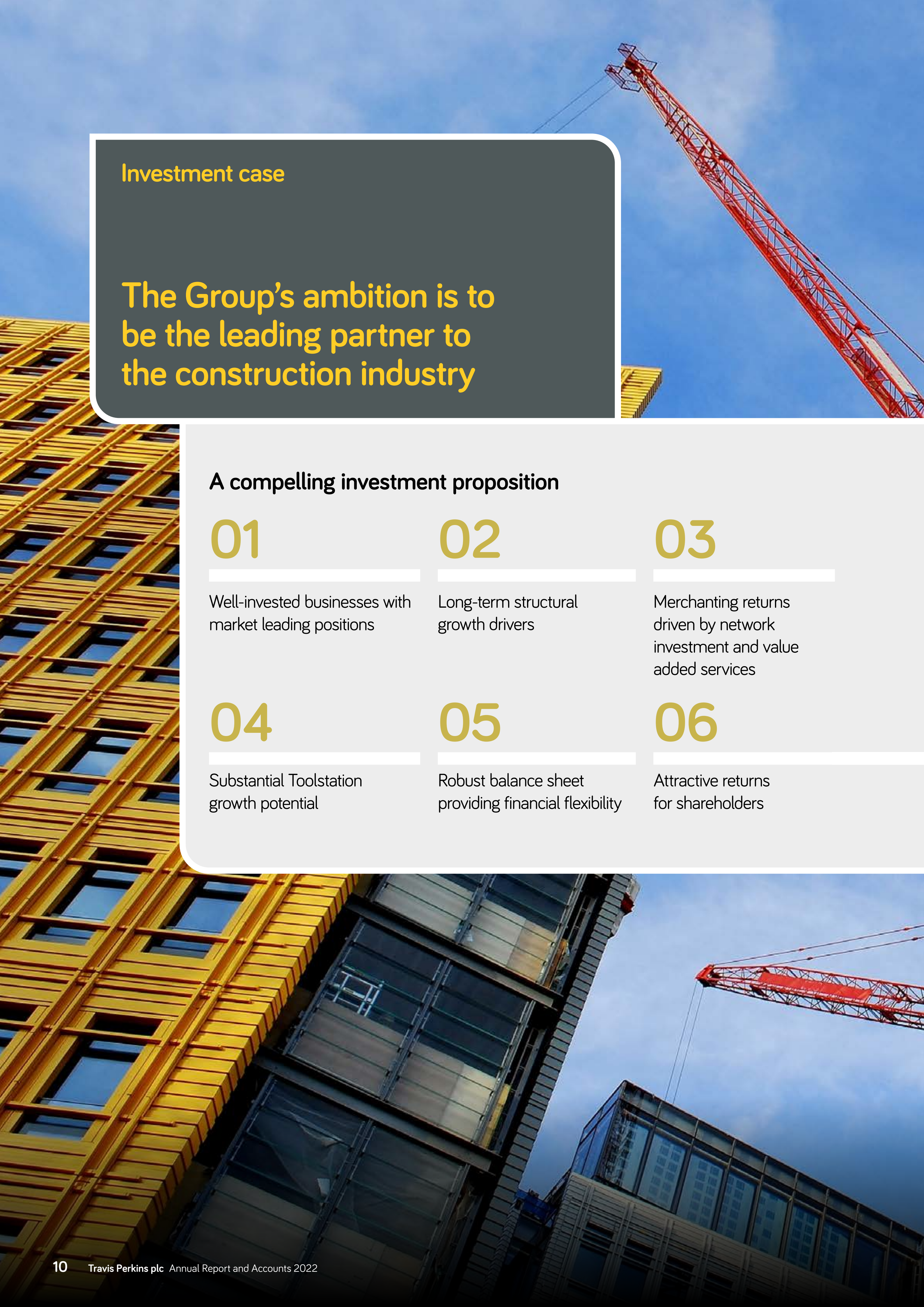
Heavyside	**48%**
Lightside	**22%**
Plumbing & Heating	**17%**
Timber	**13%**

Channel



Payment method





Investment case

The Group's ambition is to be the leading partner to the construction industry

A compelling investment proposition

01

Well-invested businesses with market leading positions

02

Long-term structural growth drivers

03

Merchanting returns driven by network investment and value added services

04

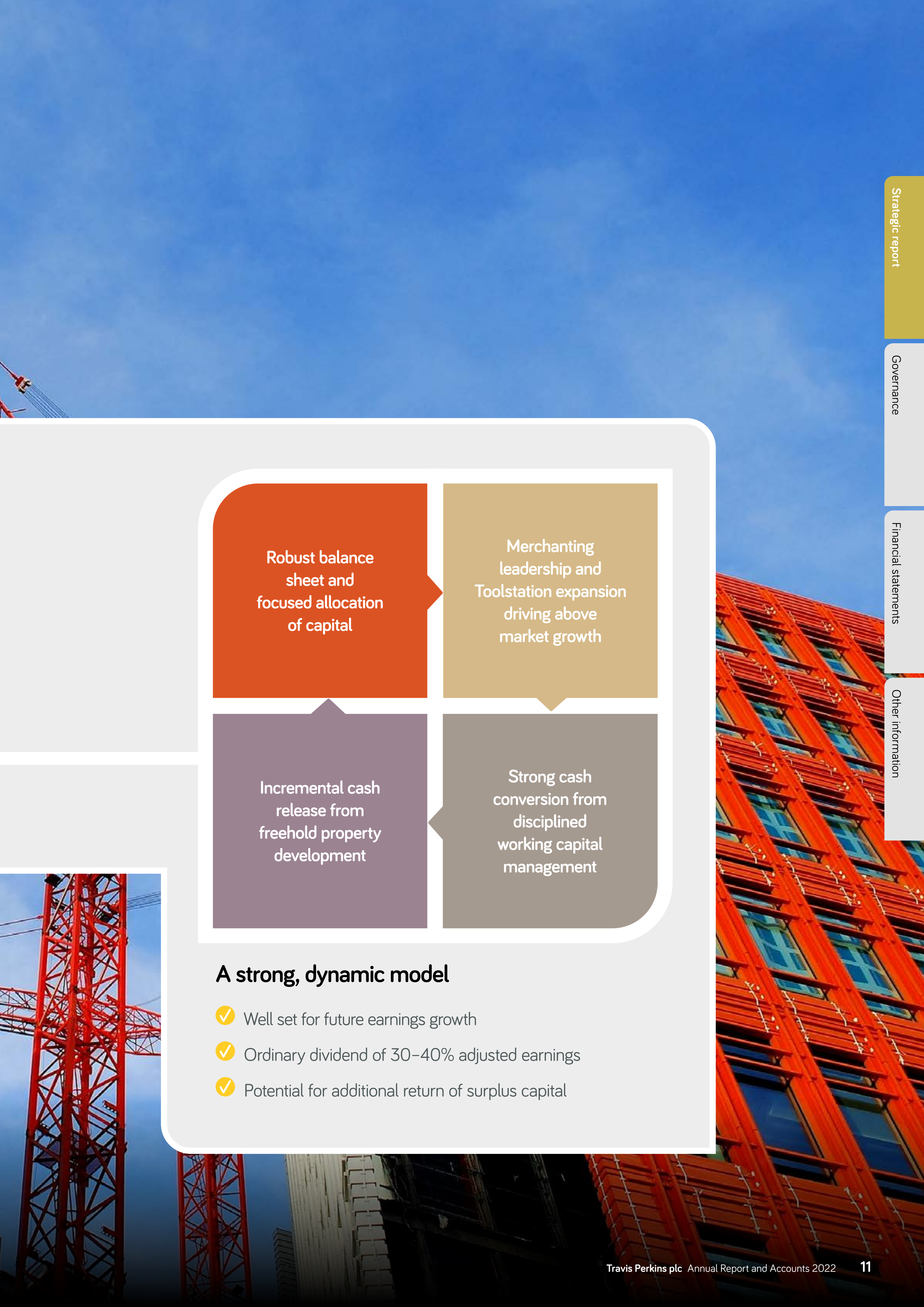
Substantial Toolstation growth potential

05

Robust balance sheet providing financial flexibility

06

Attractive returns for shareholders



Robust balance sheet and focused allocation of capital

Merchanting leadership and Toolstation expansion driving above market growth

Strong cash conversion from disciplined working capital management

Incremental cash release from freehold property development

A strong, dynamic model

- Well set for future earnings growth
- Ordinary dividend of 30–40% adjusted earnings
- Potential for additional return of surplus capital

Market overview

The Group operates in a £78bn market

The market for construction materials is approximately £78bn, with £60bn coming through distribution channels. The Group serves four major end-markets, with just over half of revenues coming from private domestic housing and the balance being split between the commercial & industrial market and the public sector.

Private domestic new build

Market mix

22%

Group revenue mix

19%

Growth drivers:

- Growth in households and population
- Ongoing housing supply shortage
- Drive for more energy efficient homes
- Sales incentives and support for first-time buyers
- Ongoing desirability of home ownership vs renting

Private domestic repair, maintenance and improvement (“RMI”)

Market mix

14%

Group revenue mix

35%

Growth drivers:

- Disrepair of housing stock
- ECO+ insulation scheme
- Requirement for retrofit and cladding remediation works
- Need for decarbonisation and improvement for EPC ratings for rented sector
- Reconfiguring homes for more space and home working
- “Don’t move, improve!” – given costs of moving and challenge of finding new homes

Commercial and industrial*

Market mix

24%

Group revenue mix

22%

Growth drivers:

- Growth in warehousing and logistics space
- Refurbishment of office and retail space around hybrid working and new patterns of retail
- Cladding remediation work on commercial buildings
- Repair and maintenance work increases when less new space is coming into the market

* Includes commercial and industrial new build and private non-housing R&M

Public sector**

Market mix

40%

Group revenue mix

24%

Growth drivers:

- Hospital and school rebuilding programmes
- Nine-year backlog of essential road repairs and major new-build schemes
- Major projects eg HS2, Hinkley Point C, Thames Tideway
- Offshore wind growth
- Ongoing requirements for Public sector affordable housing
- Significant requirements to improve the condition and thermal efficiency of existing public sector housing via retrofit programmes

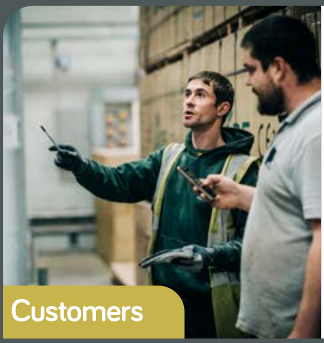
** Includes infrastructure, public new building (housing and non-housing) and public housing RMI and non-housing R&M.

Business model

People are at the heart of the business model. The Group's businesses bring together customers, suppliers and colleagues into mutually beneficial relationships which can last many years. The Group cares deeply for the people within its broader community and for the impact it has on the environment.

Inputs

Competitively advantaged resources and relationships



Customers

- Deep customer relationships and understanding of needs

Resources

- Nationwide branch network, embedded in communities
- 19,000 engaged colleagues with a unique and open culture
- Industry-leading supply chain
- Strong balance sheet
- Disciplined capital allocation
- 200+ year heritage and businesses that are #1 or #2 in their market

Suppliers

- Deep and lasting supplier relationships with the ability to connect to customers across the country

What we do

Collaborative value chain

Requirements

- Collaborate, specify and quote
- Negotiate, convert and sell
- Range and source
- Assort and procure
- Fulfil, collect and deliver

Products and services

Go to pages 16 to 25 to see more

Underpinned by

Responsible and sustainable approach

Go to page 30 to see more

Outputs

Self-reinforcing model generating growth and value for stakeholders

- Fulfilled customers
- Engaged colleagues
- Enriched communities
- Satisfied shareholders
- Valued suppliers

Go to pages 16 to 25 to see more

Purpose goals

Decarbonising the industry

- Modernising construction
- Sourcing responsibly
- Operating sustainably
- Developing the next generation

Group ambition

Leading partner to the construction industry

Sound corporate governance

Go to page 86 to see more

Robust risk management

Go to page 75 to see more

Strategy

The strategy is to grow through elevating customer relationships by offering value added services and deepening relationships to win a greater share of customer spend.

Elevating relationships by adding services and new areas of added value

The Group is committed to finding ways of adding incremental value to customers by working hard to go up the value chain, by identifying customer needs and pain points and by working collaboratively to bring innovative solutions that serve them in the most effective way.

ELEVATING RELATIONSHIPS

Professional trades and general builders

Typically smaller customers who value local relationships and who serve domestic and light commercial markets for mostly RMI work.

OUR STRATEGY

Larger contractors and developers

Larger and more complex customers who serve local and national markets, often working in conjunction with other contractors, suppliers and specifiers to deliver new build and RMI solutions across residential, commercial and infrastructure.

DEEPENING RELATIONSHIPS

Deepening relationships to earn a greater share of spend

Recognising that customers face a choice between different suppliers for their materials, the Group is committed to earning a greater share of spend through deepening relationships and delivering solutions which make the purchasing process as smooth and integrated as possible.

Overview of strategic initiatives

ELEVATING RELATIONSHIPS

- Tool hire growth
- Managed Services expansion
- Travis Perkins and Benchmarx cross-selling
- Regional housebuilders proposition development

- BSS
  - Intelligent Solutions launch
  - TF Solutions growth
- Keyline
  - Economic infrastructure support
- CCF
  - Technical sales capability
  - Carbon reporting launch
- Staircraft
  - Capacity investment

- Increased app penetration
- Launch of trade credit
- New distribution capacity in the UK and Netherlands

DEEPENING RELATIONSHIPS

- Leverage digital investments
- Network investment

- Own-brand investments
- Increased trade-focused range

- Ongoing digital investment
- Network rollout

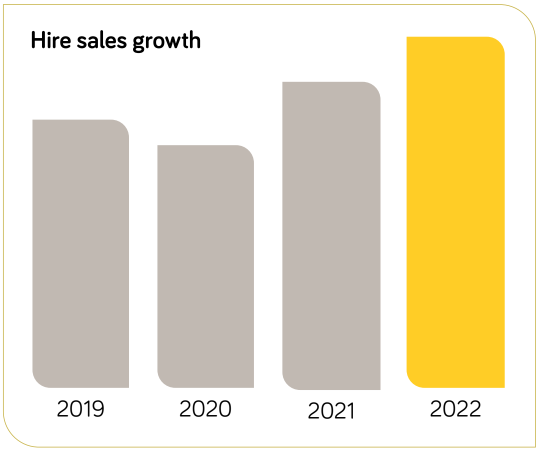
Strategy in action

Hire: getting the job done

Developing the Travis Perkins Hire proposition to offer more services to customers and to take a larger share of wallet

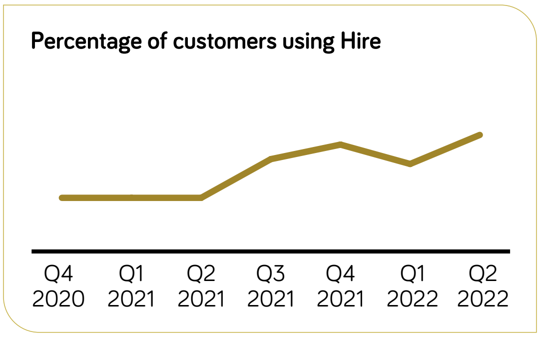
Strong growth in Hire sales

Hire sales have increased over 30% since 2018.



Deepening customer relationships

Hire sales have grown through a number of initiatives. The key target is to help customers complete their projects and this means targeting Travis Perkins General Merchant customers with relevant Hire offers to help them get the job done. Success here is measured by the increase in penetration of customer accounts using Hire products.



Expanding the network, maintaining efficiency

Hire equipment has been rolled out to more of the Travis Perkins network to ensure that the right kit is available for customers when they need it. The team has been working hard on achieving the balance between deploying equipment into branches and maintaining a strong and responsive supply chain to ensure that capital efficiency is maintained.

The right equipment in the right place

Having the right equipment available in the right place is vital for growing the Hire business. To ensure success Travis Perkins has been working hard on enabling local collaboration between branches to ensure that the kit is pooled to give the best possible availability. There has been significant investment in new tools and equipment, both in high-volume smaller tools and in specialist equipment aimed at different key customer segments.

Building sales capabilities

Key to growing account penetration is to ensure that as many colleagues as possible are confident to talk to customers about the Hire offer. This includes training and developing branch colleagues and recruiting specialist sales and account managers.

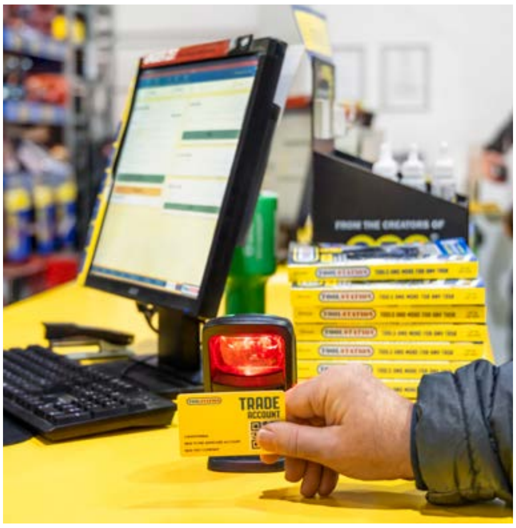
Strategy in action

Toolstation: developing the trade offer

The Toolstation offering is open to all customers, but it is targeted primarily at the trade, offering trade-ready brands, in the right quantities for the job, at trade prices.

Toolstation 'Trade Account'

In 2022 Toolstation rolled out the Trade Account, offering customers credit on their purchases to help manage their cash flow, plus a series of unique discounts to recognise their regular spending and support. This is working well in the UK and in the Netherlands.



More trade brands

Offering the right brands to tradespeople is vital in persuading them to change their supplier. Over the course of 2022 Toolstation has added more than 4,000 new products, expanding the range of trade recognised brands.

Top brands

DeWalt, Sensio, Integral LED, Werner, YBS Insulation, Nest

New in

Milwaukee, JBKind Doors, MCR Safety, CT1, GoSystem, Ciret

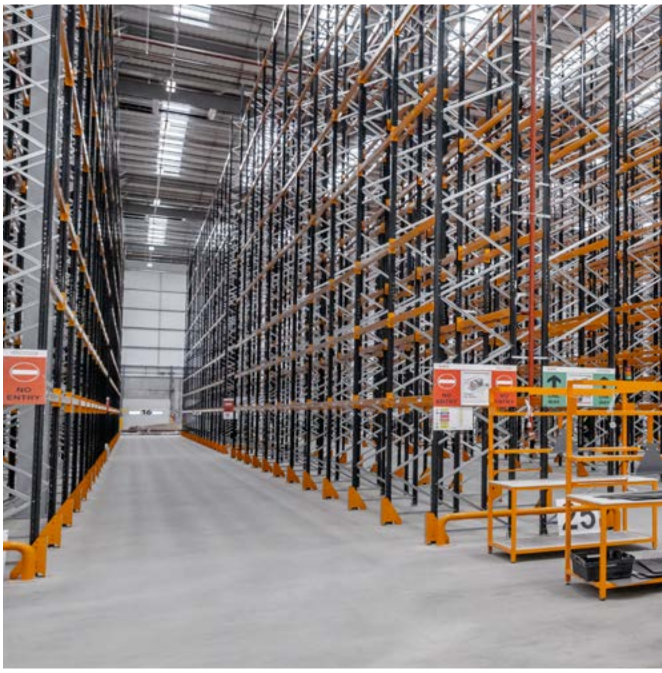
Improving distribution capability

The build and fit out of the new Toolstation distribution facility in Pineham Northampton has continued over 2022 and it remains on schedule to come on stream in 2023.

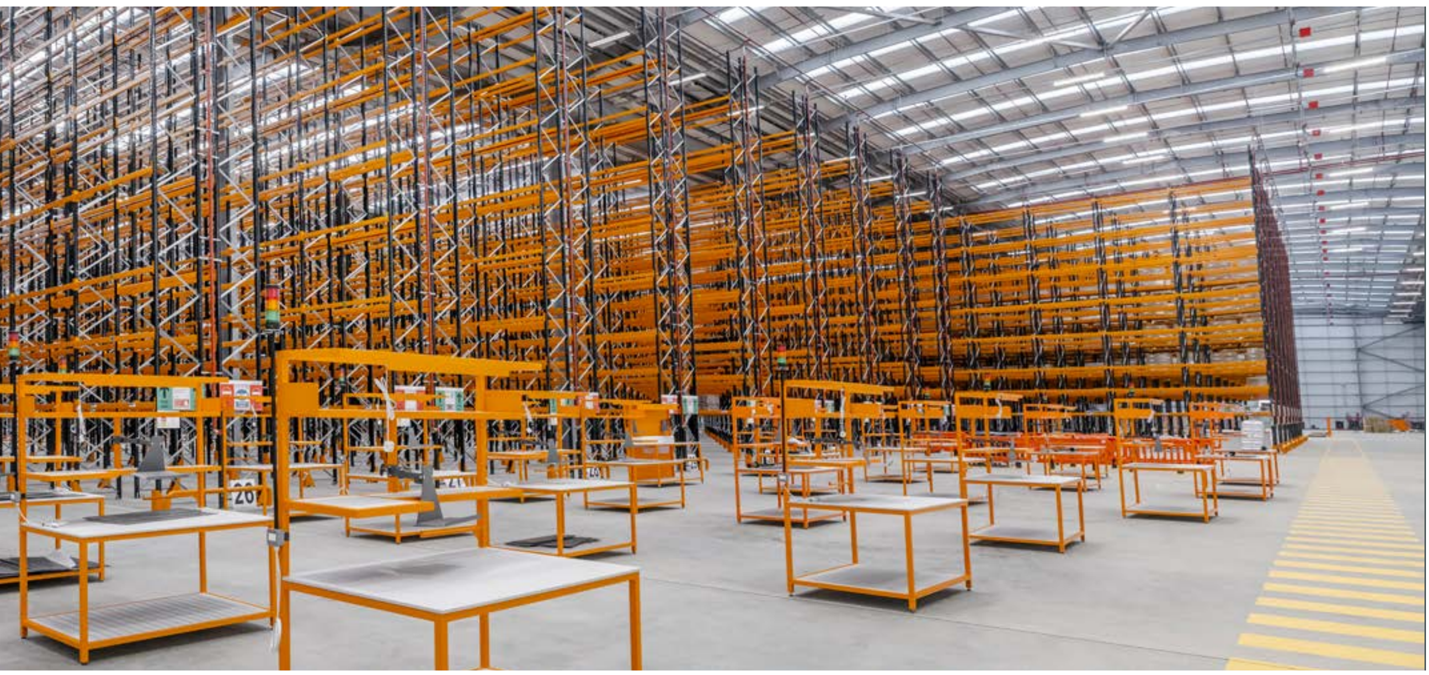
The new facility will provide significant additional capacity to allow customers to access more products wherever they need them.

The site can hold a range of over 25,000 products and will allow Toolstation even further scope to upweight their trade focused ranges.

Toolstation Netherlands has also invested in a substantial improvement in distribution capacity with a new distribution centre which went live in Q3 2022.




GXO
GXO
TOOLSTATION
TOOLSTATION



Strategy in action

Staircraft

Expanding the capacity of the Staircraft business, allowing more housebuilders to benefit from superior quality products that make installation quicker, simpler and safer and result in fewer home-owner issues.

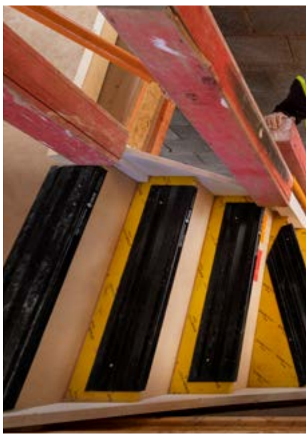
Products that improve the sustainability of the sector

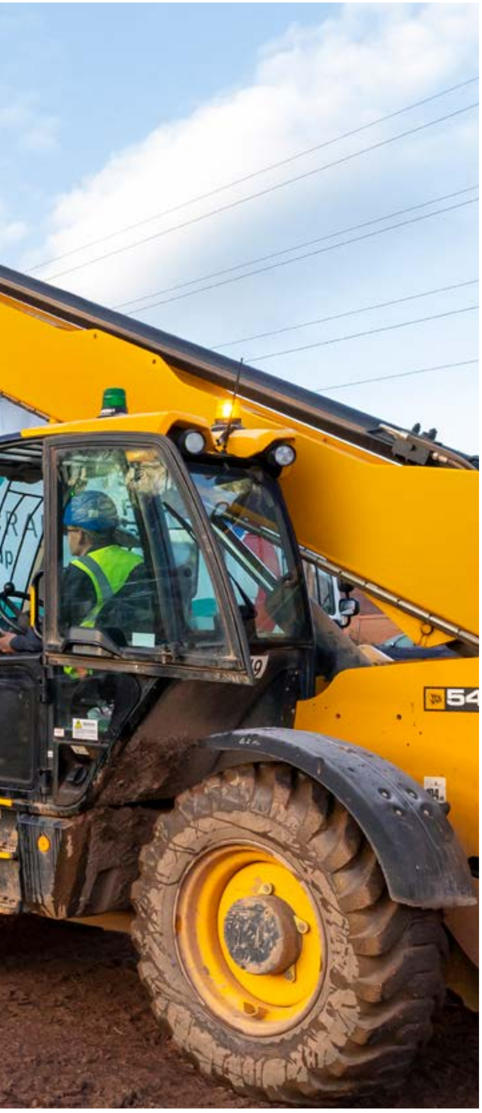
Staircraft's product designs allow customers to reduce material use and waste on site, eg uniquely, chipboard flooring is factory-cut, typically reducing waste by 25–30%.

Products to drive improvements in health and safety

Staircraft's innovations help to reduce risks on-site. For example:

- Factory-applied, slip-resistant, peel-clean tread protection
- Precision-manufactured components that offer a simpler and safer installation

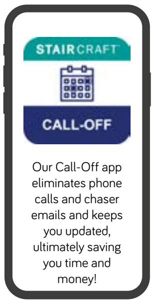


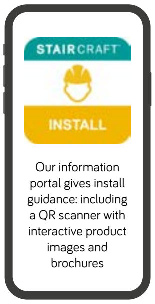


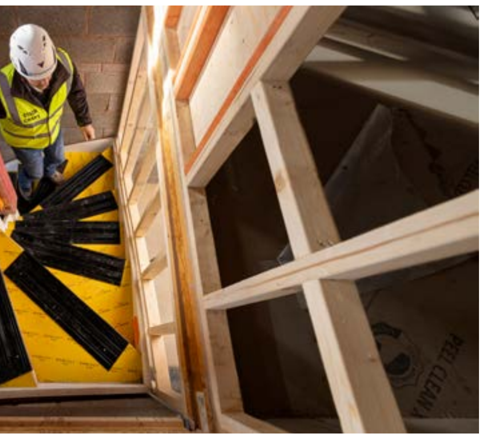
STAIRCRAFT

Innovative digital tools

Innovative digital tools, such as the Staircraft Call-Off app, create efficiencies in the order, manufacture, delivery and installation processes.







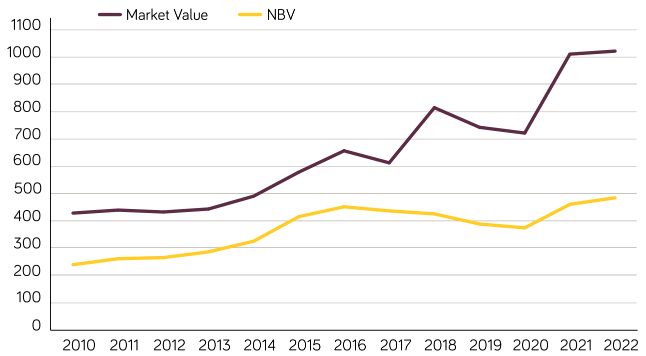
Strategy in action

The Group's property portfolio is a source of value, profit and cash

Creating value through property

The property strategy is a key part of the Group's overall strategy, ensuring that the businesses have the space to add value to customers and earn a greater share of their spend, supporting the efficient allocation of capital and maximising returns. The scale of the Group gives a competitive advantage in negotiating terms and being a group gives flexibility over site usage, with the opportunity to switch sites between brands and so mitigate risk. The Group's strong balance sheet ensures access to funding at better financing terms and gives flexibility in using sale-and-leasebacks at competitive yields to access funds for investment.

Freehold property portfolio market value and net book value (NBV £m)



Since 2010 the market value of the Group's freehold estate has grown by almost £600m and the book value has grown by £240m. During this period the portfolio has also generated net proceeds after reinvestment of £100m and profits of £300m.

This highly capable management of the property portfolio enables the Group to access the best operational sites, generate cash and release profits.

A self-reinforcing cycle

Select and acquire

- Identify optimal locations using data and local expertise
- Secure sites as freehold or leasehold

Ensure long-term occupation of the best operational assets that generate cash and profit

Recycle and reinvest

- Assess strategic drivers for holding or selling the property freehold
- Release capital through sale or sale-and-leaseback and reinvest or distribute

Develop and transform

- Enhance existing sites through redevelopment and switching brands
- Develop freehold sites

Creating value through development

Relocating Bristol St Philips

In February 2022 this branch moved from a below-standard 0.8 acre site to a newly refurbished 24,000 sq ft warehouse on a 2.7 acre site. Getting the right site in the right location, supported by net freehold investment of £2.8m and the investment of £2.3m in fit-out, vehicles and incremental working capital, has already seen sales more than double at a branch margin of over 10% with a target return on capital at maturity of over 40%.

Investing in carbon reduction

To achieve the Group's target of an 80% reduction in carbon from buildings by 2035, considerable investment in decarbonisation is underway in new and existing branches. Retrofitting existing branches will be essential to achieving this goal through a combination of:

Gas boilers changed for air-source heat pumps where possible to **decarbonise heating**

£4 million invested in the **roll-out of LED lighting**, saving 2,000 tonnes of carbon annually

Utilisation of 'Building Management Systems' and 'Internet of Things' controls to **reduce out-of-hours energy use**

Roll-out of electric vehicle charging points at DCs, offices and branches

Working with landlords to improve **insulation and glazing at branches** to make them more efficient

Installation of charge points to facilitate the electrification of fork-lift trucks

Solar PV installed on roof of DCs and large branches, funded by 'Power Purchase Agreements' where possible

Interim target: Achieve a **40%** reduction in emissions from our buildings by **2027**.

Key performance indicators (KPIs)

Operational

Adjusted operating profit*

	Adjusted operating profit
2022	£295m
2021	£353m
2020†	£128m
2019	£442m
2018	£375m

Definition (note 2a)
Profit before tax, financing charges and income, amortisation of acquired intangibles and adjusting items.

Reason
Adjusted operating profit excludes adjusting items and the amortisation of other intangible assets arising on the acquisition of a business, so management can monitor the Group's underlying performance.

Sales growth

	Sales growth
2022	8.9%
2021	24.0%
2020†	(10.8)%
2019	3.2%
2018	4.9%

Definition (note 1b)
Total revenue growth. This KPI is now based on total revenue, not 'like-for-like' revenue.

Reason
Sales growth helps management monitor the performance trend of the business and gives a good indication of its overall health compared to its competitors. Using growth in total revenue ensures that actions such as the consolidation of branches do not distort the KPI and better reflects the nature of the Group following the demerger of Wickes.

Financial

Leverage ratio*

2022	**1.8x**
2021	1.2x
2020†	2.0x
2019	2.5x
2018	2.7x

Definition (note 25)
The ratio of net debt to earnings before tax, interest, depreciation, amortisation and adjusting items ("EBITDA"). The figure for 2018 is calculated as the ratio of lease-adjusted net debt to EBITDA adjusted for rent ("EBITDAR").

Reason
The leverage ratio is an indicator for management and lenders of the Group's ability to support its debt. The Group has a target of 1.5x–2.0x.

Free cash flow

2022	**£95m**
2021	£65m
2020†	£241m
2019	£195m
2018	£168m

Definition (note 24)
Net cash flow before dividends, freehold property purchases and disposals, pension deficit repair contributions, adjusting cash flows and financing cash flows.

Reason
The Group needs to generate strong free cash flows to enable it to invest, expand its operations and pay dividends to shareholders. Freehold investments are financed by property disposals and enable the Group to access the best property locations.

Return on capital employed*

2022	**10.8%**
2021	14.1%
2020†	5.3%
2019	10.1%
2018	10.5%

Definition (note 26)
Adjusted operating profit divided by the combined value of balance sheet debt and equity excluding pension assets. The figure for 2018 is EBITDA less 50% of property rent divided by debt, equity and eight times annual property rental expense.

Reason
This ratio allows management to measure how effectively capital is used in the business to generate returns for shareholders.

Non-financial

Accident frequency rate

2022	**4.7**
2021	5.6
2020†	5.4
2019†	5.4
2018†	7.8

Definition
The number of lost-time incidents ("LTIs") per million hours worked.

Reason
Keeping people safe is the Group's first priority. This ratio allows management to measure progress in ensuring a safe workforce.

Carbon emissions

2022	**9,945**
2021	10,220
2020	9,766

Definition
Total Scope 1, 2 and 3 carbon emissions (megatonnes of CO_2e). Data is presented for 2020 onwards as that is the period for which sufficiently accurate Scope 3 data is available. Figures for all years reflect continuing businesses only.

Reason
The Group has a responsibility to take action to prevent the worst impacts of climate change. This measure allows management to measure progress in the decarbonisation of the business. This KPI now includes Scope 3 in addition to Scope 1 and 2, as Scope 3 represents over 99% of the Group's carbon footprint and the Group has set a target of reducing Scope 3 emissions by 63% by 2035 from a 2020 baseline.

* These KPIs were impacted by the adoption of IFRS 16 – Leases on 1 January 2019.
† Figures restated to exclude the Retail and Plumbing & Heating segments. KPI figures for 2018 and 2019 include these segments.

Chief Executive's statement

I am extremely proud of the way that our colleagues have responded to a challenging year – one characterised by increasing macroeconomic uncertainty and volatile market conditions. The dedication of our team and uniqueness of our business has enabled us to outperform our markets and deliver a resilient performance.

Nick Roberts
Chief Executive Officer

Our year in review

- Solid performance in the Travis Perkins General Merchant, driven by focus on digital capability and value-added services, including Hire, Benchmarx kitchens and Managed Services
- Continued strong performances from the Group's specialist distributors, BSS, Keyline and CCF. Staircraft now integrated and enhancing the Group's housebuilder proposition
- Toolstation returned to good growth after a tough prior year comparatives in H1, as we look to maximise Toolstation's growth potential in the UK and Europe
- Good progress towards purpose goals, notably a 34% reduction in Scope 1 & 2 carbon emissions
- Expansion of our apprenticeship offering to the wider industry with the 1,000th graduate in 2022, a major milestone as we develop the next generation of the UK construction workforce

Overview

Reflecting on the year as a whole, 2022 will ultimately be remembered as a challenging period during which the increased operational agility resulting from the recent simplification of the Group was once again tested. After a strong start to the year, with elevated levels of activity in the residential sector, both consumer and business confidence were eroded by the impact of rapidly rising energy and commodity prices driven by the war in Ukraine and the rise in interest rate expectations following September's "mini-budget". Alongside a weakening demand outlook, our teams have had to carefully manage unprecedented levels of materials cost inflation and steeply rising overhead costs.

Our team remains one of our greatest strengths. I would like to take this opportunity to thank each of our colleagues for their continued diligence, hard work and exceptional focus on delivering for our customers despite many intense pressures. We recognise the impact that the sharply increasing cost of living is having on our colleagues and have offered financial wellbeing support and additional benefits where we can as well as maintaining a strong focus on building a culture where everyone returns home safe and well everyday.

Towards the end of the year, as it became apparent that 2023 is likely to see reduced activity levels in the construction sector, we made some tough decisions to ensure that our cost base is aligned to expected market conditions. As always, we have sought to manage this difficult process in a way that is fair for all concerned.

It is through the combination of the market leading service provided by our colleagues and our ability to flex our approach to respond quickly to changing market dynamics that the Group has been able to deliver a resilient financial performance in 2022. Despite the uncertainty ahead, we remain well placed to continue to outperform our markets and deliver long term value for all our stakeholders.

Operational review

The Group's merchant businesses delivered a robust performance and continue to outperform their end markets. This outperformance is driven by a focus on further enhancing our market leading propositions through our strategy of both deepening and elevating our customer relationships. To provide our customers with simple and convenient ways of doing business with us, we continue to invest in larger destination branches and develop our digital channels.

Furthermore, our value-added services, such as Hire and Managed Services, reduce the time, complexity, cost and carbon associated with customers' projects.

Toolstation had a challenging year as the elevated levels of DIY volume during the pandemic unwound. The business encouragingly returned to growth in the second half of the year and the focus on developing the proposition for our trade customers remains unchanged. Our European business continues to expand, with revenues having more than doubled in the last three years, seeking to build on the first-mover advantage in Benelux and France.

Strategic progress

The Group has made good progress during the year to both deepen and elevate relationships with customers. In the challenging trading environment we have had to prioritise activity but it is encouraging to see the development of some truly differentiating propositions as well as the ongoing growth in our more established service oriented platforms. In this Annual Report we highlight the growth in our Hire business which is performing exceptionally well and helping customers to remove cost and complexity from their projects. In addition we highlight the differentiation that comes from the addition of Staircraft to the Group, a market leading innovator in environmental and safety performance, that brings significant benefits to our customers.

Building a sustainable business

To further inform the Group's focus on building a sustainable business, the Group conducted a thorough sustainability materiality assessment with qualitative and quantitative input from all key stakeholder groups. The assessment identified that carbon is the principal area of focus for stakeholders and as a result decarbonisation will be the Group's sustainability priority. This assessment will inform governance, investment, communication and engagement decisions in the coming years. In 2022 we made positive progress against existing carbon reduction targets and the Group continues to engage in decarbonisation by setting science-based interim targets for our buildings, fleet and Scope 3 emissions engagement for 2027. I have personally had the pleasure of leading engaging Scope 3 discussions with both some of our national housebuilder customers and largest product suppliers. I am optimistic about the shared purpose, creativity and desire for collaboration that exists across our value chain, which we will build on in the years to come.

Developing the next generation

A key enabler of a more sustainable construction industry in the UK will be the development of future skills. The Group has continued to expand its apprenticeship offering, creating new jobs and new pathways for career progression guided by a strategic focus to attract and retain more diverse talent and to address the challenges faced by both the Group and sector around digital skills, data, carbon reduction and changes to construction methods. The Group has opened its sector-leading Apprenticeship infrastructure to supply chain partners in the construction sector and is now the Early Careers and Apprenticeship provider to the Builders Merchant Federation. We currently have 340 Apprentices from outside the Group enrolled on a Travis Perkins delivered apprenticeship, through organisations like the Builders Merchant Federation. By the end of 2022 we reached the milestone of our 1000th graduated apprentice. To mobilise the Group and industry partners on the role of apprenticeships and skills as a key driver of diversity and key enabler of the UK's green transition, the Group has set a long-term target of 10,000 completed apprenticeships by 2030.

Outlook

The outlook across our end markets remains uncertain and, in our planning for 2023, it has been necessary for us to adopt a balanced approach, maintaining the focus on executing our strategy to lead in our markets but also recognising that it will be necessary to manage our cost base and capital spend plans appropriately in the shorter term to reflect the expectations of a weaker volume environment.

The long-term structural drivers in our end markets remain robust with the need to decarbonise the UK's built environment becoming ever more pressing due to rising energy costs and the impacts of climate change. The shortage of both public and private housing in the UK also remains a significant growth opportunity. We continue to position our businesses to support the delivery of these key objectives and, in doing so, create sustainable long-term value for our shareholders.

Sustainability report

With sustainability at the heart of the Group's strategy, we are committed to lead on Environmental, Social and Governance ("ESG") through our "Building for Better" agenda

Making strides towards our commitments
In 2022 we made progress towards our ambitious carbon reduction targets, reducing Scope 1 & 2 carbon by 34% and Scope 3 by 2% compared to 2021. Against our 2020 target baseline this represents a 35% improvement (Scope 1 & 2) and a 2% deterioration (Scope 3). Scope 3 carbon emissions compared to inflation-adjusted revenue improved by 16% against the 2020 baseline. 342 colleagues and industry partners graduated in apprenticeships facilitated by LEAP, the Group's Early Careers and Apprenticeship provider. This sets a strong foundation for the Group's new skills goal of 10,000 graduated apprentices by 2030. Our work in all other focus areas has moved forward and progress is reported in the following pages.

PURPOSE
We're here to help build better communities and enrich lives

AMBITION
Leading partner to the construction industry

SUSTAINABILITY PRIORITY
Decarbonising the industry

BUILDING FOR BETTER

Changing the game

Modernising construction
Provide sustainable products and services to support Modern Methods of Construction, retrofit, energy efficiency, decarbonisation, climate resilience, biodiversity, nature, water and waste.

Sourcing responsibly
Ensure safe and quality products from ethical, traceable and resilient supply chains. Support the Golden Thread of data.

Operating sustainably
Lead by example within our own operations. Deliver net zero carbon and reduce operational waste.

Developing the next generation
Upskill our people and the wider industry in Green and Future skills to equip the sector for change.

Doing the right thing

Safety & Wellbeing | Diversity, Equity & Inclusion | Colleague Voice | Reward
Charity & Volunteering | Modern Slavery & Human Rights | Legal Compliance

This agenda is a key driver in achieving our Group Purpose and Ambition. We are uniquely able to convene the supply chain to collaborate and co-create solutions, influencing and supporting the sustainability changes our industry needs, because of the Group's market-leading businesses and our position in the supply chain between thousands of suppliers and thousands of customers.

Prioritising the most material focus areas

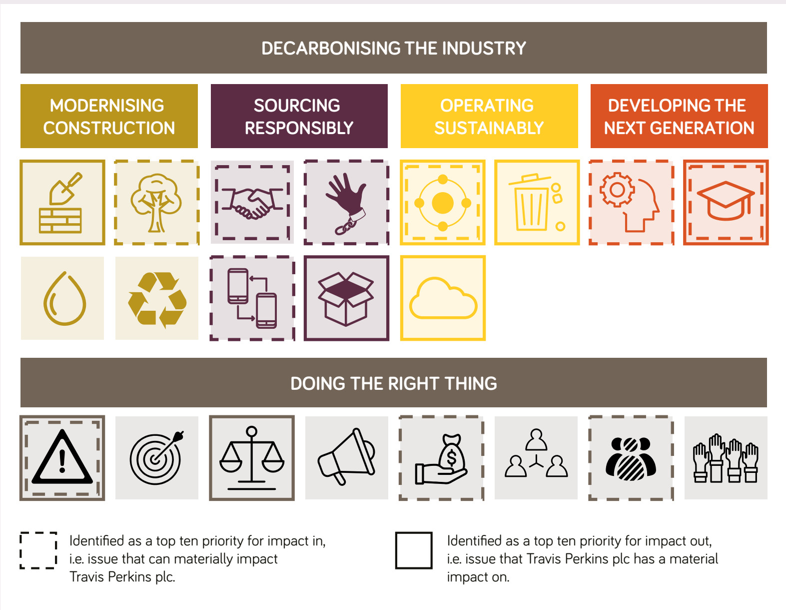
In 2022 an in-depth ESG materiality assessment was undertaken, engaging with stakeholders to deepen the Group's understanding of the ESG issues that matter most to a range of different audiences. The findings guide the Group's strategic choices and reporting and ensure we remain focused on the most important issues. While the assessment confirmed that the focus areas within the previous framework remain relevant, it demonstrated that carbon is the principal issue for stakeholders, making it the Group's sustainability priority moving forwards. The assessment also confirmed that broader ESG topics and those related to core business responsibilities are important for many stakeholders.

The materiality assessment was supported by a third-party expert and involved three steps:

1. **Refinement of key ESG topics:** Desktop research and internal consultation to challenge and evolve the list of ESG topics. The review was informed by "societal megatrends", the UN Sustainable Development Goals (SDGs) and the Group's top and emerging risks.
2. **Stakeholder engagement:** 43 individual and group interviews were carried out with 65 customers, colleagues, suppliers, investors, communities and other stakeholders. A quantitative survey with over 3,600 respondents was conducted to explore the relative importance of the ESG topics and included a specialist sample of opinion formers, as well as UK consumers and Travis Perkins Group customers and suppliers.
3. **Strategic analysis:** Analysis was conducted on the qualitative and quantitative findings and the relationships between them, giving an understanding of the ESG topics and their importance to stakeholders.

The Materiality Map illustrates key priorities for the Group based on 'Double Materiality':

The Group will continue to review the material focus areas to ensure that the most important topics for the business and for stakeholders are in scope.



- Access to sustainable and resilience-improving solutions
- Biodiversity, nature and forestry
- Water use
- Product packaging and circularity
- Responsible sourcing and relationships with suppliers
- Human rights and modern slavery
- Data use and responsibility
- Product safety and quality
- Carbon emissions
- Operational waste management
- Air quality
- Developing skills and knowledge in the community
- Skills, apprenticeships and training
- Employee safety and wellbeing
- Culture and purpose
- Responsible and transparent business
- Responsible marketing and selling
- Pay and reward
- Employee engagement and relations
- Diversity, equity and inclusion
- Community impacts of our business and operations

Building for Better: Commitments and progress

Strategic sustainability priority	Material focus areas	Long-term commitments	2022 key actions	
Decarbonising the industry **1.5 degree-aligned, SBTi-approved carbon reduction targets** ✓ Good progress ✓ Some progress	**Modernising construction**			
	Sustainable products and services to support MMC, retrofit, energy efficiency, decarbonisation, climate resilience, biodiversity, nature, water and waste.	**63% reduction in Scope 3 carbon by 2035**	Develop a retrofit proposition to support social landlords with the decarbonisation of their properties. Increase engagement with stakeholders, with particular focus on suppliers, to reduce Scope 3 carbon emissions.	
	Sourcing responsibly			
	Safe and quality products from ethical, traceable and resilient supply chains. Supporting the Golden Thread of data.		Evolve the Group's due diligence approach to bring into scope remaining product suppliers and "goods-not-for-resale" suppliers, on a risk-basis.	
	Operating sustainably			
	Net zero carbon and reduced operational waste. Leading by example within our own operations.	**Net zero for Scope 1&2 carbon by 2035 (with at least 80% reduction)**	Extend hydrotreated vegetable oil (HVO) fuel use from 12 to 200 vehicles. Reduce the amount of plastic waste the Group produces by engaging with suppliers and seeking alternative, sustainable packaging solutions.	
	Developing the next generation			
	Upskilling our people and the wider industry in Green and Future skills to equip the sector for change.	**10,000 graduated apprentices by 2030**	Deliver a curriculum offering career development opportunities to all colleagues enabling the development of the next generation workforce.	
	Doing the Right Thing (underpinning the Changing the Game focus areas above)			
	Safety & wellbeing: Getting everyone home safe and well, every single day.		Continue to drive a culture of "Calling it out", taking time to "Stop, Step Back, Think. Then Act" by ensuring daily team briefings take place at all locations.	
	Diversity, equity & inclusion: Creating an environment where everyone can be themselves.		Create a DE&I policy that reflects the Group's vision "You be you, it's what makes us, us". Educate the business and implement the policy effectively.	
	Colleague voice: Listening to colleagues to make better decisions and drive engagement.		Engage all colleagues in the Group's purpose, values and strategy, with focus on what this means at a local business level.	
	Charity & volunteering: Taking pride in helping others and making positive change happen.		Put charity and community partnerships in place that support the Group purpose, engage colleagues, strengthen collaboration and delivery on the Group's strategy and impact goals.	
	Reward: Improving the financial health of colleagues.		Further develop financial wellbeing support to colleagues by launching new services with the Group's partner "Wagestream".	
	Modern slavery & human rights: Eliminating modern slavery from our business and supply chains.		Expand in-person ID checks, currently conducted on higher-risk labour agency workers, to include other third parties working at the Group's sites, based on risk.	
	Legal compliance: Complying with all relevant laws.		Refresh of mandatory Group-wide baseline training covering key legal compliance areas, improving awareness of reporting channels and completeness monitoring.	

1. More information on the United Nations Sustainable Development Goals ("SDGs") is included on page 35.

2022 progress	2023 key actions	Supporting the Group's strategy	Delivering against the SDGs[1]
✓ ✓	Continue with Scope 3 and Product Sustainability supplier engagement programme, supporting suppliers to calculate their carbon footprint.	By providing sustainable products and value-add services to customers, the Group can both deepen and elevate relationships, earning a greater share of spend and becoming a key partner.	13 Climate Action; 11 Sustainable Cities and Communities; 9 Industry, Innovation and Infrastructure
✓	Continue to evolve the Group's due diligence approach to bring into scope the next phase of lower-spend product suppliers and "goods-not-for-resale" suppliers.	The depth of customer relationships are underpinned by trust in the Group to source responsibly and to meet changing data transparency requirements.	13 Climate Action; 12 Responsible Consumption and Production
✓ ✓	Launch internal Carbon Change-Makers campaign to influence colleague behaviour. Explore opportunities to enable the reuse of unwanted construction materials in the business.	All of the Group's stakeholders expect credible action on operational carbon and waste. Performance can influence the outcome of customer tenders.	13 Climate Action; 8 Decent Work and Economic Growth
✓	Deliver a development curriculum aligned to our talent management processes that offer career development opportunities to all colleagues enabling the development of the next generation workforce and helping to change construction.	To best support customers in a changing market, green and future skills are critical. As a trusted and leading partner to the construction industry, customers value our expertise and advice.	13 Climate Action; 4 Quality Education
✓	Continue to drive a culture of "Calling it out", taking time to "Stop, Step Back, Think. Then Act" by ensuring daily team briefings take place at all locations.		13 Climate Action
✓	To put in place the foundations that will help us to build the skills, knowledge and behaviours of our leaders to enable them to create the conditions for a diverse and inclusive workplace.		
✓	Continue to engage all colleagues in our purpose, values and strategy, leveraging the Group story to build colleague connection to their role in the future success of the Group.		
✓	Use the experience we have gained from 2022 to deepen and elevate our existing partnerships.	Doing the Right Thing deepens relationships with customers as expectations around responsible business increase.	
✓	Further the reach and impact of financial wellbeing and employee benefits support to colleagues, particularly those on the front-line.		
✓	In 2023 the Group will continue to roll out ID checks for third parties coming to site, addressing higher risk organisation types first.		
✓	Further awareness raising and training to make sure the Code of Conduct, policies and tools that have been launched are fully understood and embedded across the Group.		

Engaging with Stakeholders

The Group actively engages with stakeholders to share progress, inform plans, listen to feedback and seek views.

The materiality assessment and stakeholder sentiment analysis in 2022 highlighted four key themes:

- Partnership and collaboration: Stakeholders see the Group as a convenor, bringing together supply chain partners up and down the value chain.
- Influence and leadership: The Group is an industry-leader and is expected to lead the way.
- Communications: Stakeholders wanted the Group to share more information about the sustainability journey, not only the successes but also the journey and challenges.
- Transparency: Stakeholders would like to see more sharing of data to support improved confidence and accelerated sustainability outcomes.

The key stakeholder groups, their key ESG concerns and the Group's engagements with them in 2022 are detailed in the table below.

Stakeholder Group	Key ESG concerns	Engagements in 2022
Customers	Carbon Sustainable products Responsible sourcing Social value Packaging Safety	Two ESG forums were hosted for the UK's top 15 National House Builders. Two ESG forums were hosted for groups of Social Housing Landlords in Norfolk and the Midlands. An ESG Survey was issued with responses from 1,006 customers and 1,505 DIY consumers and interviews were held including ten customers as part of the 2022 materiality assessment.
Colleagues	Safety and Wellbeing Skills Diversity and Inclusion Responsible sourcing Modern slavery Carbon	An ESG Survey was issued (responses from 321 colleagues) and interviews were held (including 35 colleagues) as part of the 2022 materiality assessment. Training sessions were delivered for 725 colleagues on ESG overall and Sustainable products in particular, including colleagues from sales, commercial and Group functions. ESG was added as a module to all apprenticeships to build wider colleague understanding. ESG was an integral part of the Group Story launched across all businesses in 2022. Net Zero Carbon Live week hosted by the ESG team with a panel discussion involving the property, fleet and commercial teams discussing our decarbonisation plans. A range of questions submitted by colleagues from across the Group were answered and debated.
Suppliers	Carbon Quality (UKCA) Responsible sourcing Sustainable products Packaging Safety Modern slavery	The Group's CEO hosted a Decarbonisation dinner for the CEOs of seven critical manufacturers to share successes and challenges and agree upon priorities to collaborate on. Sustainability workshops were run for and attended by circa 750 suppliers across April, July and September covering Sustainability overall, Environmental sustainability and Social sustainability. An ESG Survey was issued with responses from 176 suppliers and interviews were held with five large suppliers as part of the 2022 materiality assessment.
Investors	Carbon Responsible sourcing	193 investor meetings were held in 2022. 15 interviews were held with investors and five interviews with sell-side analysts, covering 50% of actively managed funds in the shareholder register, as part of an Investor Perceptions Study.
Communities	Carbon Sustainable products Safety Quality Skills Responsible sourcing	An ESG Survey was issued (responses from 550 'Catalyst' opinion formers and consumers with an interest in sustainability) and interviews were held with the think tank Quality of Life Foundation and a journalist as part of the 2022 materiality assessment. Extended partnership with Volunteer It Yourself (VIY) and the Northampton Saints. Engagement with the Group's 7 core charity partners. Partnership with Northampton University continued, including attendance of the Northampton Sustainability Forum by the Group Head of Environment, James Vance, to share knowledge on ISO 14001, packaging and carbon. Hosted a webinar showcasing our decarbonisation journey at the Reading Climate Festival as part of The Great Big Green Week.

Stakeholder Group	Key ESG concerns	Engagements in 2022
Government	Carbon Skills Sustainable products Governance	ESG interviews were held with the Construction Leadership Council (CLC), Department for Business, Energy and Industrial Strategy (BEIS) and a local MP as part of the 2022 materiality assessment. The Group's Head of Fleet, Karl Wilshaw, contributed to the Department for Transport's Low Carbon Fuels Strategy call for ideas. Dialogue with officials from BEIS/CLC with regard to Industry Sponsorship of the CLC's People and Skills workstreams.
Trade bodies	Carbon Skills Sustainable products Governance	Travis Perkins Group COO, Frank Elkins, sits on the Board of the Builders Merchants Federation ("BMF"), representing the Group at key events on ESG. In 2022, Frank presented with Andy Rayner, Director of Apprenticeships and Early Careers, at the BMF Members Conference, on the skills challenge for the sector. The Group continues to be a CO_2nstructZero Business Champion, the Construction Leadership Council's framework for net zero in the construction industry, submitting case studies to the CLC to share best practices. ESG interviews were held with the Builders Merchants Federation, the Federation of Master Builders and Logistics UK as part of the 2022 materiality assessment. The Group's HSE and Fleet Director, Richard Byrne, is Chair of the BMF's Health and Safety Committee. The Group's Head of Fleet, Karl Wilshaw, sits on Logistics UK's strategic road freight council (regional & national), Logistics UK's Environment Working Group and the FORS Governance and Standards Advisory Group.
Professional bodies	Carbon Waste Retrofit Net zero construction	The Group continued its Corporate Membership of the Institute of Environmental Management & Assessment ("IEMA") benefitting from cross sector knowledge sharing, greater insight of emerging legislation and enhancing influence on government policies. The Group Sustainability Director and Corporate Affairs Director trialled membership with the Sustainable Energy Association (SEA) for three months.

Governance of sustainability

The Board has overall responsibility for sustainability. The Group Sustainability Director supports the Group in developing, governing and delivering against its sustainability strategy. Each of the material focus areas has a Group Lead and nominated leads and leadership sponsors in each business. Progress is reported to the Group Leadership Team and the Board on each material focus area to monitor and improve performance. The Stay Safe Committee of the Board oversees performance in health and safety. Objectives and targets are set for each material focus area.

Assessing climate-related financial risks and opportunities

The Group has submitted an annual climate disclosure to the Carbon Disclosure Project ("CDP") for 13 years, including a financial assessment of climate-related risks and opportunities. The Group has prepared its second full disclosure against the Task Force for Climate-related Financial Disclosure ("TCFD") recommendations on pages 50 to 61. During 2022 the Group further enhanced its climate risk and opportunity assessment and engaged Inspired ESG to support in developing climate scenarios and assessing impacts on the Group.

Alignment to UN Sustainable Development Goals

Through the Building for Better ESG agenda, the Group directly supports delivery of a number of the 17 UN Sustainable Development Goals ("SDGs"). Following a review of the detailed targets underpinning each of the UN SDGs in 2022, six goals are most relevant and are detailed in the table on page 32.

With the Group's sustainability priority being to 'Decarbonise the Industry', Goal 13 on Climate Action is taken into account across all ESG focus areas and influences decision making. Other SDGs are more directly aligned to one specific focus area.

Whilst several of the remaining SDGs have some relevance to the Group, such as Good Health and Well-being, on review of the specific UN targets underpinning the goals these were determined to be less directly aligned to the Group's work and therefore are not listed.

Modernising construction

Providing sustainable products and services to support Modern Methods of Construction, retrofit, energy efficiency, decarbonisation, climate resilience, biodiversity, nature, water and waste.

Supporting our purpose and sustainability priority

To help to change construction and to decarbonise the construction industry, the Group needs to provide the right products, data and services to customers. With 99% of the Group's carbon footprint in the supply chain, due to manufactured carbon and in-use product emissions, innovation is essential. Enabling sustainable construction and retrofit supports the building of better communities and improves the living standards and comfort of all.

Progress in 2022

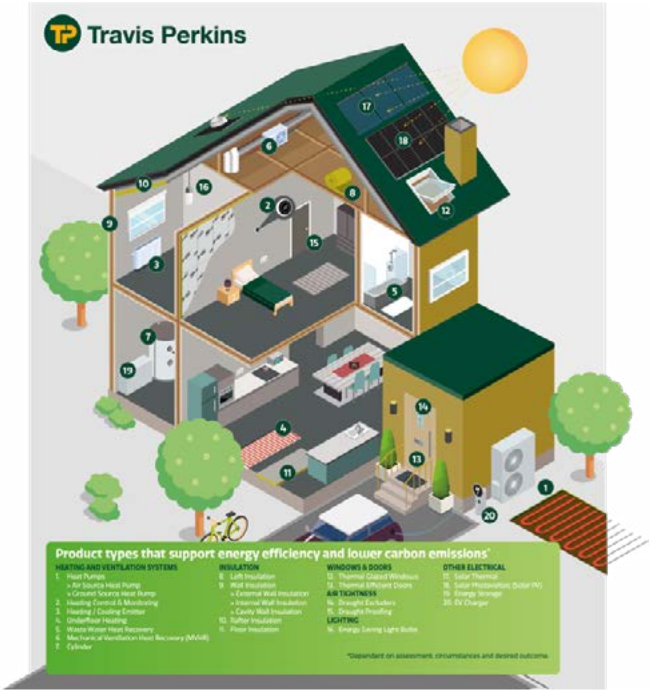
A core objective for 2022 was to develop a retrofit proposition to support social landlords with the decarbonisation of their properties. Progress on this and other key initiatives is set out below, with further information available on the website www.travisperkinsplc.co.uk.

Enabling retrofit of the UK's housing stock

A new working group was established in 2022 to better understand social housing landlord requirements in order to retrofit their housing estates. This team conducted in-depth research with a broad range of customers, gained insight into the basket of goods needed to retrofit different properties and mapped out the role that the Group can play in delivering the housing improvements that are required. New products have been listed and supply chains established in order to give customers a one-stop-shop for their retrofit materials. Strategic partnerships are being explored to support landlords and homeowners in understanding the measures that need to be taken and to upskill the trade in qualifications required to deliver retrofit in line with regulatory requirements. The breadth of products is shared on the websites of the most relevant businesses in the Group, along with guidance on funding opportunities currently available from the Government.

Progress against the Group's Scope 3 carbon reduction target

The Group's absolute Scope 3 carbon reduced by 2% in 2022, as compared to 2021. Against the 2020 target baseline, absolute Scope 3 carbon has increased by 2%. Having seen a 5% increase in absolute Scope 3 carbon in 2021, the 2022 performance shows the Group's first steps towards Scope 3 carbon reduction. This may be due to a change in product mix or lower volumes in some categories. This will be investigated further during 2023 as supplier and product level emissions are reviewed in further detail. Scope 3 carbon data was assured for 2022 and the certificate can be seen on the travisperkinsplc.co.uk website, along with the breakdown of the Scope 3 footprint and the Group's Scope 3 reduction roadmap.



Supporting efficiency for customers through "Intelligent Solutions"

BSS has launched a new flagship service, "Intelligent Solutions", to the market. The services offered to clients, currently mostly in the public sector, provide significant benefits including improved visibility of their asset portfolios, financial planning, and effective maintenance and renewal. Through a programme of integrated services using the latest in site capture technology, platform development, building information modelling and deepening our existing technical knowledge, BSS is transforming the way they work with clients, both now and in the future. The transformation will allow BSS to support clients on their journey to net zero through a combination of efficient products such as pumps and boilers, all the way through to reconfiguring existing spaces to use carbon cutting technologies such as heat pumps. BSS has also launched a Smart Building Management System product which, when used with the Intelligent Solutions service, will enable clients to further optimise their operations.

Convening the industry to collaborate on decarbonisation

The Group acts as a convenor within the industry to enable the construction value chain to share challenges and successes and to co-create solutions. In 2022 this included two half day sessions with groups of social housing landlords, two evening forums with the top 15 national house builders, a workshop with a group of regional house builders and a half day session with a group of drylining contractors. The Group took the opportunity to share the ways in which it can support customers on sustainability and listened to customers about their own pain points or ideas. These collaborative sessions allow for bespoke projects and actions to be agreed which enable either faster, more cost efficient or more impactful sustainable outcomes. See page 38 to read about decarbonisation collaboration with manufacturers.

Data to support customers with their sustainable product choices

A data request went to over 200 manufacturers in 2022 to ask them to share data on the sustainability of their products. For example, embodied carbon (backed up by Environmental Product Declarations), recycled content, recyclability at end of life, certifications and much more. Whilst this type of information is not often available at this stage, where the data is available the Group is starting to collect and share this with key customers. Large contractors, developers and landlords increasingly request information on sustainable alternatives in product ranges and more sustainability information on products. Guidance has been shared with marketing, category, communications and sales teams in the businesses to ensure that sustainability information is vetted and underpinned by evidence prior to sharing it with customers or others. The Group is committed to responsibly sharing information relating to sustainability in order to avoid greenwashing or breaching environmental claims regulations.

Sustaining progress in certified timber

99% of timber purchased by the Group in 2022 was certified. The business continues to operate a robust timber chain of custody system in order to pass the Chain of Custody safely on to customers.

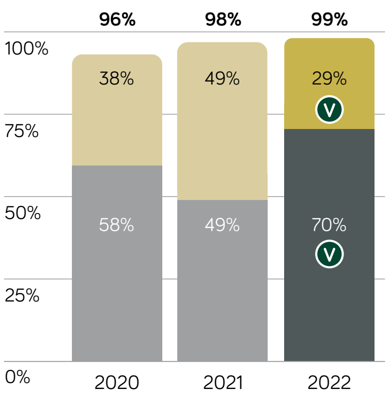
'V' indicates that the data point has been assured. Please see page 41 for more information.

What's next?

A core objective for 2023 is to continue with the Scope 3 and product sustainability supplier engagement programme, supporting suppliers to calculate their carbon footprint.

FSC® or PEFC™ certified timber purchased in 2022

99%



Sourcing responsibly

Ensuring safe and quality products from ethical, traceable and sustainable supply chains. Supporting the Golden Thread of Data.

Supporting our purpose and sustainability priority

The way products and services are sourced has a material impact on the environmental and social sustainability of construction. By requiring and supporting suppliers to evolve and to improve their operations, the Group can enhance sustainability and decarbonise supply chains. Improved data and traceability of products will bring more accountability and effective decision-making to the construction sector.

Progress in 2022

A core objective for 2022 was to evolve the Group's due diligence approach to bring into scope remaining product suppliers and "goods-not-for resale" suppliers, on a risk-basis. Progress on this and other key initiatives is set out below, with further information available on the website www.travisperkinsplc.co.uk.

Extending the reach of supplier assessments

During 2022 an additional 284 suppliers submitted Online Risk Assessments (ORAs) raising the number of suppliers of goods for resale which have been assessed, or are in assessment, to in excess of 1,300 suppliers. Own brand sites are subject to in-person ethical and technical audits, with all ethical audits completed by a third-party auditor. In 2022, 139 factory audits were completed. The supplier assessment programme covers suppliers to BSS, CCF, Keyline, Travis Perkins and Toolstation. Where issues are identified, time-bound corrective action plans are used to support suppliers to resolve these. Plans were developed during the year to bring remaining product suppliers into the scope of assessment. A regional trial of the "lite" version of the assessment for lower spend suppliers was launched in 2022. This will be expanded into further regions during 2023. A bespoke assessment for suppliers of "Goods Not For Resale" (GNFR) and service providers was also finalised in 2022, with input from key technology suppliers to refine the approach. This will be launched to suppliers in 2023 on a risk-basis.

Supporting suppliers to operate more sustainably

Workshops were held in April, July and September to engage circa 750 manufacturers with the Group's sustainability roadmap. The purpose of the sessions was to build awareness of key priorities for the sector and why there is a need for change. Clear requests were made of suppliers during the online workshops but underpinned by guidance and advice to better enable suppliers to change. Suppliers had the opportunity to ask questions and the sessions provided an opportunity for best practice sharing.

A CEO roundtable to collaborate with suppliers on Scope 3 carbon

The Group's CEO hosted a dinner with the CEOs of several large manufacturers, including Ibstock plc, British Gypsum, Wienerberger UK, Knauf UK & Ireland, Wavin UK and AkzoNobel. Collaboration is key to achieving supply chain emissions reduction. CEO Nick Roberts said: "It was great to get some of our key suppliers round the table to discuss the challenges we face to deliver on our net zero targets. It was a rich conversation that covered a lot of ground; from public policy to inspiring and motivating our workforce, and overcoming the skills gap we collectively face. I was struck by the energy in the room and the clear desire and commitment we all have to accelerate action and make a positive difference."

Angela Rushforth – MD, BSS Group
Mike Chaldecott – Chief Executive, Saint-Gobain UK and Ireland
Megan Adlen – Group Sustainability Director, Travis Perkins plc

Jose Antonio Jimenez Lozano – MD, AkzoNobel UK and Ireland
Frank Elkins – COO, Travis Perkins plc
Mike Chaldecott – Chief Executive, Saint-Gobain UK and Ireland
Simon Paz-Uceira – Commercial Director UK, Metsa Wood

New and improved training for colleagues

New Responsible Sourcing colleague training was developed and will be launched to colleagues across the Group in 2023. The training module provides an in-depth insight to responsible sourcing and is targeted to colleagues in Commercial, Purchasing and Service Management teams. The module is hosted in the new Knowledge Management System, Thrive, which offers a whole new way to share learning, knowledge, skills, expertise and best practice (see page 40).

Industry collaboration to drive efficiency

The Group is collaborating with the industry to inform and guide the development of a responsible sourcing database for our sector, recognising the duplication and inefficiency of the industry's current approach. The Group's Head of Ethical and Responsible Sourcing and Group Sustainability Director have consulted with trade federations, customers and suppliers with valuable learnings shared across all parties. The focus in 2023 will be to collaborate further, learning and working together towards a solution that supports transparency of the sustainability of organisations operating in our supply chains.

What's next?

In 2023 the Group will continue to evolve the Group's due diligence approach to bring into scope the next phase of lower-spend product suppliers and "goods-not-for-resale" suppliers. These assessments provide insights and progress not only on ethical behaviours in the supply chain, but also environmental performance and carbon footprints.

Operating sustainably

Leading by example within our own operations. Delivering net zero carbon and reducing operational waste.

Supporting our purpose and sustainability priority

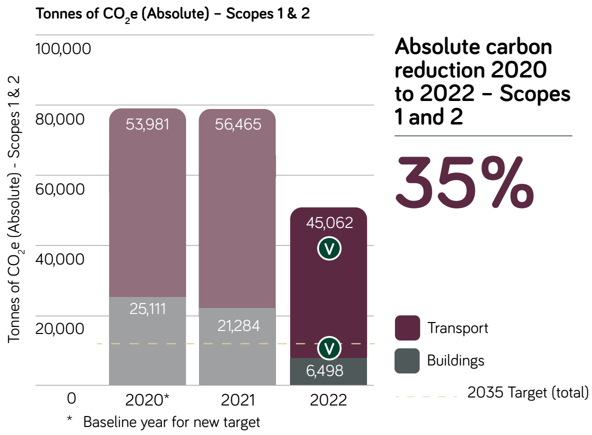
The Group has committed to reduce Scope 1 and 2 carbon (relating to the Group's fleet and estate) by 80% by 2035, offsetting any remaining emissions thereafter. Whilst 99% of the Group's footprint is in the supply chain, to have integrity in asking suppliers and customers to decarbonise, the Group must also address its own direct emissions. The Group generates waste from its operations, primarily relating to added packaging or obsolete products, and takes its role in preventing, reusing, recycling or recovering waste very seriously in order to protect the natural environment and the communities within which it operates.

Progress in 2022

Core objectives in 2022 included increased engagement with stakeholders, with particular focus on suppliers to reduce Scope 3 carbon emissions, and the reduction of plastic waste by engaging with suppliers and seeking alternative, sustainable packaging solutions. Progress on these and other key initiatives is set out below, with further information available on the website www.travisperkinsplc.co.uk.

Positive progress against the Group's Scope 1 and 2 target

The Group's Scope 1 and 2 footprint reduced by 34% in 2022 (compared to 2021), which is a 35% reduction against the 2020 baseline. Details on the initiatives behind this reduction are provided in the sections below on decarbonising the estate and fleet. For further detail on Scope 1 and 2 carbon, please see page 30.



* Baseline year for new target

Engaging colleagues on decarbonisation

The Group Head of Environment, Technical Fleet Director, Group Energy Manager and Head of Commercial (sustainability) co-hosted a live online panel discussion on decarbonisation, answering questions from colleagues during 'Net Zero Carbon Week'. Colleagues from each of the businesses' commercial teams also joined the online workshops hosted for suppliers to support them with their decarbonisation (see page 52). An introductory training course on carbon is available to all colleagues through the Group's new Knowledge Management system, Thrive. Engagement of all colleagues to understand and take responsibility for their role in achieving the Group's carbon reduction goals remains an important focus for the Group.

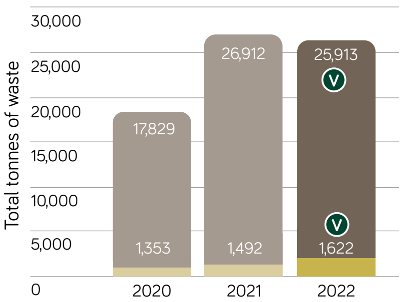
Decarbonising the Group's estate

The decarbonisation of the Group's property portfolio in the last two years was largely driven by the renewable energy tariff which came into effect in October 2021, with nine months of the annualised benefit falling into 2022. In addition the LED light roll out continued with over 300 branches completed to date, 61 of which in 2022. A Net Zero Carbon assessment was completed at the Group's main distribution centre (DC) in Northampton which has resulted in a business case being developed to install solar panels across the DC roof. 'Profile alerts' were trialled at 20 sites to help save energy through improved colleague use of energy at site. The property and energy teams for the Group manage a Buildings Decarbonisation Roadmap which is published on the Group website (www.travisperkinsplc.co.uk) and for which an interim target was developed and approved by the Board during 2022. The interim target is to achieve a 40% reduction against the 2020 baseline by 2027.

Decarbonising the Group's fleet

A Hydrotreated Vegetable Oil (HVO) diesel-replacement trial has now been fully mobilised across 34 sites, supplying the low carbon fuel to 215 vehicles and saving approximately 1.4m litres of diesel per year. HVO plays an important role as a transition fuel until the infrastructure for electric vehicles improves and the development of more long-term solutions such as hydrogen become a reality. The Group uses HVO from waste oils, not virgin plants, and from certified sustainable sources. In addition, the Group introduced 34 new high-efficiency Volvo trucks in 2022, with another 146 planned in 2023. The new vehicles form an integrated part of the Group's fleet decarbonisation roadmap, with each one benefitting from the latest Euro VI Step E diesel engine technology – engineered to reduce emissions and help save fuel without compromising performance – and with the capability to run on HVO. HVO 'Driver days' training has been delivered to raise awareness of the benefits of HVO. The Group Leadership Team also approved a contract to transition all remaining Fork Lift Trucks from diesel to electric or HVO by the end of 2024. A new interim target has been approved by the Board for the Fleet Decarbonisation Roadmap which is published on the plc website (www.travisperkins.co.uk). The interim target is to achieve a 27% reduction against the 2020 baseline by 2027.

Total tonnes of waste



Waste diverted from landfill 2022

94%

Reducing waste impacts in 2022

The Group produced 27,535 tonnes of waste in 2022. This was a 3% reduction in tonnage as compared to 2021. In addition 94% of waste was diverted from landfill (95% in 2021).

Innovative solutions to drive out waste

The businesses are working to eliminate waste streams or find alternative materials or solutions to minimise the impact of operational waste and product packaging. CCF has introduced a reusable pallet hood to prevent wrapping with single-use materials. Travis Perkins and Keyline now use a Bulk Bag which contains 30% recycled content. Partnering with innovative suppliers helped the Group to be the first builders' merchant in the UK to use the new sustainable bags. "Using a minimum of 30% recycled content in our bulk bags also means we don't need to pay the new Plastic Packaging Tax on them," said John Duffy (Senior Category Manager for Aggregates and Blocks), "It means we've saved the business around £350,000 each year by doing what matters."

Toolstation tackling product packaging

Toolstation tracks packaging by product and by packaging type, giving their category teams visibility of over-packaged products or those using more harmful packaging types. And these insights are driving action. While the volume of packaging materials increased in 2022 due to business growth and a changing product mix, Toolstation has eliminated 190 tons of plastic and has avoided additional cost from the new plastic tax, remaining below the de minimis volumes for the tax to apply. The business has eliminated unnecessary packaging on own brand products with around 95% now being plastic free. In replacing single-use plastic, other packaging material types increased such as steel and aluminium, however both of these can be infinitely recycled and can also be collected from bottom ash within the local authority recycling streams. Polystyrene packaging is close to being eliminated from the Toolstation business with less than 0.1% of products remaining with some polystyrene. All businesses in the Group participate in a packaging working group, also meeting at manufacturer sites or specialist packaging suppliers to improve their knowledge.

Environment Incidents

In 2022 the Group recorded 19 environmental incidents with seven classed as 'reportable' and 12 'non-reportable'. Of the 12, four were a result of '3rd party' sources (such as spillages from supplier or customer vehicles). Most incidents related to spillages such as hydraulic oil or paint.

Assurance

"Specific data points in the Sustainability (or "Building for Better") section, marked with the logo 'V', have been assured against LRQA verification procedures which are based on AA1000AS (2008) and ISAE 3000. A copy of their verification statement is available at www.travisperkinsplc.co.uk.

What's next?

In 2023 the Group will launch an internal Carbon Change-Makers campaign to upskill key colleagues in the businesses and Group functions in order to influence colleague behaviour and expand the network of expertise on sustainability and carbon in particular across the Group.

Doing the right thing

Supporting our purpose and sustainability priority

The establishment of the Group's Code of Conduct and a strong Legal Compliance framework helps to ensure stakeholders can rely on the Group to continue to "Do the Right Thing". Whether managing key compliance topics such as Anti-Bribery and Corruption, Anti-Money Laundering, Data Protection or Anti-Competition, or reducing the Group's risks relating to Modern Slavery and Human Rights, the Group underpins its work on the strategic sustainability focus areas with a responsible approach to business. A number of "people" topics also fall into this category of "Doing the Right Thing" and are covered in the people section on pages 43 to 49.

Progress in 2022 – modern slavery and human rights

A primary objective in 2022 was to expand in-person ID checks, currently conducted on higher-risk labour agency workers, to include other third parties working at the Group's sites, based on risk. This is because the construction industry is one of the most exposed industries to modern slavery. The Group's work in this space helps to ensure the fair treatment and protection of rights of all workers.

- The Group's policies and procedures to tackle modern slavery are described in the Modern Slavery Statement on the Group's website, www.travisperkinsplc.co.uk, including how the Group assesses risk and carries out due diligence, along with policies on employee recruitment and human rights.
- Businesses in the Group developed plans to expand in-person ID checks to third parties (other than labour agencies who are already in scope) working at the Group's sites. In-person ID checks have been introduced at the central Head Office site for third-party cleaning staff. The trial will be expanded into other parts of the Group during 2023 on a risk basis.
- In September a series of online sessions was delivered to raise awareness of Modern Slavery, to highlight the red flags and to signpost to both the Travis Perkins SpeakUp! Hotline and the Modern Slavery & exploitation helpline. These were extended to both suppliers and colleagues, with the sessions attended by 388 people.
- New Modern Slavery colleague training under the umbrella of "Licence to Operate" was developed and will be rolled out to colleagues across the Group in 2023. This comprises an in-depth module for high-risk colleagues and a bite-sized module for all other colleagues.

What's next?

In 2023 the Group will continue to roll out ID checks for third parties coming to site, addressing higher risk organisation types first.

Progress in 2022 – legal compliance

A primary objective in 2022 was to refresh mandatory, Group-wide baseline training covering key legal compliance areas, improving awareness of reporting channels and completeness monitoring. This helps to ensure stakeholders can rely on the Group to continue to "Do the Right Thing".

Building on the roll-out of refreshed training for Anti-Bribery and Corruption and Competition Law in 2021, a new course on Anti-Money Laundering was rolled out during 2022. In addition a suite of modules forming mandatory new baseline training under the umbrella of "Licence to Operate" was rolled out to all colleagues across the Group in December 2022, covering the following topics:

- Code of Conduct and Speak Up (whistleblowing line)
- Anti-Bribery and Corruption
- Anti-Money Laundering
- Competition Law
- Corporate Criminal Offences
- Market Abuse/Insider Trading
- Sales of Restricted Products

What's next?

Further awareness raising and training to make sure the Code of Conduct, policies and tools that have been launched are fully understood and embedded across the Group.

Our people

"We are a business at the heart of our communities. Our team of 20,000 colleagues takes great pride in working closely with customers and suppliers, and caring for each other and the communities where we live and work.

As we look to become the employer of choice, and help build the next generation of talent across this sector, we remain committed to developing a sense of belonging, to accelerate safety and wellbeing, and build new skills that are needed to deliver a construction industry that is fit for the future".

Emma Rose
Chief HR Officer

Developing the next generation

Upskilling our people and the wider industry in Green and Future skills to equip the sector for change.

Supporting our purpose and sustainability priority

The Group is committed to building better communities and a stronger business through the development and deployment of talent and the next generation workforce. The development and apprenticeship programmes upskill colleagues in their current roles and introduce new colleagues to the business and the wider construction supply sector. Development is not only about construction sector skills but also life skills including digital skills, maths and English. New colleagues are being introduced to the merchanting sector and often bring enhanced digital capability. The Group is helping existing colleagues develop their digital skills to enable modern merchanting. In the majority of programmes, colleagues are being taught about modern construction methods, enabling them to help customers build better. In this way the Group is developing the next generation for the construction supply sector.

Progress in 2022

The core objective in 2022 was to deliver a broad Group-wide development curriculum offering career development opportunities to all colleagues enabling the development of the next generation workforce and helping to change construction.

A new long-term stretching target to support upskilling

The Group developed a new long-term skills target which was approved by the Board during 2022. This target is for 10,000 successfully completed apprenticeships by 2030, delivered both through the business and the wider industry (through the Group's partnership with the Builders Merchants Federation). This target reflects the size of the challenge facing the sector to upskill and supports the changes that the industry needs. A first of its kind in the sector, this target underlines the Group's commitment to people development and to supporting the modernisation and decarbonisation of the industry.

Continuing the Group's pedigree in apprenticeship and Kickstart provision

During 2022 the Group continued to expand its apprenticeship offering and now has an apprenticeship programme in place for all substantial job roles across all areas of the Group. All apprenticeships are designed to develop the next generation and address the challenges faced by the sector, specifically around digital skills, data, carbon reduction and changes to construction methods. 61% of the Group's colleagues graduated with distinction. In order to help the wider construction sector develop the next generation workforce that is needed, the Group opened its Apprenticeship programmes to supply chain partners within the wider Construction sector. As part of this work the Group has now become the Early Careers and Apprenticeship provider to the Builders Merchants Federation. All apprentices now have the option to become student members of the Institute of Builders Merchants.

Travis Perkins Group was rated 33rd in the 2022 Top 100 Apprenticeship Employers list published by the National Apprenticeship Service, and was also rated 11th Top Employer in the "Rate My Apprenticeship" rankings which are voted on by the apprentices themselves. 2022 highlights included:

- 260 new Travis Perkins apprentices recruited with increased levels of diversity.
- 470 current Travis Perkins colleagues enrolled on an apprenticeship to further develop their career.
- A further 340 colleagues working for supply chain partners or within the wider construction sector were enrolled on a Travis Perkins delivered apprenticeship.
- 160 of these colleagues were also supported to achieve new English and Maths qualifications.
- 270 Travis Perkins colleagues completed their apprenticeship and graduated.
- 100 Apprentices from supply chain partners or within the wider Construction sector completed their apprenticeship and graduated.
- A further 291 young people gained work experience within the business through the Kickstart scheme with 70% of those that completed the scheme moving into permanent employment with the Group.

Embedding ESG into colleague learning

The apprenticeship team introduced a new ESG module to all internally-managed apprenticeships during 2022 and will be used as standard going forward. The purpose of the module is to introduce colleagues to the concept of ESG, the ESG agenda for the Group, why it is important, what we are committed to and how they can play their part. Achievement of the Group's Building for Better goals and the Group purpose relies on colleague awareness, engagement and empowerment to make changes for the better in their own roles.

Developing leadership skills

In 2022 the Group launched its 'At My Best' leadership programme aimed at building leadership capability by improving self awareness, developing capability to have great conversations and fostering a culture of two way feedback. The programme aims to equip leaders to confidently hold positive, productive and energising discussions with their teams. We expect our leaders to have great conversations with their teams and to discuss colleague strengths as well as the challenges they are facing to improve their performance. This is a foundational part of building a high performance culture across the business. Leaders now have a familiar language and toolkit to use to talk with their teams about performing at their best at work, enabling a dialogue of feedback and coaching to bring out the best in colleagues. Over 300 leaders experienced the 'At My Best' leadership programme in 2022.

Raising the profile of the construction sector

In a fight for talent it is important to attract the best people into the industry and retain them. In 2022 the Group continued to raise the profile of construction offering a great career through various Early Careers initiatives such as the recent Maddie Rose Campaign on hidden careers in construction. Maddie Hollamby was a colleague who worked for Keyline. She loved working in construction and was passionate about highlighting the benefits of the sector to other young people, so that they could develop through it as she had. The Maddie Rose Campaign was set up in partnership with Construction Youth Trust as a lasting legacy in celebration of her life, to inspire and enable young people to overcome barriers and discover a career in the construction and built environment sector. To support this initiative, colleagues from across the Group helped to deliver the Construction Youth Trust Hidden Careers Programme to inspire and support young people; to help them see construction as a career choice rather than just a job, and provide them with access to opportunities in the sector. This involved colleagues going into schools to talk about their own career experiences, and providing work experience placements, to give young people a greater understanding of what it's like to work in the builders merchanting industry. Also, the Group partners with Volunteer It Yourself (VIY), a social enterprise which helps young people to learn trade skills whilst helping their community. You can read more about this partnership on page 49.

What's next?

Continue to deliver a broad Group-wide development curriculum aligned to our talent management processes offering career development opportunities to all colleagues enabling the development of the next generation workforce and helping to change construction.

Cleo Fitzsimons
Assistant Store Manager, Toolstation

Cleo started out as a Customer Services Representative for Toolstation on a Level 2 Apprenticeship and knew it would be worth going for the Level 3 Management Apprenticeship when the opportunity arose. Cleo has received great support from their manager. "Cleo is fantastic! Cleo is also on an apprenticeship at the moment, so we're able to support one another and understand each other's priorities."

Cleo is a member of the Group's Proud Network, which supports colleagues who identify as LGBTQ+, and they are pleased this has opened up new networks to them. "Being Assistant Store Manager is my favourite role in the company so far; and being promoted was the proudest moment in my professional journey", said Cleo.

The role offers challenges and Cleo explained their recent joy in achieving full marks for a health and safety audit, as they specifically recognised the importance of this work.

Gary Kent
National Stock and Systems Manager, Travis Perkins

Gary is one of the first apprentices in the country to have completed a Level 6 Apprenticeship in Leadership with the Open University.

This apprenticeship, for which he achieved a Merit, took 48 months and is the equivalent of a Bachelor's Degree. It also has Chartered Manager status with the Chartered Management Institute.

Gary is rightly proud to have completed it, especially whilst also balancing work and studies with a busy family life: "My Manager asked if I would be interested in this apprenticeship, and after attending a meeting to hear more about, and what it involved, I knew it would be a challenge and that I would have to make some sacrifices, but after discussing it with my partner and my colleagues, I decided that the sacrifice was worth the future benefit I would gain from the apprenticeship," Gary explains.

"I really enjoyed learning about other departments and functions, and I gained more confidence to ask questions as to "why" we complete a task in a certain way, because I just had a better understanding of how the business worked," he continued.

"Still, I could not have completed the apprenticeship without the support of my manager, the site, and my family, but I would really recommend the apprenticeship scheme we have. My apprenticeship was a challenge, but it was worth all the sacrifice and stress and has enabled me to fulfil my potential and improve as a manager", Gary concluded.

Diversity, equity and inclusion

Supporting our purpose and sustainability priority

- Leading the way in building a culture of belonging where everyone has the skills, confidence and ambition to be their best;
- Creating diverse teams that will drive the diversity of thought needed to help us and our industry to innovate and change quicker; and
- Redefining how we build for a brighter, more sustainable future – building communities and enriching lives.

Progress in 2022

The core objective for 2022 was to create a Diversity, Equity and Inclusion policy that reflects the Group's vision "You be you, it's what makes us, us" and to engage with the business to educate and to implement the policy effectively.

Diversity, Equity and Inclusion (DE&I) policy developed

Through engagement with all of the diversity networks in the Group and the Diversity and Inclusion Advisory Board, a new DE&I policy was developed and approved by the Group Leadership Team. Through this process it became clear that the Group would need to build the skills, knowledge and behaviours of its leaders to enable the effective roll out and embedding of the new policy. Therefore the strategy for 2023 is to build a better understanding of our DE&I strategy and purpose with both colleagues and leaders to support the introduction of the policy. The policy is supported by a Minimum Standard framework which describes the actions that each of the businesses would be taking to comply with the policy. This enables progress tracking and for the businesses in the Group to learn from each other as they are at different levels of maturity.

A new menopause policy launched

As part of the Group's commitment to stop the stigma by starting to talk openly about menopause, there is now a policy and managers' guide in place. These aim to raise awareness of menopause and its impact, as well as provide the resources and assistance needed to support colleagues experiencing it or being otherwise affected by it. On World Menopause Day, more than 80 colleagues joined a webinar hosted by Dee Murray, who is founder of The Menopause Experts Group. This gave colleagues the opportunity to find out more about the menopause and its health impacts. A Google Community has been set up to allow colleagues to have a 'cuppa and a chat'.

Supporting disability, whether hidden or visible, through a new adjustment policy

A new Travis Perkins Group Adjustment Policy defines the support and actions we'll take when a colleague with a disability requires reasonable adjustments. Reasonable adjustments are the changes the business considers to remove or reduce the effect of a colleague's disability to enable them to do their job, or for a candidate when applying for a job – the adjustment could be to the workplace, to equipment, or working arrangements. The new Adjustment Policy sets out how to request a reasonable adjustment and what considerations will be taken into account when reviewing a colleague's request.

Measuring progress

Progress is measured both in diversity statistics and through colleague perceptions on inclusion. For both of these, the latest figures are presented below. Progress continues to be made with an improvement in overall gender balance (25.2% in 2022, 25.0% in 2021), and an improvement in women in senior management (26.7% in 2022, 24.8% in 2021). From an inclusion perspective, the engagement survey in 2022 showed that 68% of colleagues felt a sense of belonging at this Company. For full diversity statistics please see the data table on pages 184 to 185.

What's next?

To put in place the foundations that will help us to build the skills, knowledge and behaviours of our leaders to enable them to create the conditions for a diverse and inclusive workplace ie inclusive leadership programme, all colleague education, Network led thrive content, allyship programme.

Gender diversity 2022 – by role type	Female	%	Male	%	Total
Director (Board)[1]	3	37.5	5	62.5	8
Senior Manager (Grade M3+)	73	26.7	200	73.3	273
Colleague	4,815	25.2	14,289	74.8	19,104
Total	4,891	25.2	14,494	74.8	19,385

Gender diversity 2022 – by business segment	Female	%	Male	%	Total
Central Services	408	46.7	466	53.3	874
Toolstation	2,515	36.0	4,479	64.0	6,994
Merchanting	1,968	17.1	9,549	82.9	11,517
Total	4,891	25.2	14,494	74.8	19,385

1. Louise Hardy joins the Board from 1 January 2023, taking the Board total to 9 and the female representation to 4 (44.4%)

Safety and wellbeing

Supporting our purpose and sustainability priority

Keeping people safe and well is clearly aligned to the Group's purpose. It remains the Group's number one priority. Without our colleagues, we don't have a business. Supporting and empowering colleagues to look after their wellbeing has a positive impact on their lives both in and outside of work and the communities around them.

Progress in 2022

The core objective for 2022 was to continue to drive a culture of "Calling It Out", taking time to "Stop, Step Back, Think. Then Act" by ensuring daily 10B410 (10 minutes before 10am) team briefings take place at all locations

Significant progress in performance and culture

Strong improvements have been made in the Group's core safety metrics (Lost Time Injury Frequency Rate and Severity Rate). This has been driven by a number of factors including the fact that the 10B410 are becoming part of everyday routines. The Lost Time Incident to Near Miss ratio, which is an indicator of colleague risk awareness, improved by 19% as compared to 2021. This clearly shows colleague engagement and commitment to keeping themselves and others safe.

Learning and changing

Our commercial vehicle fleet travels 34 million miles a year. Regrettably, two fatal Road Traffic Accidents involving our vehicles occurred in 2022. Both involved members of the public and are still subject to ongoing Police investigations. The Group's Incident Review Boards continue to support the identification of organisational and business specific learning opportunities. As the Group's LTI Frequency Rate has reduced, the 'next level down' of incidents – Significant Near Misses – will now also be covered by the Review Boards.

Integration of Staircraft to the Group's safety standards

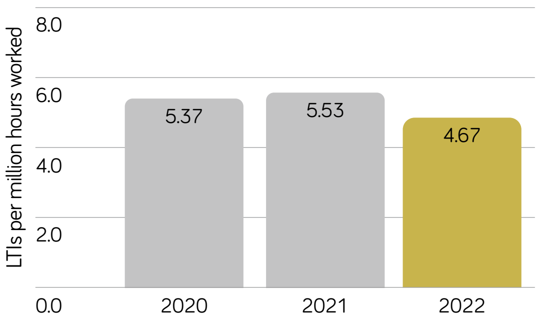
Regrettably, a Staircraft colleague was seriously injured in a fall from height in June 2021 (before the Group acquired ownership of the whole of Staircraft in October 2021). In August 2022 Staircraft Group Ltd was prosecuted and fined £200,000. As part of the Group Staircraft is benefiting from the help, expertise and support of all the Group's health and safety and other resources. Lessons have been learned from the incident and post acquisition, the Group is making good progress with fully integrating Staircraft into its Safety Management System. The colleague involved has been fully supported by Staircraft and we are pleased to report that they are fully returned to work.

Industry leading approach to managing safety in contracted works

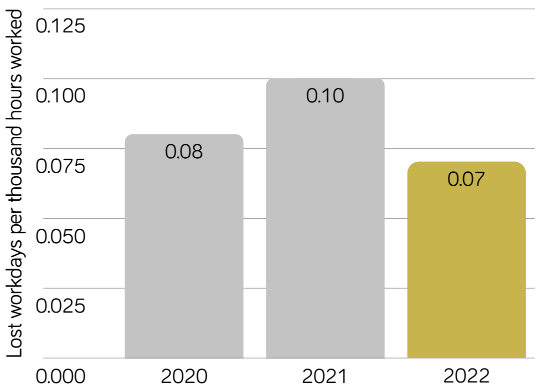
Following a deep dive review of how safety is managed in contracted works, the Group has developed and introduced new ways of working which improves safety for both contractors and those in control of branches in which contractors are working. Feedback and engagement from all concerned has been positive and this will continue to be rolled out across the Group in 2023 before talking with industry more widely about the approach.

Stay Safe.

Lost time incident frequency rate



Severity rate



Stronger wellbeing focus

During 2022 the Mental Health First Aider (MHFA) community continued to provide support to colleagues across the Group. Their work has ranged from providing support to colleagues returning to work following a suicide attempt, to organising a monthly 'netwalking' initiative where colleagues can take a walk with a MHFA to discuss any issues they are currently facing in a less formal or intimidating environment.

In addition, line managers have been equipped with practical skills to build confidence in supporting colleague wellbeing. Rob Kuzemko (Regional Director) said "Natalie's session around raising awareness of mental health and wellbeing was so powerful, insightful and absolutely necessary considering how much we can all do to help our colleagues who are struggling in this space. It enabled the BMs to take a far more proactive approach in handling potentially difficult conversations and turning them into positive outcomes".

Financial wellbeing support was also provided (see page 48).

What's next?

As colleague engagement on safety and wellbeing is so critical, and is driving improvements, the objective for 2023 is to continue to drive a culture of "Calling it out", taking time to "Stop, Step Back, Think. Then Act" by ensuring daily team briefings take place at all locations.

Colleague voice

Supporting our purpose and sustainability priority

To enrich colleagues' lives, to create a sense of belonging and to build better communities, it's essential the Group has a means to hear colleagues' voices. Listening to colleagues enables the Group to make better decisions, leverage diversity of thought and be responsive and agile to colleagues' needs.

Progress in 2022

In 2022 the core objective was to engage all colleagues in the Group's purpose, values and strategy, with focus on what this means at a local business level. Our Group Story was used to help colleagues to understand the journey we are on and the important role they play.

New values launched across the Group

A refreshed and consistent set of group values was launched across all of the Group's businesses in 2022. Colleague voice was at the heart of the approach to developing the updated values. Over 500 colleagues input into the development, reflecting every part of the business and every colleague group from new starters to long servers, early career to late career, those who see themselves as belonging to minority groups, and colleagues from Business Units and Head Offices. The result was three values which underpin the culture we continue to cultivate and develop to ensure our ongoing success. They represent strengths from our heritage that we want to build into the future as well as harnessing new ways of working. The Group Leadership Team takes a visible leadership role in ensuring that the values are firmly embedded across the Group, and fully demonstrated in leader actions and behaviours.

New engagement survey allows for industry benchmarking

A confidential all-colleague survey was launched in 2022, working with an independent partner who supported the administration and analysis of the results. One of the key measures of engagement is participation and 76% of colleagues shared their voice, up 9% compared to the previous year. It is encouraging that so many colleagues took the time and wanted to have their voices heard and by doing so helped to create a colleague experience that is unrivalled in the sector. The Group's key strengths have been consistent since the prior year – a focus on safety is the number one strength and the businesses' approach to customer focus is highly valued. The Group also scored above global benchmarks on an authentic culture and creating equal opportunity for all. The positive scores reflect the progress made in the last year.

For further information on colleague voice and colleague listening by the Board, see pages 62 and 86.

What's next?

To leverage the Group's strategy, purpose and values – "Our Story" – to build colleague's connection to their role in the future success of the Group.

Reward

Supporting our purpose and sustainability priority

Improving the financial health of colleagues has a direct link to their emotional and physical wellbeing, enabling stable communities and enriching the lives of colleagues and those around them.

Progress in 2022

The core objective for 2022 was to further develop financial wellbeing support to colleagues by launching new services with the Group's partner 'Wagestream'.

Successful launch of Wagestream

Wagestream is a financial management and wellbeing app, providing our colleagues with the ability to access a portion of their salary each month before pay day or set up a savings fund direct from their pay to earn a competitive interest rate. Colleagues can also access free financial coaching and use the budgeting and payment tracking services. Wagestream was successfully launched across the Group in June 2022. Take-up across the Group at the end of 2022 was 32%. At Toolstation, where the benefit was launched in 2021, take-up at the end of 2022 was 62% which is higher than typical for the retail sector. The vast majority of colleagues using Wagestream do so to track their earnings and budget more effectively. One-third of users use the app to stream their wages – most commonly to help with grocery costs and bills – and a third of users are working towards achieving their savings goals with over £500k saved by our colleagues to date. Nearly 3,000 colleagues have completed the in-app financial health check.

Continuing to support financial wellbeing

Increased communications and educational webinars on employee benefits, discounts and offers have helped to raise awareness and support colleagues with cost of living challenges, pensions and mortgages. Spend through the 'MyPerks' retailer discounts and cashback platform increased significantly compared to last year and with savings typically at 6-7% of spend, this benefit continues to help colleagues manage their household expenditure more cost-effectively. In addition, the Group awarded a cost of living payment to the majority of colleagues in January 2023.

Aligning reward to the Group's decarbonisation goals

Scottish Widows has increased ESG integration into the default pension investment strategy. The Group has partnered with Scottish Widows to help develop ESG fund ratings and ESG member communications. As ongoing members of the 'Make My Money Matter' campaign, the Group is committed to investing money in a sustainable way.

What's next?

Further the reach and impact of financial wellbeing and employee benefits support to colleagues.

Charity and volunteering

Supporting our purpose and sustainability priority

The Group's colleagues sit at the heart of the communities where they live and work. The Group's culture and values – "we care" – means that great pride is taken in helping others and making positive changes happen.

Progress in 2022

The core objective for 2022 was to put charity and community partnerships in place that support the Group purpose, engage colleagues, strengthen collaboration and deliver on the Group's strategy and impact goals.

Delivering social value in our communities

The Group's businesses held a varied and creative calendar of fundraising initiatives with partner charities and the Group widened its partnership with VIY ("Volunteer It Yourself"). VIY engages with young people and supports them with training and skills in construction through the renovation of community spaces and places. The Group acted as VIY's Kickstart Gateway Provider to optimise social impact in the form of job opportunities in the communities where Travis Perkins plc colleagues and customers live and work.

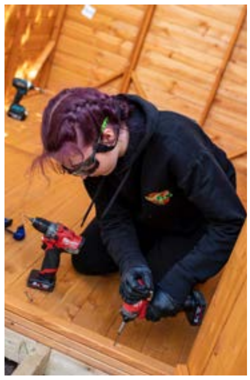
Ukraine appeal

Colleagues across the Group were touched by the events in Ukraine and the impact on people both there and in neighbouring countries. The business made it a priority to support colleagues, partners and suppliers who were affected by events, and directly supported the relief efforts in Ukraine with a £107,000 donation to The Disasters Emergency Committee (DEC). The business set up a JustGiving page for colleagues which raised over £7,000 in one month. Branches and colleagues worked in their local communities to host fundraisers for Ukraine. Some branches acted as drop-off points for donations to support the Northampton Saints' donations appeal for refugees fleeing the conflict. Other colleagues donated their time and expertise to provide employment support including CV writing and interview techniques to Ukrainian refugees in the Northampton area.

Charity and social enterprise partners	2022 contributions
Macmillan Cancer Support	£1m
Centrepoint	£2k
Mind	£107k
Prostate Cancer UK	£57k
VIY	£150k
Variety	£9k
Cynthia Spencer	£23k
DEC Ukraine Appeal	£107k

Volunteering pilots

In 2022 the Group piloted volunteering to help deliver on the Group's impact goals, connect colleagues with each other, and promote sustainability, engagement and wellbeing. Projects included carrying out gardening in the Cynthia Spencer Hospice woodland, local to the Group's head office in Northampton and a beach clean with the Marine Conservation Society at Portishead, where nearly 5kg of rubbish was cleared from a 100-metre long beach. These volunteering opportunities have been popular amongst colleagues, and in the future volunteering will form an important part of the Group's employee value proposition.



What's next?

Use the experience gained from 2022 to deepen and elevate existing partnerships; scaling up cross-Group volunteering opportunities with VIY and the Northampton Saints to empower colleagues to take positive action, and improve data capture to support social impact reporting.

TCFD disclosure

Compliance statement

The following disclosure is consistent with the recommendations and recommended disclosures of the Taskforce for Climate-related Financial Disclosures (TCFD) as stated in the listing rule LR 9.8.6(8)R. Similar content can be found in the Travis Perkins Group CDP Climate disclosure which is available for public review.

The disclosure covers the whole business and its supply chain and all climate-related risk and opportunity types, over three time periods, all of which is detailed in the pages that follow. This is the second year of disclosure under TCFD for the Group. Further improvements have been made and more are planned to enhance the disclosure, including more in-depth scenario analysis to have greater insight to physical climate risks and opportunities in the supply chain and to further assess transitional risks and opportunities. This will be shared in the 2023 Annual Report and TCFD Report.

The Company has not included disclosures consistent with TCFD recommendations and recommended disclosures in relation to Metrics and Targets (disclosure a) due to ongoing work to develop a fuller set of KPIs and sub-targets to better align performance measures with the material risks and opportunities identified in this disclosure. This will also be shared in the 2023 Annual Report.

TCFD disclosure requirement		Location in Annual Report	Page(s)
Governance Disclose the organisation's governance around climate risks and opportunities	Describe the Board's oversight of climate-related risks and opportunities	TCFD report – Board Oversight and Engagement Principal Risks report – Climate Change and Carbon Reduction	52 79
	Describe management's role in assessing and managing climate-related risks and opportunities	TCFD report – Board Oversight and Engagement	52
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	TCFD report – Risk and Opportunity Management Principal Risks report – Climate Change and Carbon Reduction	55 79
	Describe the impact of climate-related risks and opportunities on the organisations businesses, strategy and financial planning	TCFD report – Risk and Opportunity Management	55
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2° or lower scenario	TCFD report – Scenario results	58
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks	Describe the organisation's processes for identifying and assessing climate-related risks	TCFD report – Risk and Opportunity Management	55
	Describe the organisation's processes for managing climate-related risks	TCFD report – Risk and Opportunity Management	55
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	TCFD report – Risk and Opportunity Management Principal Risks report – Climate Change and Carbon Reduction	55 79
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	TCFD report – Metrics and KPIs Sustainability report – Operating Sustainably Sustainability report – Modernising Construction Remuneration Report	60-61 40-41 36 101–116
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	TCFD report – Metrics and KPIs Sustainability report – Operating Sustainably Sustainability report – Modernising Construction	60–61 40–41 36
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	TCFD report – Metrics and KPIs Sustainability report – Operating Sustainably Sustainability report – Modernising Construction	60–61 40–41 36

Governance

Scope and sphere of influence

The Group's addressable market for construction materials is £78bn with three-quarters coming through distribution channels. The Group has a 6% share of this addressable market, serving generalist and specialist customers that range from the smallest jobbing tradesperson to the largest national contractor or housebuilder. The Group operates over 1,500 distribution sites and has a turnover of £5bn and a fleet of 2,453 HGVs and LCVs.

Leadership role

Decarbonisation of our own business and our supply chain is the Group's sustainability priority. For further information see pages 32 to 33.

PURPOSE
We're here to help build
better communities and enrich lives

AMBITION
Leading partner to the construction industry

SUSTAINABILITY PRIORITY
Decarbonising the industry

BUILDING FOR BETTER

Changing the game

- Modernising construction
- Sourcing responsibly
- Operating sustainably
- Developing the next generation

Doing the right thing

Safety & wellbeing | Diversity, equity & inclusion | Colleague voice | Reward
Charity & volunteering | Modern slavery & human rights | Legal compliance

The Group has sector-leading commitments to reduce carbon in line with a 1.5 degree pathway across the value chain. To monitor delivery of this commitment, the Group has two key long-term targets which have been verified by the Science-Based Target initiative ("SBTi"). For more information on the Group's carbon agenda see page 58.

By 2035 Travis Perkins will have reduced absolute Scope 1 & 2 GHG emissions by 80% and absolute Scope 3 emissions by 63% from a 2020 baseline.

The Metrics and KPIs section (page 60) provides details of the KPIs used by the Group to assess progress against these targets.

Climate-related financial disclosure continued
(in line with TCFD guidelines)

Advocates for change

The Group is proactively engaging with the sector to drive forward the decarbonisation agenda. During 2022 the Group hosted online workshops for over 750 suppliers to support them to understand the journey we are on and their role in delivering reduced carbon.

This included guidance on tools to use to calculate carbon and insights to customer product and data needs. Sitting in the middle of the supply chain, the Group recognises and takes seriously the role of convenor, bringing the industry together to share best practices, collaborate and co-create solutions. Two ESG forums were hosted by the Group for the top National House Builders, bringing together Commercial Directors and Sustainability Directors to agree and act upon key priorities. Additionally, three events were hosted with groups of Social Housing Landlords to support them with their decarbonisation and retrofit agendas. The Group CEO hosted a Scope 3 dinner with the CEOs of the suppliers representing the majority of the Group's Scope 3 carbon footprint. These business leaders discussed successes, challenges and how we can win the hearts and minds of colleagues and others in our industry to enable change.

The scenario analysis conducted by the Group during 2021 identified that an early adoption pathway has the lowest risk and best financial opportunities for the Group. Consequently the Group will continue to advocate for progressive action on climate change in line with these scenarios.

Accountabilities

Climate change is a Board room topic with the CEO setting the agenda. Carbon strategy is directed by the CFO with delivery steered by the Group's Sustainability Director, Head of Environment and Fleet and Property departments along with nominated leads in each of the Group's businesses, including the Group Commercial Board. The Managing Director for BSS Group, the largest contributor to Scope 3 emissions in the Group due to the sale of commercial gas boilers, is the Group Leadership Team sponsor for Scope 3 carbon reduction.

Board oversight and engagement

The management reporting cycle on the Group's climate goals and targets is at least quarterly, with nine sessions with the Group Leadership Team or plc Board during 2022. The Group has developed carbon roadmaps (Scope 1 and 2: Buildings and Fleet, and Scope 3: Product Decarbonisation) against which progress is monitored by the Group Leadership Team (GLT) and the Board. Moreover, the GLT and Board consider the principal climate risks and opportunities identified via the company's risk identification activities. The company's risk identification activities consider risks emerging from three future scenarios and over the short, medium and long term. The Board has recognised the strategic importance of managing climate-related risks and opportunities due to the Group's ongoing materiality and contextual analysis.

For more information on how the Board is apprised of climate related risks and opportunities, see the climate change principal risk on page 79.

The GLT and Board consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organisation's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions and divestitures. For example in 2022 the GLT and Board approved the move from three purpose goals to a single sustainability priority; Decarbonising the Industry. The GLT approved the costs to transition the remaining diesel fuelled Mechanical Handling Equipment to electric or Hydrotreated Vegetable Oil (HVO) by the end of 2024 and continued investment in HVO for an additional 203 HGVs.

Alignment of incentives to carbon commitments

The 2022 bonus targets for the Group Leadership Team included a Scope 3 carbon engagement target, aiming to increase the amount of our spend which is with suppliers who have calculated and set reduction targets for their carbon (see page 107). In addition, the new restricted stock scheme includes a climate-related performance underpin (see page 103).

Strategy

Principal risks and opportunities

Risks and opportunities are identified via an assessment approach which aligns not only with the Group principal risk process and rating tables but also uses the risk drivers and types published by CDP. Internal stakeholders are invited to advise on the relevant risk and opportunity types, level of impact and speed of risk materialisation. External stakeholders have shared their insights on what is material to them and where commercial opportunities might exist in relation to the decarbonisation agenda. The impacts from risks and opportunities have been considered in relation to products and services, supply chain and/or value chain, investment in research and development, operations (including type of operations and location of facilities), acquisitions or divestments and access to capital. The risk and opportunity identification process is iterative and informed by scenario analysis which the Group is developing but recognises is not yet complete. For more details on the principal risk process see page 75.

Across all three assessed time periods, geographies, scenarios and risk types the Group does not consider its direct operations to be very highly exposed to impacts from climate change. The Group is predominantly a UK-based distributor of products, with limited non-UK activity and limited manufacturing activity. Accordingly, the majority of the climate-related financial risks and opportunities relate to what is sold, rather than how it moves through the Group's businesses. The table below summarises the Group's principal risks and opportunities.

Top climate-related financial impacts	Description	Risk for the Group*	Scenario in which this impacts	Time period in which this impacts	Parts of the value chain most impacted
Risk – technology: Transitioning to lower emissions technology	Decarbonisation of the HGV fleet *(c.1600 HGVs to transition away from diesel)*	High	Proactive Reactive	5–15 years	In-house: Travis Perkins Group
Risk – physical: Rising sea levels and extreme weather events	Decreased asset values *(assumes some branches affected)*	Low – Medium	Proactive Reactive Inactive	15–30 years	In-house: Travis Perkins Group
Risk – regulation: Mandates on and regulation of existing products and services	Product carbon pricing *(assumes a small portion of carbon-related cost price increases are not passed through)*	Low	Proactive Reactive	5–15 years	Downstream and Upstream: Customers and Manufacturers
Risk – Market: Changing customer behaviour	Obsolescence of product *(assumes some product lines are no longer of interest to customers aligning with net zero)*	Low	Proactive Reactive	3–15 years	Upstream: Manufacturers *(particularly manufacturers of gas boilers or high-carbon building fabric materials)*
Opportunity – products and services: Development and or expansion of low emission goods and services	Rising demand for new product mix and new technologies *(to meet changing building regulations and low-emission targets)*	High	Proactive Reactive	1–15 years	In-house: Travis Perkins Group
Opportunity – resource efficiency: Use of more efficient modes of transport	Increased revenue opportunity *(assumes large customers move business towards merchants with decarbonised transport options)*	Low	Proactive Reactive	1–15 years	In-house: Travis Perkins Group
Opportunity – products and services: Development and or expansion of low emission goods and services	Rising demand for new product mix and new technologies *(to adapt to climate change (i.e. strengthening flood resilience), and to react to climate events (ie extreme weather)*	Low	Proactive Reactive	1–15 years	In-house: Travis Perkins Group

*Risk ratings are in line with those in the Principal Risks Section on pages 75 to 81.

A number of other less-material climate-related risks and opportunities are mapped and monitored internally.

Climate-related financial disclosure continued
(in line with TCFD guidelines)

Timeline considered
The timelines considered and why they were selected are detailed in the table below.

Time horizon	Description	Why chosen
Short	1–5 years (2022–2027)	This time horizon was chosen to ensure impacts being felt now and their potential escalation are understood
Medium	5–15 years (2022–2037)	This time horizon was chosen to reflect that scenarios show limited divergence prior to this point
Long	15–30 years (2022–2052)	The physical impacts from climate change will magnify over a longer time period than usual business planning

Strategic response to risks and opportunities
The material considerations in achieving the Group's strategic commitment to the transition to a low carbon economy include:

- Accelerated trends in product replacement and the associated changes to the Group's business model, including the move away from fossil-fuel boilers
- The need to adapt the Group's branches and fleet to be low carbon or no carbon
- Changes to customer projects and locations that may impact the Group's estate
- Strong customer and supplier partnerships remain key in achieving a successful transition

The Group's low-carbon transition plan
The Group has shared the roadmaps to 2035 for Scopes 1, 2 and 3 on its corporate website (https://www.travisperkinsplc.co.uk) and these now all include interim targets. Key activities include:

Reducing the embodied and in-use carbon of products sold
(Scope 3 represents 99% of the Group's footprint with Category 1 (Purchased Goods and Services) and Category 11 (Use of Sold Products e.g. gas boilers) representing 88% of this)

- Working with the whole value chain to phase out fossil-fuel boilers from sales by 2035. This primarily relates to commercial gas boilers sold by the BSS business.
- Reducing the Group's total forecast emissions in 2035 by 25% through reduction of the embodied carbon in the goods the Group sells. This will be achieved through influencing supplier action and supporting their uptake of new technologies such as carbon capture and storage and introducing alternative products where carbon reduction is not viable.
- Improving in-use product efficiencies at a higher rate than International Energy Agency modelling.

Decarbonisation of the Fleet and Estate
(Scopes 1 & 2 represent 1% of the Group's footprint)

- Phasing in the use of hydrotreated vegetable oil ("HVO") fuel for diesel engines as a transition fuel. An additional 191 HGVs were moved to HVO in 2022.
- Introducing electric or alternate technology HGVs from 2026 at the latest. The first electric HGV was deployed in 2021 as a pilot to inform the Group's roadmap and the Managed Services fleet now has eight electric vans.
- Taking action to improve the energy efficiency of both freehold and leasehold buildings.
- 100% renewable energy tariff for all UK sites. This tariff was introduced in October 2021.
- Continuing to move from gas boilers to air-source heat pumps and other low-carbon technologies to heat the Group's branches and offices.

Risk and opportunity management

As climate governance is integrated into business decision-making, the principal risks and uncertainties are recorded and reported with other business risks and uncertainties on page 75. The identification of risks and opportunities around climate change uses the same complementary likelihood and impact criteria as other Group risks and the assessment covers direct and indirect physical and transitional impacts. In addition, risks and opportunities over the Group's three chosen scenarios (Proactive, Reactive and Inactive), as well as over three timelines (five years, 15 years and 30 years) are added by referencing the results of the scenario analysis. A detailed risk assessment process is conducted annually to identify any emerging risks and ensure the assessment of impact from all risks and the selection of management approach is appropriate. A risk report is presented to the GLT and Board. The Group's principal risk list, which includes climate change risk, is also scrutinised by the Board and the Group's financial auditors. Details of the most material climate risks and opportunities have been published annually for the last ten years in the Carbon Disclosure Project (CDP) climate disclosure.

The uncertainties around the impacts are considered via scenario analysis which is detailed on the next page.

Sizing and scaling of risks and opportunities is performed in conjunction with internal and external stakeholders and uses the outputs from the Group's scenario analyses, materiality assessments and the professional judgement of the internal sustainability team together with external advisers. Decisions to mitigate, transfer, accept, or control the risks are made by the risk owners (nominated GLT members) with confidence to make decisions provided by a clear carbon strategy, target and roadmaps.

In 2022 the Group followed up the initial PwC scenario analysis undertaken in 2021 with a deep-dive investigation of the possible physical climate impacts on its UK branch network and infrastructure, in partnership with Inspired ESG. The focus on physical impacts from climate change necessitated aligning the Group's previous scenarios with Representative Concentration Pathway (RCP) scenarios from the IPCC fifth assessment report.

Scenarios and modelling process

The Group's approach in 2021 had a greater emphasis on understanding transitional risks and impacts than physical risks and impacts (for which a small number of higher risk locations were assessed). In 2022, to better understand physical risks, the Group selected three established RCPs from the IPCC fifth assessment report that were most closely aligned to the scenarios used in 2021. The scenarios, previously referred to as Early action, Late action and No additional action are now referred to as 'Proactive, Reactive and Inactive'. The scenarios outline possible physical and transitional impacts out to 2050. The transitional scenarios used are from the Network for Greening the Financial System ("NGFS") and are the same scenarios used by the Bank of England in its Climate Biennial Exploratory Scenario publication which explores the financial risks from climate change.

The Group selected the scenarios below to illustrate the best and worst outcomes and the sensitivities involved when identifying future impacts from changes to the climate and society's response to that change.

	Proactive	Reactive	Inactive
Transitional	Early action	Late action	No additional action
	Action taken early and effectively. Global net zero CO_2 emissions are achieved by 2050. Transition risks are low.	Action is delayed until 2031 and is more sudden and disorderly. Higher transition risk and short term macroeconomic disruption.	No further action is taken on climate change and even current obligations are not met. Hence GHG emissions grow unchecked. Transition risks are low.
Physical	<2 degrees mean global warming	Between 2-3 degrees mean global warming	>3 degrees mean global warming
	Using RCP 2.6. Global CO_2 emissions peak by 2020 and decline to around zero by 2080. Concentrations in the atmosphere peak at around 440 ppm in mid-century and then start slowly declining.	Using RCP 4.5. Emissions peak around mid century at around 50% higher than 2000 levels and then decline rapidly over 30 years and then stabilise at half of 2000 levels. CO_2 concentration continues on trend to about 520 ppm in 2070 and continues to increase but more slowly.	Using RCP 8.5 Concentrations of CO_2 in the atmosphere accelerate and reach 950 ppm by 2100 and continue increasing for another 100 years.
Scenario assumptions which apply to all three scenarios	• The retention of current market share in all categories where the Group is active. • The use of a blended construction and manufacturing GVA to project revenue. This assumes the sector moves from unsustainable manufacturing processes to new, as yet unknown, processes and materials. • A 0.5m rise in sea levels is effectively mitigated by sea defence adaptations. • Cost price inflation caused by supply chain mitigation of physical and transitional risks can be substantially passed on to customers. • The 80 UK sites assessed for physical climate risk are representative of the Group's UK sites and infrastructure and inferences about the portfolio risk can be made from the sample. • The expected number of days of business interruption from physical climate change impact are modelled with the Gumbel distribution to best represent extreme events.		
Scenario assumptions which apply to specific scenarios	Full international implementation of country-level commitments on climate change action.	Price parity for non-fossil fuel delivery will not be achieved before 2040.	Current commitments by countries and businesses to GHG reductions are not met.

Scenario risk lenses

The climate change impact under each of the three scenarios was modelled through four key risk lenses for the Group, including the following examples.

The Group selected the scenarios below to illustrate the best and worst outcomes and the sensitivities involved when identifying future impacts from changes to the climate and society's response to that change.

Risk lens	What was modelled	Yet to be modelled
Infrastructure risk	• Impacts from flooding, sea level rise, fires and weather extremes on key physical locations across the supply chain including the Group's own estate • Including the largest ports, highest revenue and traffic sites • Supply issues due to increasing frequency of weather extremes	Full physical impacts on the supply chain and the different nature and scale of impacts depending on geographies
Investment risk	• Costs of decarbonising the fleet • Impacts from existing and emerging regulatory requirements	Technology assumptions as clear alternative drivetrain to diesel fleet does not yet exist Macro-economic trends
Energy and utilities risk	• Electricity costs from switching to decarbonised vehicle fleet • Charges for use of electricity and gas in the business • Costs of diesel, Hydrogenated Vegetable Oil (HVO) fuel and electricity to power the fleet • Impacts from existing and emerging regulatory requirements	Different Energy Pathways Technology assumptions around energy generation
Product sales risk	Increasing sales of sustainable products and raw materials to support energy transition Changes in sales of carbon-heavy products Introduction of emission tax on products Impacts from existing and emerging regulatory requirements Macro-economic trends and technological assumptions, as a clear alternative to diesel drive trains for lorries does not yet exist. Different energy pathways and technology assumptions around energy generation.	No further modelling planned at this stage

Climate-related financial disclosure continued
(in line with TCFD guidelines)

Scenario results

Resilience over the three Scenarios

Scenario	Proactive	Reactive	Inactive
Future costs (resilience)	LOWEST The proactive scenario aligns with the Group's own SBTi approved targets and roadmaps. Transitional costs (fleet and estate) have been considered in line with this roadmap. Product-related carbon costs are assumed to be substantially passed through to the market. Costs from physical impacts of climate change are expected to be low to moderate.	HIGHER The reactive scenario introduces more risk as policy around climate change is either too late or too weak, exposing the Group to higher transitional costs and a supply chain with less mandate to change. Costs from physical impacts remain low to moderate for the UK but may be higher in the Group's supply chains (this will be modelled in 2023).	HIGHEST The inactive scenario introduces reputational risk around target achievement as there would be no further changes from the government, leaving the Group unsupported by policy to meet its SBTi targets. The Group's UK infrastructure will be impacted by rising sea levels and flooding by 2050. There will be supply chain disruption.

The Group's exposure to financial stress from physical climate change or transitional climate change impacts can be successfully mitigated by following the adopted strategy and roadmaps outlined in this disclosure. Transitional impacts are expected to be far greater than physical impacts and the ability to pivot away from some construction materials and technologies and towards the supply of other materials will be key to the future success of the Group.

The proactive scenario delivers a decarbonised business model in the most efficient way with the best financial outcomes. The Group's SBTi approved targets and roadmaps are aligned to this early action pathway.

Summary of transitional risks

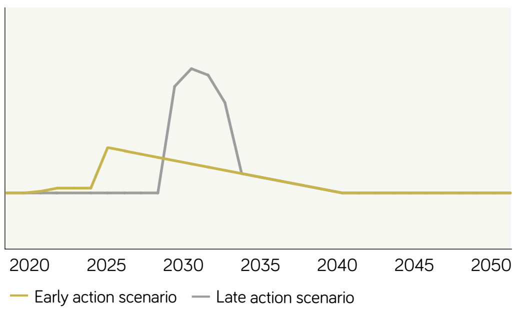
The transitional risk implication of climate change is that the Group's businesses will need to evolve their product mix and develop services to meet the product, data and service requirements of a low carbon construction sector. The analysis has identified a risk of product obsolescence, for example gas boilers in some markets, and changing customer demand towards materials, products and solutions that reduce lifetime GHG emission levels from buildings. The Group measures product sales that contribute to a low carbon economy and is looking at ways of promoting more sustainable construction in the medium and longer-term.

The Group's climate change strategy means it asks more from its value chain partners in terms of compliance and innovation than its peers. Over the medium term, the Group's engagement strategy with its supply chain will become more targeted on lowering lifetime impacts. For example, in promoting innovative and sustainable products to customers and developing packaging waste solutions. The Group has expertise in developing low carbon solutions that other parts of the value chain will require and is looking for ways to develop this into a service.

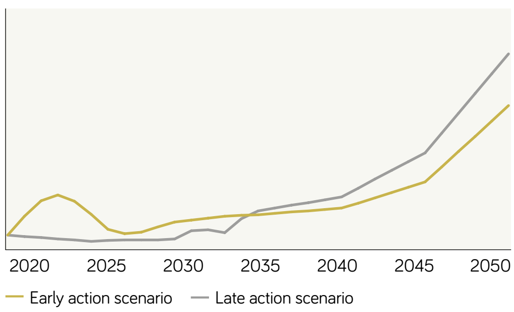
As a distributor, the Group is not a capital intensive business. The investment required to decarbonise the Group's heavy fleet is affordable and is most effectively deployed in a phased manner starting immediately. In the last two years, Capital spend requirements to deliver efficiency programmes have been approved and have proven to decrease direct costs. In 2022, £22m was invested in new delivery vehicles and £0.26m in the transition to HVO low-carbon fuel use (tank installation and surplus fuel costs). Transport-related carbon reduced by 25% in 2022 as compared to 2021.

As a non capital-intensive business with 99% of emissions in the value chain, an internal carbon price is not a tool that has been adopted by the Group to date. The Group does take into account carbon taxes as part of the business case process.

Total capital investment and maintenance cost for fleet



Energy and utilities fuel cost, including vehicle electricity



Summary of physical risks

The physical risk from climate change to the **Group's estate in the UK** is low to medium as the Group assets are large in number and geographically spread providing resilience to the physical impact from a changing climate.

The physical risk from climate change to the **Group's supply chain** (causing business interruption) is also forecast as low to medium due to the Group's ability to adapt to new supply routes and suppliers and the assumption that transactions with customers are not lost but delayed following physical impacts.

A deep-dive on physical risk to the Group's UK estate

The scenario analysis for physical risks (temperature, precipitation, fire and extreme weather) to the Group's estate in the UK suggests broadly similar impacts (low to moderate) for each of the three warming scenarios. The likelihood of moderate risks increases in reactive or inactive scenarios over time. The analysis suggests that not all regions will be impacted equally by changing precipitation, temperatures, wildfire risk or extreme weather events.

- Almost half the Group's 1500 sites in the UK are at risk of flooding.
- The Groups latest impact assessment using the three selected temperature scenarios suggests 49% of sites are at a high risk of a one in 100 year river flooding event. Only one site from those surveyed was at a medium or higher risk from a 1-in-500 year river flooding event.
- A forecast 0.5m rise in sea levels would not impact on all Travis Perkins, coastal sites and shipping ports used in the supply chain equally. Sites and ports in the east of the UK are forecast to be the most vulnerable to sea level rise. 22 Group sites could be impacted by 2050 under the Inactive scenario.

Scenario	Proactive	Reactive	Inactive
Timeframe for 0.5m sea level rise to impact	2112 (90 years)	2082 (60 years)	2052 (30 years)

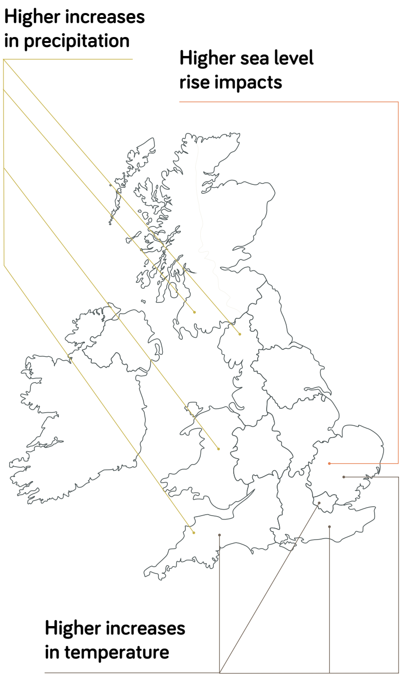
- 15% of the Group's current estate was at risk of impact from wildfires within 10km of the branch between 2018 – 2022, although none directly impacted the estate or operations. The Group will keep monitoring wildfires as, whilst less common than flooding events, they could have a higher impact per event.

Regions likely to experience the highest temperature increases under the three scenarios.

Region	Reference period (1980 – 2010)	Average daily temperature projection by 2052 (°C)		
		Proactive	Reactive	Inactive
London	10.86	11.40 (5%)	11.69 (8%)	12.09 (11%)
East of England	10.42	10.96 (5%)	11.20 (7%)	11.65 (12%)
South East	10.67	11.21 (5%)	11.50 (8%)	11.90 (11%)
South West	10.67	11.21 (5%)	11.50 (8%)	11.90 (11%)

Regions likely to experience the highest precipitation increases under the three different scenarios.

Region	Reference period (1980 – 2010)	Average precipitation projection by 2052 (mm/yr)		
		Proactive	Reactive	Inactive
Wales	1143	1150 (0.6%)	1172 (2.5%)	1164 (1.8%).
South West	950	956 (0.6%)	975 (2.6%)	967 (1.8%)
North West	987	993 (0.6%)	1015 (2.8%)	1011 (2.4%)
West Scotland	1335	1343 (0.6%)	1369 (2.5%)	1358 (1.7%)



The analysis confirms that overall physical risk across the Group's UK-based estate increases over time but never gets beyond medium in any region. Once impacts are monetised and seen in the context of the entire estate, the overall impact is considered to be low to moderate.

Physical impact on community infrastructure and consequent business interruption was not fully modelled and will be returned to in future risk assessment cycles, along with deeper assessment of physical risk in the Group's supply chain.

The Group will use the insight provided by the scenario analysis to refine its property and insurance strategies.

Metrics and KPIs

The Group sets out performance against a number of environmental KPIs below, including absolute carbon reduction and performance against targets and additional detail on energy consumption. During 2022 the Group introduced interim targets to the three carbon reduction roadmaps (buildings, fleet and Scope 3).

Work is planned for 2023 to determine KPIs and metrics which more directly align to the material risks and opportunities set out in this disclosure. Additional KPIs and metrics will consider activity measures to complement the existing KPIs which are designed primarily to monitor progress on GHG reductions to ensure the Group's SBTi approved reduction targets are met. The activity measures will be aligned to the principal risk and opportunities disclosed above.

The 2022 Scope 3 engagement target for the GLT was achieved. In total 54% of product spend was with suppliers who have calculated and set reduction targets for their carbon. More detail on this target can be found on page 107 in the Remuneration Report.

The existing KPIs are measured using the GHG protocol, are independently verified by LRQA and accepted by the SBTi. More details about the methodology can be found on the Group's website (www.travisperkinsplc.co.uk/sustainability).

The Group's net zero target follows the UK government's definition of total Scope 1 & 2 carbon emissions that are equal to or less than the emissions the Group removes from the environment.

	2022			2021		
	UK	Non-UK	Total	UK	Non-UK	Total
	Energy GWh					
GWh energy Annual energy use relating to gas, purchased electricity and transport fuel (for kWh data see the data table on page 184)	292	8	**300**	359	6	**365**
	Carbon Dioxide Equivalent (CO_2e) Tonnes					
Scope 1 Direct emissions from burning gas and solid fuel for heating and from road fuel use for distribution[2]	49,893	1,016	**50,909** V	63,285	814	**64,099**
Scope 2 Indirect emissions from our use of electricity	0	652	**652** V	13,121	530	**13,651**
Scope 1 & 2 Absolute	49,893	1,667	**51,560** V	76,406	1,344	**77,750**
Scope 1 & 2 Intensity[3] Emissions from Scope 1 and 2 sources per £m of inflation adjusted sales	11.2	17.7	**11.3** V	17.3	15.0	**17.3**
Scope 3 Absolute[4] Indirect emissions from the supply chain. Including all Scope 3 categories	**9,893,582** V			**10,142,713**		
Scope 3 Intensity[3] Emissions from Scope 3 sources per £m of inflation adjusted sales	**2,176** V			**2,255**		

A full breakdown of the Group's Scope 3 carbon across the 15 Scope 3 categories is shared on the website https://www.travisperkinsplc.co.uk

Carbon data table[1]

The Group has reported on all of the emissions' sources required under the Companies Act 2006 (Strategic report and Directors' reports) Regulations 2013. Scope 1 and 2 emissions are calculated using the DEFRA Conversion Factors for Company Reporting 2022 on an operational control basis. 95% of Scope 1 and 2 data is from measured sources with the remainder extrapolated from either expenditure on fuel or distance travelled. Specific data points in the carbon chart and the carbon data table, marked with the logo "V", have been assured against Lloyd's Register verification procedures. For a link to the assurance report see page 41.

1. The numbers reported include data for companies where Travis Perkins plc has operational control.
2. Fugitive emissions from domestic refrigeration and building air conditioning are included but they are not material to the Group's overall emissions.
3. Carbon intensity is reference to turnover, adjusted to allow for inflation, relative to baseline year. Adjusted sales figures use 2022 Office of National Statistics inflation data.
4. Scope 3 data quality improved in 2022, primarily due to a review of the emissions factors allocated to product categories within Category 11: In-use impact of products sold. The correction resulted in a material reduction to the Scope 3 footprint. Therefore 2021 and 2020 Scope 3 data have been rebaselined to ensure the trends published reflect progress, not data amendments.

2020			Performance in 2022 vs 2021	Targets (with 2020 baseline)	Performance in 2022 against 2020 target baseline year
UK	Non-UK	Total	%		
Energy GWh					
335	5	**340**	-18%		
Carbon Dioxide Equivalent (CO_2e) Tonnes					
60,656	641	**61,297**	-21%		
17,333	461	**17,794**	-95%		
77,989	1,102	**79,091**	-34%	Net zero by 2035 with a minimum 80% reduction	-35%
21.2	**15.8**	**21.1**	-35%		
9,687,330			-2%	63% reduction by 2035	+2%
2,583			-3%		

2022 headline performance

"Overall, 2022 saw improvements across all three carbon scopes, reflecting the efforts the Group and businesses are making to achieve our SBTi-approved carbon reduction targets."

James Vance,
Group Head of Environment

Scope 1 & 2 absolute carbon

-34%

Scope 3 absolute carbon

-2%

Spend with suppliers engaged on carbon

54%

Section 172 statement

Engaging with stakeholders

Building positive relationships through strong engagement, collaboration and dialogue with stakeholders who share our values is important to us. Working together towards shared goals assists us in delivering long-term sustainable success.

Our Group comprises a number of businesses and all engage with each other because the value of working together is recognised. Each business also has extensive engagement with its own unique stakeholders. The Group's governance framework delegates authority for local decision-making to businesses, up to defined levels of cost and impact, which allows the businesses to take account of the needs of their own stakeholders in their decision-making.

The leadership teams of each business make decisions with a long-term view and with the highest standards of conduct in line with Group policies. In order to fulfil their duties, the Directors of each business and of the Group itself take care to have regard to the likely consequences on all stakeholders of the decisions and actions which they take. Where possible, decisions are carefully discussed with affected groups and are therefore fully understood and supported when taken.

The Board is well informed about the views of stakeholders. Reports are regularly made to the Board by the businesses about strategy, performance and key decisions taken, which provides the Board with assurance that proper consideration is given to stakeholder interests in decision-making. It uses this information to assess the impact of decisions on each stakeholder group as part of its own decision-making process. Details of the Group's key stakeholders and how we engage with them are set out below.

Shareholders

We rely on the support of shareholders and their opinions are important to us. We want to enable shareholders to have an in-depth understanding of our strategy and operational and financial performance, so they can accurately assess the value of our shares.

We have an open dialogue with our shareholders through one-to-one meetings, group meetings and the Annual General Meeting. Discussions with shareholders cover a wide range of topics including financial performance, strategy, outlook, governance and ethical practices. Shareholder feedback along with details of movements in our shareholder base are reported to and discussed by the Board and their views are considered as part of decision-making.

During summer 2022, the Group undertook an independent investor perception study run by Rothschild & Co. This study included 15 major investors, representing around half of the Group's actively managed shares, and also five sell-side analysts with a range of current views on the business. This feedback was presented back to the Board by Rothschild & Co during July 2022.

To ensure engagement, the Group also undertook around 200 investor interactions during 2022. These interactions build upon the presentation by the Group of its ambition to become the leading partner to the construction industry, which the Group set out at its Capital Markets Update in 2021. The majority of these interactions were held as in-person meetings as the management team believes that this facilitates a better quality of conversation and helps to build longer term relationships with our shareholders.

Colleagues

Our people are key to our success and we want them to be successful individually and as a team. We aim to build a fully inclusive environment where treating each other with respect and encouraging everyone to be themselves is at the heart of our values.

We work hard to engage with and listen to our colleagues in a variety of ways. Our Group-wide engagement survey in 2022 was sent to 17,815 colleagues with a completion rate of 76%, representing the views of 13,540 colleagues. The engagement survey included detailed questions around safety, belonging, equal opportunity, customer focus and corporate citizenship.

Group diversity and inclusion networks with GLT sponsorship and the Diversity and Inclusion Advisory Board continued to drive the Group's agenda to retain a diverse pipeline of colleagues, enable a high performance culture, develop inclusive leaders and positively impact a generation of young people.

Pete Redfern continued as the designated workforce engagement Non-executive Director in 2022 and focused on holding listening sessions with colleagues to seek direct insight into what was important. Participants nominate themselves for the listening sessions, which have a strong emphasis on confidentiality. Agendas for the meetings were driven by the colleagues who participated, rather than Pete. His role was to listen and facilitate the conversation. During 2022, Pete engaged in a programme of activities where he had the opportunity to gauge the engagement levels of colleagues across our businesses with a specific focus on our Driver and New Starter populations. Key themes emerging from listening sessions in 2022 focused on safety, belonging, equal opportunity, customer focus and corporate citizenship. Pete shared key themes and feedback to the Board.

The Group also focused in 2022 on a storytelling process to deliver a carefully crafted narrative that weaves together three elements which in combination are designed to engage and inspire colleagues; (i) the Group's purpose; (ii) the Group's updated values; and (iii) the strategy. Group-level and business unit-specific narratives were designed to be rolled out throughout the organisation by cascade and so have been made to be easily communicable and capable of being brought to life with personal stories from the tellers to make narratives both resonate with the audience and be capable of being passed on. The cascade started in January 2022 when the story was delivered by the GLT to the senior leadership teams of Group's business units and functions, who in turn cascaded the story within their own teams, with further rolling down to every colleague successfully completed by the mid-point of 2022. The Board was updated regularly regarding progress of this initiative which brought the Group's purpose, values and strategy to life.

Further information on how the Group engages with colleagues can be found under "Colleague voice and engagement" on page 48.

Customers

The success of the Group, both historically and into the future is dependent on our ability to understand and meet the needs of our customers. The Group has invested heavily in data capability to bring a greater level of understanding to the behaviour of our customers and when combined with the time spent discussing their needs and perceptions this produces a significant amount of insight which we use to guide our actions.

Taking a longer term view of customer needs has allowed different business units to begin to develop and deploy a range of services which are designed to go above and beyond the traditional model of supplying materials. By looking forward and seeking to understand the potential range of impacts, which may affect the business of our customers in the future, we are able to assist in the development of some solutions to bring mutual value, enabling, for example, customers to work with changing environmental planning legislation to construct houses that meet current and future standards.

Suppliers

Our suppliers are experts in the wide range of products we source from them. Macro factors such as the increasing relevance of ESG and sector-specific changes seen in the development of modern methods of construction are raising expectations of us and our suppliers and creating opportunities. We aim to build strong supplier relationships and develop mutually beneficial, lasting partnerships that meet these expectations and seize these opportunities.

Engagement with suppliers is primarily through a series of interactions and formal reviews. We also host regular conferences to bring suppliers and customers together to discuss shared goals and build relationships. Core suppliers joined the conferences hosted by the Group's businesses in 2022. Online workshops were held for suppliers in April, July and September, focusing on decarbonisation, sustainable products, responsible sourcing, packaging and quality assurance. Each series of workshops was attended by in excess of 600 suppliers. The Board recognises that relationships with suppliers are important to the Group's long-term success and is briefed on supplier feedback and issues on a regular basis.

Communities and the environment

Investing in sustainable growth means supporting and empowering the communities in which we operate. By ensuring we make a positive contribution, we can help build thriving communities and strengthen our business. We engage with the communities we operate in, to build trust and understand the local issues. Key areas of focus include how we can support local causes and issues; create opportunities to recruit and develop local people; and help to look after the environment. We set a new long-term target for people development during 2022; 10,000 successfully completed apprenticeships by 2030 (delivered both for the Group's own colleagues and those in the wider industry). We partner with local charities and organisations at a site level to raise awareness and funds. The Group's impact on the environment is a key focus for the Board. During 2022 interim carbon targets were set for buildings and fleet (Scope 1 and 2) and for the supply chain (Scope 3) to ensure credible milestones on the Group's carbon roadmaps. Further information is available in the Sustainability Report on pages 32 to 39.

Government and regulators

The regulatory environment significantly impacts the success of our business. We believe it is important that those who can influence policy, law and regulation understand our views. We also want to share information and perspectives on areas that impact our businesses. We engage with the government and regulators through a range of industry consultations, forums, meetings and conferences to communicate our views to policy-makers relevant to our business. Key areas of focus during 2022 were around a national retrofit strategy, green skills, decarbonisation of specialist fleets and health and safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

Section 172 statement continued

Decision-making in practice

One of the major decisions made by the Group this year was to commit to and publish a new industry-leading, skills target. This was to meet increasing stakeholder concerns around the skills gap in the construction industry and, recognising our role as market leader, to set the bar for the industry. In making this decision the Board considered the interests of and the impact on all stakeholders. To provide insight into the approach taken by the Board, a summary of stakeholder views and conclusions is set out below.

Stakeholder	Stakeholder views	Conclusions
Shareholders	Our shareholders want us to operate in the most cost effective way, preserve cash and maximise returns thereby creating value and ensuring the long term sustainable success of the Group.	Investors see companies with a strong focus on material sustainability issues outperforming. With an ageing workforce one of the key sustainability issues in the construction supply sector and indeed the wider construction sector is the current skills gap. The Group's new skills target will go a long way to address this skills gap and will also lead the approach for the wider industry.
Colleagues	Our colleagues want the Group to offer them the opportunity to develop and grow their careers. For both current and future colleagues, the opportunity to develop is a deciding factor in who they work for and how engaged they feel.	The Group cares about its colleagues and wants to retain and attract the best to the business and the industry. The Group's ability to offer these opportunities to colleagues not only helps with attraction and retention but also gives the business a great talent pool of colleagues to meet the future needs of both the business and its colleagues.
Customers	Our customers want colleagues who are able to help them and who use their in-depth knowledge to identify solutions that meet their needs. These needs are evolving and becoming more complex as the industry addresses the challenges of carbon reduction and modernisation. Our customers are also facing their own challenges with skills shortages. Apprenticeship schemes are complex and customers are looking for help in how to access them	The Group maintains regular communication with its customers, consulting regularly with them on their changing needs. The Group's Apprenticeship Programmes underpin the skills target and they not only give colleagues the knowledge, skills and behaviours they need to function in the business today but are designed to give them the capability to operate in a modern construction sector of the future. As part of the new skills target the Group will be opening up the opportunity for employees of its customers to complete Apprenticeships and will be advising customers on this.
Suppliers	Our suppliers want us to have colleagues who understand their products and are able to advise customers on the best ways to use them. They also are dealing with their own challenges around skills shortages and are looking for ways to address these challenges.	The business has worked closely with suppliers in designing apprenticeship programmes to ensure they equip apprentices with the knowledge needed on products. Some suppliers even deliver elements of these programmes. The Group has also offered Suppliers the opportunity for their colleagues to complete TP Group's apprenticeship programmes.
Construction supply sector	The wider Construction supply sector faces the same challenges as the Group over skills shortages. They are also looking for solutions that enable them to recruit and train colleagues in a challenging market.	Addressing the skills shortage for the Group does not solve the wider challenge as this does not address the competitive marketplace for trained colleagues. By opening up the Group's apprenticeship programmes to other organisations in the Construction Supply Sector (many of which are SME's, that find it difficult to utilise apprenticeships) it is possible to grow talent across the sector and reduce the skills gap.
Communities	Our communities want our continued support with local causes and issues.	All of the Group's apprenticeship programmes encourage colleagues to get involved with their local community often in the form of local projects.
Government and regulators	The government and regulators are very aware of the skills crisis and have launched a number of initiatives such as the Plan for Jobs to encourage Employers to take an active role in training people for work.	The Group is one of the few employers in the UK that designs and delivers its own suite of apprenticeship programmes and what is even more unique is that the Group also delivers these programmes to other organisations. The Group is taking the lead in delivering the Government's agenda and receives positive feedback from Government organisations.

Business performance and priorities

- Robust revenue growth of 8.9% with elevated levels of materials cost inflation diligently managed
- Adjusted operating profit of £295m, impacted principally by lower year-on-year property profits and a £15m charge related to restructuring activities in Q4
- Adjusted earnings per share of 94.6p with lower operating profit partially offset by reduced share count
- Proactive cost actions to deliver cost benefits of around £25m in 2023
- Good cash conversion of 67%. Lease-adjusted leverage (net debt / EBITDA) of 1.8x remains comfortably within target range
- Total ordinary dividend increased to 39.0 pence per share (2021: 38.0 pence per share)
- Solid performance in the Travis Perkins General Merchant, driven by continued focus on enhancement of digital capability and expansion of value-added services primarily across Hire, Benchmarx kitchens and Managed Services
- Continued strong performance from the Group's specialist distributors: BSS, Keyline and CCF. Staircraft now integrated and enhancing the Group's housebuilder proposition
- Toolstation returned to good growth in the second-half of 2022 after tough prior year comparatives in the first-half. Significant investment in expanding infrastructure in the UK and Europe

£m (unless otherwise stated)	2022	2021*
Revenue	**4,995**	4,587
Adjusted operating profit	**295**	353
Adjusted operating profit before property profits and restructuring charges	**285**	304
Adjusted earnings per share	**94.6p**	107.3p
Adjusted ROCE	**10.8%**	14.1%
Adjusted ROCE before property profits and restructuring charge	**10.5%**	12.1%
Net debt / adjusted EBITDA	**1.8x**	1.20x
Ordinary dividend per share	**39.0p**	38.0p
Operating profit	**285**	349
Total profit after tax	**192**	241
Basic earnings per share	**90.8p**	103.9p

* For continuing businesses only

Summary

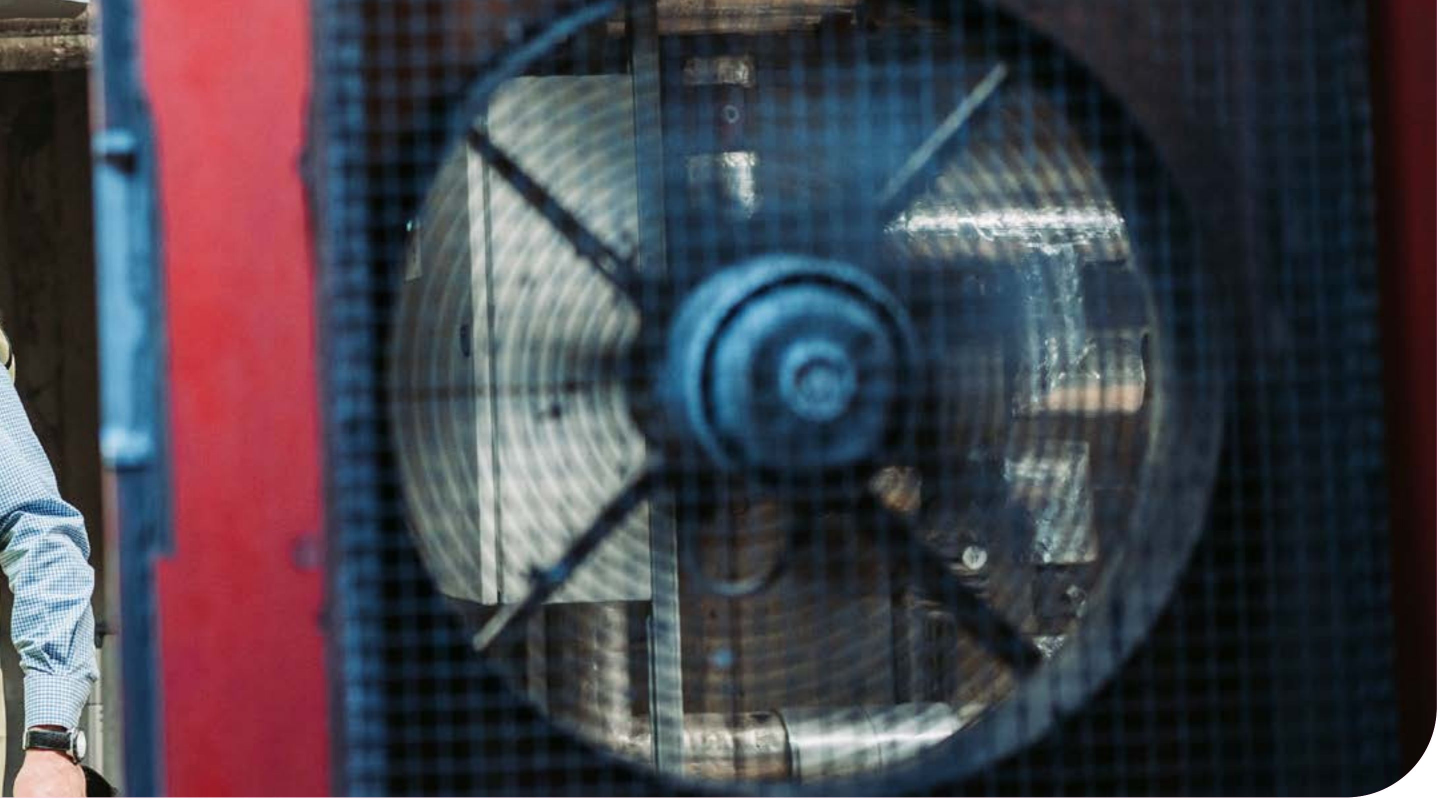
2022 was a challenging year and the Group adapted well to the rapidly changing conditions, making further progress towards its ambition of being the leading partner to the construction industry. The Group will continue to balance delivery of near term performance with longer term strategic objectives as it focuses on outperforming its end markets and generating strong cash flow.

2022 Performance

The Group delivered a resilient performance with revenue of £4,995m, up 8.9% versus 2021. The Merchanting businesses delivered further market share gains and Toolstation returned to good growth in the second half of 2022 following tough comparatives in H1. The Group again demonstrated its ability to recover significant levels of materials cost inflation and continues to benefit from its diverse end market exposure.

While adjusted operating profit of £295m was £58m, or 16%, lower than in 2021, this was predominantly driven by lower year-on-year property profits (£24m) and £15m of restructuring charges associated with the Group's cost reduction actions which will deliver around £25m benefit in 2023. Despite two fewer trading days (impacting operating profit by around £9m), the Merchanting segment improved its underlying operating profit performance with further market share gains. Underlying performance was significantly lower in Toolstation as the business continued to invest in its distribution and network capability across both the UK and Europe to support future growth.

As outlined in the September 2021 strategic update, the Group is focusing on elevating relationships with customers through the growth of value-added services. This approach is paying dividends with the value-added services representing around 16% of Group revenue.



Maintaining operational agility and capital discipline

With the expectation of lower levels of activity in the UK construction sector in the year ahead, management implemented a number of cost reduction actions in Q4 2022 to ensure that the Group's cost base appropriately reflects the trading environment. These actions are expected to deliver around £25m of cost savings in 2023, with the cost to achieve those savings of £15m recognised in 2022.

These actions resulted in the closure of 19 branches in the General Merchant and Benchmarx and a headcount reduction of approximately 400 across those branches and central support functions. These changes represent an acceleration of plans to modernise the business by exiting smaller branches and continuing to invest in larger, more capable, destination branches which incorporate value-added services such as Hire and kitchen showrooms.

The Group also flexed its capital investment programme in the year to reflect the trading environment, with spend being around £15m lower than medium-term guidance (of £125m p.a.). This prudent approach will continue into 2023 with capital spend anticipated to be circa £25m lower than medium-term guidance at around £100m.

Capital structure and shareholder returns

The Group has set a medium term leverage target of 1.5x–2.0x net debt / adjusted EBITDA (on an IFRS 16 basis), this target range being consistent with investment grade credit metrics. At the year-end, net debt / adjusted EBITDA was in the middle of the target range at 1.75x leaving the Group well positioned to navigate the current uncertain market conditions. The current leverage position, together with the cash generative nature of the business, allows the Group scope to continue to invest in driving future growth while also returning surplus capital to shareholders when at the lower end of this target range.

Given the strong balance sheet position and confidence in the medium term potential of the Group, the Board has maintained the cash distribution leading to an increased dividend of 39.0 pence per share (2021: 38.0 pence per share).

Central costs

Central costs reduced by £3m year-on-year due principally to lower management incentive payments.

Property

The Group generated a property profit of £25m in the year, in line with the long run average, with £18m of cash proceeds. The majority of the profit relates to a site sold in Cambridge for which consideration of £22m is deferred to 2023 and 2024.

For 2023 the Group expects property profits of around £20m with cash receipts in excess of that figure.

Outlook

The Group is mindful of the current macroeconomic uncertainty and, in-line with industry forecasts, is planning for a decline in overall market volumes in the mid to high single-digit range in 2023. This will vary across end markets with private domestic new-build and RMI more challenged, while the commercial, industrial and public sectors are expected to remain more resilient.

Product-cost inflation is expected to moderate into 2023 although management does not currently expect to see any notable deflation in manufactured products. The Group therefore expects to see mid to high single digit percentage product cost inflation overall driven by the rollover of prior year increases and further new increases already announced so far this year.

Whilst the expected market dynamics point to a challenging year ahead, the Group continues to anticipate delivering a performance in line with market expectations. The actions taken to create a more agile business, with broad end market exposure, enable management to remain confident in the Group's ability to outperform its markets and deliver attractive returns to shareholders over the medium term.

Technical guidance

The Group's technical guidance for 2023 is as follows:

- Effective tax rate of 25%
- Base capital expenditure of around £100m
- Property profits of around £20m

Business performance and priorities continued

Merchanting

Revenue

£4,220m
2021: £3,826m

Adjusted operating profit

£314m
2021: £320m

2023 priorities

- Regional housebuilder growth, driven by innovative solutions that reduce waste, complexity and the need for specialist labour
- Continue to grow tool hire penetration whilst maintaining capital efficiency
- Selective investment in General Merchant destination branches, focused on major conurbations
- Tight management of the cost base, in-line with market volumes

	2022	2021	Change
Revenue	**£4,220m**	£3,826m	10.3%
Adjusted operating profit*	**£314m**	£320m	(1.9)%
Adjusted operating profit before restructuring charges*	**£329m**	£320m	2.8%
Adjusted operating margin*	**7.4%**	8.4%	(100)bps
Adjusted operating margin before restructuring charges*	**7.8%**	8.4%	(60)bps
ROCE before restructuring charges*	**15%**	16%	(1)ppt
Branch network	**767**	781	(18)

*Segmental adjusted operating profit excludes property profits

The Merchanting segment delivered a robust performance overall with revenue up by 10.3% and growth in operating profit (before restructuring charges) of 2.8% to £329m. After significant price increases during 2021, driven by a rapid post-pandemic recovery in demand, price inflation continued to accelerate through 2022 before moderating slightly in the fourth quarter. Increases were mainly driven by manufacturers passing through rising energy costs with prices increasing by around 15% in H1, rising to around 17% in H2. The Merchanting businesses have again managed these challenges well by focusing on providing transparency on pricing to customers.

Since 2018, the significant programme of work to evolve the customer proposition and deliver empowerment to the branch teams has delivered strong financial benefits. Supported by a rationalisation of the network and much improved data to aid decision making, operating profit (excluding the current year restructuring charge) has grown by 18%, £95m of capital has been removed and ROCE has moved forward by 280bps. The Group is confident in its ability to make further progress on these metrics.

From an end-market perspective, the Merchanting segment benefits from broad exposure providing an element of resilience from volatility in any one end market.

The private domestic RMI market represents approximately 35% of Merchanting revenue and is primarily serviced by the Group's General Merchant business working with smaller trade customers. Following a bright start to the year, volume performance weakened against a tough comparator period and this was exacerbated in the second half by high levels of materials inflation and increasing macroeconomic uncertainty, leading to home-owners delaying or reducing the scope of improvement work. This challenging backdrop is expected to continue into 2023.

For the smaller trade customers the focus remains on the core elements of service; for account customers the number of managed accounts has been increased and for non-account customers, who are more transient in nature, further improvements have been made to ensure transparent and consistent pricing, complemented by the right range and depth of stock in branch. This has been backed up by further investments in our hire fleet and sales team, driving increased penetration, and in our digital proposition.

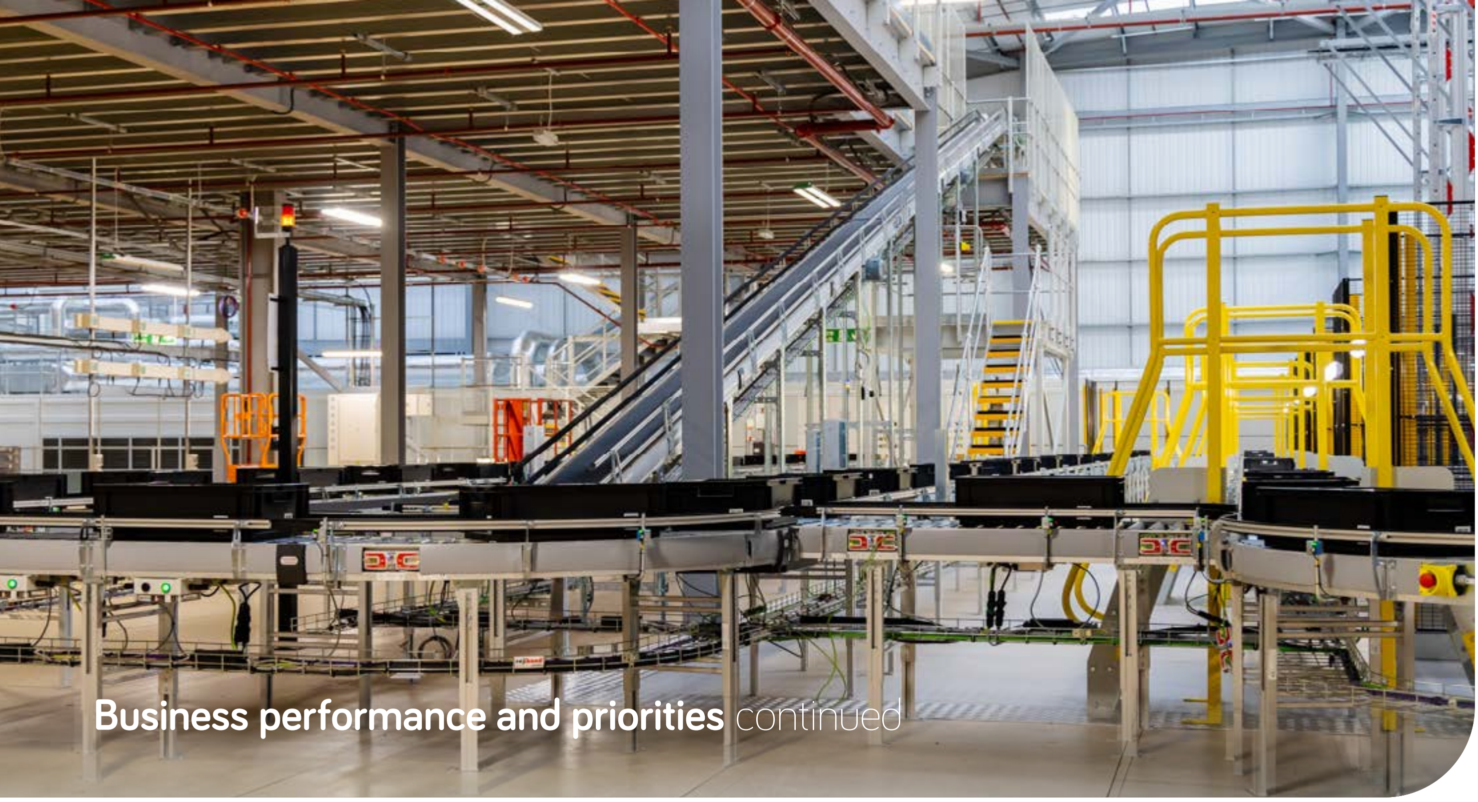
The private domestic new-build market represents approximately 19% of Merchanting revenue and is primarily serviced by Keyline, CCF and Staircraft working with national and regional housebuilders. The businesses engage at different stages of the build process with Keyline typically first on site and CCF and Staircraft delivering at a later stage of the process. While the housing market deteriorated later in H2, this did not feed through notably into volumes as completions continued but will be seen in 2023 with new housing starts forecast to slow.

Within this sector, the Group continues to enjoy long standing partnerships with the major national housebuilders and to focus growth initiatives on the regional housebuilder market where the introduction of Staircraft and the development of the Benchmarx proposition are providing customers with innovative solutions to reduce waste, complexity and the need for specialist labour. CCF and Keyline continue to enhance their proposition in this market by using newly developed data and delivery management capability to provide data on embodied carbon which is helping customers to manage projects more effectively and win work.

The commercial and industrial market represents approximately 22% of Merchanting revenue and incorporates new build and refurbishment activity across offices, warehouses, multi occupancy and student accommodation alongside industrial maintenance. The market is primarily serviced by the Group's BSS and CCF businesses. This sector held up well during the year with a post-pandemic backlog of work remaining and an increasing requirement for logistics space and office remodelling, a trend that is expected to continue.

The public sector market represents approximately 24% of Merchanting revenue and covers projects across infrastructure, public assets such as schools, hospitals and prisons and social housing maintenance. The market is primarily serviced by the Group's BSS, Keyline and Travis Perkins Managed Services businesses. Demand remained robust in this market throughout the year with ongoing government backing for investment in public buildings and infrastructure alongside the continued catch up in social housing maintenance and the impact of tighter legislation on social housing standards. These factors are expected to continue to support demand into next year.

Adjusted operating margin excluding the restructuring charge reduced by 60bps. This was a result of the dilutive effect of very high levels of inflation on the gross margin percentage and also a shift in customer mix towards larger accounts where gross margins are lower. Although the Merchant businesses experienced high levels of overhead inflation, with significant increases in payroll, utility and fuel costs leading to overall overhead inflation of around 8%, this was well managed and the cost to serve percentage remained in line with prior year.



Business performance and priorities continued

Toolstation

Revenue

£775m

2021: £761m

Branch network

721

2021: 653

TOOLSTATION

2023 priorities

- Open a highly-automated 500,000 ft2 distribution centre in Northampton, initially for direct customer dispatch
- Continued network growth with a further 50 branches planned: 10 in the UK and 40 in Europe
- Further enhancements to the trade customer proposition
- Leverage first-mover advantage in Europe, with optimisation of location and local market plans and customer proposition development

	2022	2021	Change
Revenue	**£775m**	£761m	*1.9%*
Like-for-like growth	**(3.7)%**	12.3%	
Adjusted operating profit	**£(9)m**	£22m	*(140.9)%*
Adjusted operating margin	**(1.1)%**	2.9%	*(400)bps*
ROCE	**(2)%**	5%	*(7)ppt*
Branch network (UK)	**563**	530	*33*
Branch network (Europe)	**158**	123	*35*
Adjusted operating profit – UK	**£21m**	£42m	*(50.0)%*

2022 proved a challenging year for Toolstation overall as financial performance reflected further significant investment in network and distribution capabilities to build the business for the future alongside lower DIY-related volumes following exceptional sales during the pandemic. Despite weakening end markets, performance improved through the year with revenue growth in H2 of 8.9% compared to a fall of 4.6% in H1.

UK adjusted operating profit fell to £21m given the volume impact described earlier, continued investment in the network and distribution capability and overhead inflationary pressures. Toolstation will continue to focus its propositional development on the trade customer base given the higher frequency of orders, larger basket size and better product mix which provide a more predictable revenue stream and a larger market opportunity.

A further 33 branches were added to the UK network during 2022 taking the total to 563. Reflecting macroeconomic conditions, the pace of rollout was slowed and this will also be the case in 2023 with around 10 new branches planned to open. With 268 new branches opened since 2017, only around half of the network is mature. New sites continue to perform at least in line with mature cohorts and these branches have the potential to add over £300m of revenue over the next five years.

The Group has invested £28m to date (£17m in year) in a new c.500,000 square foot distribution centre in Pineham, Northamptonshire. The facility incorporates automation technology and will initially provide the capability to fulfil direct to customer orders. The facility is due to be fully operational in 2023 and is an important strategic investment to both drive revenue growth and increase operational efficiency.

The European business saw very similar dynamics in terms of both revenue and operating profit performance. Benelux continues to progress well and, with 27 further branches added to take the total to 113, is approaching the “critical mass” required to take the business into profitability. During the year the Group also invested in a second distribution facility in the Netherlands with around 200,000 square feet of capacity. This facility which will provide the capability to build the network out to around 250 branches. In France, where sales grew by 50%, eight new branches were added to take the total to 45 as the business continues to refine the customer service proposition alongside optimising the choice of location and local market plans.

With the European business investing for the future and also experiencing similar volume dynamics as the UK, losses for the year were £30m. A similar outcome is expected in 2023 although this will reflect narrowing losses in the Netherlands and the impact of increased investment in France and Belgium.

Financial performance

Revenue analysis

As revenue comparatives normalised after the impacts of the pandemic, the Merchanting business and Toolstation saw contrasting dynamics though 2022.

The Merchanting business saw strong overall growth driven by price inflation which accelerated rapidly through the year before slightly moderating in the fourth quarter. With the Merchanting pricing model largely based around the pass through of materials cost price inflation, as manufacturer increases picked up from the second quarter onward (due primarily to energy cost increases), this fed through into sales price inflation as the Merchant businesses passed through these increases in a disciplined manner.

Overall volumes weakened sequentially throughout the year, notably in the smaller customer segment of the private domestic RMI market, with the impact of inflation, normalisation of comparatives from a very strong market in 2021 and concerns over project affordability weighing on sentiment.

Toolstation experienced significant volume decline in the first half as the business lapped pandemic impacted comparatives before returning to solid revenue growth in the second half with volumes broadly flat. Whilst the impact of materials cost inflation was not as pronounced on lightside products as on heavyside, inflation was still notable at around 9%. The Toolstation team have had to carefully balance the requirement to recover materials cost inflation with the desire to maintain value leadership with recent performance demonstrating that this has been managed well.

As a comparison to 2019 as a base year, Merchanting revenue was 14% ahead. Taking into account the reduction in space due to the 2020 restructuring and three-year cumulative inflation, Merchanting volumes were therefore broadly in line with 2019. Toolstation revenues are around 74% ahead of 2019. On a similar basis and adjusting for the impact of consolidating Toolstation Europe, volumes are around 45% higher than 2019.

	Merchanting	Toolstation	Group
Volume	(5.8)%	(7.1)%	(6.0)%
Price and mix	16.1%	9.0%	14.9%
Total revenue growth	**10.3%**	**1.9%**	**8.9%**
Network changes, acquisitions and disposals	(2.4)%	(5.9)%	(3.0)%
Trading days	0.8%	0.3%	0.7%
Like-for-like revenue growth	**8.7%**	**(3.7)%**	**6.6%**

Quarterly revenue analysis

		Total revenue*		Like-for-like revenue	
		2022	2021	2022	2021
Merchanting	Q1	17.9%	5.7%	15.3%	15.7%
	Q2	9.2%	87.8%	8.5%	94.1%
	H1	**13.3%**	**37.5%**	**11.7%**	**47.3%**
	Q3	11.5%	15.1%	8.7%	15.2%
	Q4	4.7%	13.6%	2.3%	11.9%
	H2	**7.3%**	**14.4%**	**5.6%**	**13.7%**
	FY	**10.3%**	**24.8%**	**8.7%**	**28.2%**
Toolstation	Q1	(6.0)%	49.8%	(11.9)%	42.1%
	Q2	(3.2)%	29.0%	(9.2)%	19.7%
	H1	**(4.6)%**	**38.7%**	**(10.6)%**	**29.8%**
	Q3	6.1%	9.1%	0.2%	1.4%
	Q4	12.7%	1.7%	7.2%	(5.1)%
	H2	**8.9%**	**5.3%**	**3.7%**	**(2.0)%**
	FY	**1.8%**	**20.2%**	**(3.7)%**	**12.3%**
Total Group	Q1	13.6%	11.5%	10.5%	19.5%
	Q2	7.1%	74.6%	5.6%	76.9%
	H1	**10.3%**	**37.7%**	**7.9%**	**44.1%**
	Q3	10.7%	14.1%	7.4%	13.1%
	Q4	6.0%	11.4%	3.1%	8.8%
	H2	**7.5%**	**12.8%**	**5.3%**	**11.0%**
	FY	**8.9%**	**24.0%**	**6.6%**	**25.4%**

* Trading day adjusted

Financial performance continued

Operating profit

£m	2022	2021	Change
Merchanting	314	320	(2)%
Toolstation	(9)	22	(141)%
Property	25	49	(49)%
Unallocated costs	(35)	(38)	8%
Adjusted operating profit	**295**	**353**	**(16)%**
Amortisation of acquired intangible assets	(10)	(11)	1
Adjusting items	–	7	(7)
Operating profit	**285**	**349**	**(64)**

There were no adjusting items in the year. During 2021, the Group successfully exited the leases on a number of branches closed in 2020 for less than the contractual lease liability, which generated a £7m credit.

Finance charge

Net finance charges, shown in note 6, were £40m (2021: £43m) with the reduction primarily due to favourable foreign exchange movements.

Taxation

The tax charge for 2022 was £53m (2021: £65m excluding discontinued operations).

The tax charge for the year gives an effective tax rate ("ETR") of 21.6% (standard rate 19%, 2021 actual 19.7%). The ETR is higher than the standard rate due to the effect of expenses not deductible for tax purposes, the largest items being the depreciation of property and unutilised overseas losses.

Earnings per share

The Group reported a total profit after tax of £192m (2021: £241m, excluding discontinued operations) resulting in basic earnings per share of 90.8 pence (2021: 103.9 pence, excluding discontinued operations). Diluted earnings per share were 89.2 pence (2021: 102.6 pence excluding discontinued operations).

Adjusted profit after tax was £200m (2021: £249m, excluding operations) resulting in adjusted earnings per share (note 20(b)) of 94.6 pence (2021: 107.3 pence). Diluted adjusted earnings per share were 92.9 pence (2021: 105.9 pence).

Cash flow and balance sheet

Free cash flow

£m	2022	2021	Change
Adjusted operating profit excluding property profits	270	304	(34)
Depreciation of PPE and other non-cash movements	97	98	(1)
Change in working capital	(76)	(152)	76
Net interest paid (excluding lease interest)	(17)	(14)	(3)
Interest on lease liabilities	(21)	(21)	–
Tax paid	(58)	(60)	2
Adjusted operating cash flow	**195**	155	40
Capital investments			
Capex excluding freehold transactions	(110)	(95)	(15)
Proceeds from disposals before freehold transactions	10	5	5
Free cash flow before freehold transactions	**95**	65	30

The Group delivered good free cash flow conversion of 67% in the year (2021: 51%). This included a working capital increase of £76m which was largely driven by a decrease in trade creditors. Stock and debtors were well controlled given the impact of high inflation with debtor days reducing by one day and stock volumes reducing by a double-digit percentage, partly attributable to high levels held in prior year given supply chain concerns but also reflective of tight stock management.

Capital investment

£m	2022	2021
Strategic	75	66
Maintenance	28	20
IT	7	9
Base capital expenditure	**110**	**95**
Freehold property	38	81
Gross capital expenditure	**148**	**176**
Disposals	(23)	(82)
Net capital expenditure	**125**	**94**

Base capital expenditure in cash terms was £15m higher than the prior year as the Group continued to invest in the strategic properties set out in 2021. The total expenditure was below medium-term guidance (of £125m pa) which reflects a more cautious approach during the second half with greater macroeconomic uncertainty.

In line with the Group's plan for growth, strategic capital expenditure was almost exclusively focused on Toolstation (70 new branches and distribution centre investments in the UK and the Netherlands), Travis Perkins General Merchant new branches and investment in the Group's value-added services offerings, primarily Benchmarx and Hire.

Maintenance capex increased by £8m as a result of 2021 being well below the long-run average due to the redeployment of fleet assets from the 2020 restructuring programme in lieu of new purchases.

With regards to freehold property activity, 2021 was an exceptional year as the cash generated from the sale of properties vacated as part of the restructuring programme was recycled into new Merchanting branches. With property activity returning to more normal levels in the year, the Group continued with this value-generative approach to managing its property portfolio, using proceeds generated to purchase the freeholds of several General Merchant branches in the South-East of England to protect these key trading assets for the future.

Uses of free cash flow

£m	2022	2021	Change
Free cash flow	**95**	**65**	**30**
Investments in freehold property	(38)	(81)	43
Disposal proceeds from freehold transactions	12	78	(66)
Acquisitions / disposals	–	249	(249)
Dividends paid	(82)	(105)	23
Net purchase / sale of own shares	(172)	(70)	(102)
Cash payments on adjusting items	(7)	(33)	26
Drawdown of borrowings	75	–	75
Repayment of borrowings	(120)	–	(120)
Other	–	(150)	150
Change in cash / cash equivalents	**(237)**	**(47)**	**(190)**

Cash and cash equivalents reduced by £237m in the year which was predominantly a result of c.£170m of share repurchases funded by the sale of the Group's Plumbing & Heating business in 2021 (the proceeds from which are reflected in the prior year disposals, net of the acquisition cost of Staircraft).

The remainder of the movement principally relates to £120m of bonds being repurchased early via a tender offer as part of the Group's ongoing management of its debt maturity profile. These bonds have been partly replaced by a £75m term loan with details of this facility outlined below. The "Other" category in the prior year contains around £130m of cash used to capitalise the Wickes business upon demerger.

Dividend payments returned to normal levels in the year. The prior year reflected a special dividend following the sale of the Plumbing & Heating business and only an interim payment following the temporary suspension of the dividend during the worst of the pandemic in 2020.

Net debt and funding

	2022	2021	Change	Covenant
Net debt (under IFRS 16)	**£819m**	£605m	£175m	
Net debt / adjusted EBITDA	**1.8x**	1.2x	0.6x	
Covenant metrics*				
Covenant net debt	**£279m**	£87m	£192m	
Covenant net debt / EBITDA	**0.8x**	0.2x	0.6x	<3.0x

* Pre-IFRS 16 – Leases basis

Covenant net debt increased by £192m across the year to £279m. This movement is principally a result of the 2021 closing position including £170m of net proceeds from the sale of the Plumbing & Heating business which were returned to shareholders via the share buyback programme during 2022, with the balance related to an inflation-driven working capital increase.

Funding

As at 31 December 2022, the Group's committed funding of £905m comprised:

- £180m guaranteed notes due September 2023, listed on the London Stock Exchange
- £250m guaranteed notes due February 2026, listed on the London Stock Exchange
- £75m bilateral bank loan due August 2027
- A revolving credit facility of £400m, refinanced in January 2019, of which £54m matures in January 2024 and the remaining £346m matures in April 2025

As at 31 December 2022, the Group had undrawn committed facilities of £400m (2021: £400m) and deposited cash of £194m (2021: £435m), giving overall liquidity headroom of £594m.

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 entered into a £75m five-year bilateral loan with one of its relationship banks, pari passu with existing facilities. The bilateral loan bears a floating interest rate, which was fixed at the point of issuance via an interest rate swap.

The Group's credit rating from Fitch Ratings was affirmed at BBB- with stable outlook following a review in October 2022.

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 has a revolving credit facility with a syndicate of eight banks for a total value of £400m with £54m maturing in January 2024 and £346m maturing in April 2025. Built into the agreement is an option to extend the size of the facility to £550m.

Financial performance continued

The Group has an upcoming maturity of Guaranteed Notes due September 2023. The original size of this issuance was £300m. To manage this refinancing risk, the Group took two steps in 2022. In April 2022, a tender offer was successfully completed for £120m principal value of the Notes, which were subsequently cancelled.

In August 2022, the Group issued a new £75m floating rate five-year term loan with National Westminster Bank plc. This loan was swapped to a fixed rate at the point of issuance via an interest rate swap. The Group's policy is to enter into derivative contracts only with members of its bank facility syndicate, provided such counterparties meet the minimum rating set out in the Board-approved derivative policy. At the year end the Group had a £75m interest rate swap outstanding and its borrowings were fixed on 100% of the Group's cleared gross debt (before cash and cash equivalents).

The Group settles its currency denominated purchases using a combination of currency purchased at spot rates and currency bought in advance on forward contracts. Forward contracts are purchased for approximately 90% of six months' forward committed requirements, based on the firm placement of forward stock purchases. At 31 December 2022 the nominal value of currency forward contracts was €10m (2021: €11m) and US$30m (2021: US$21m).

The Group is a substantial provider of credit to small and medium-sized businesses in the UK and some of the UK's largest construction companies. It manages its exposure to credit risk through a strong credit control function that works closely with the business and its customers to ensure the Group offers credit sufficient for the needs of those customers without exposing the Group to excessive risk. The bad debt charge in 2022 was 0.3% (2021: 0.4%) of credit sales.

In summary, the key aspects of the Group's financial risk management strategy are to:

- Run the business to investment-grade credit parameters
- Reduce reliance on the bank market for funding by having a diverse mix of funding sources with a spread of maturities
- Seek to maintain a strong balance sheet
- Place a high priority on effective cash and working capital management
- Maintain liquidity headroom of over £200m and build and maintain good relationships with the Group's banking syndicate
- Manage counterparty risk by raising funds from a syndicate of lenders, the members of which maintain investment grade credit ratings
- Operate banking covenants attached to the Group's revolving credit facilities and term loan within comfortable margins
- Maintain the ratio of reported net debt to adjusted EBITDA in the range of 1.5x to 2.0x. It was 1.8x (2021: 1.2x) at the year-end
- Have a conservative hedging policy that reduces the Group's exposure to currency fluctuations
- The financial ratios are calculated under IFRS as adopted by the EU as it was immediately before the adoption of IFRS 16 – Leases, except for the August 2022 loan agreement which has economically-equivalent tests that incorporate the impact of IFRS 16 – Leases

Tax strategy and tax risk management

The Group's objectives in managing and controlling its tax affairs and related tax risks are as follows:

- Ensuring compliance with all applicable rules, legislation and regulations under which it operates
- Maintaining an open and cooperative relationship with the UK tax authorities and with the tax authorities that the Group's overseas businesses operate under, to reduce the Group's risk profile
- Paying the correct amount of tax as it falls due

Tax policies and risks are assessed as part of the formal governance process and are reviewed by the Chief Financial Officer and reported to the Audit Committee on a regular basis. Significant tax risks, implications arising from these risks and potential mitigating actions are considered by the Board when strategic decisions are taken. In particular the tax risks of proposed transactions or new areas of business are fully considered before proceeding. The Group employs professional tax specialists in the UK to manage tax risks and takes appropriate tax advice from professional firms where it is considered to be necessary for both its UK and overseas operations. The Group's tax strategy is published on its website.

Viability assessment

In accordance with Provision 31 of the UK Corporate Governance Code, published by the Financial Reporting Council in 2018, the Board of Directors has undertaken an assessment of the viability of the Group.

As part of its deliberations the Board undertook a robust review of the Emerging and Principal Risks and Uncertainties facing the Group, how they are managed and the actions that could be taken to mitigate their effect or avoid them altogether. The resulting disclosures, which include those risks that could threaten the Group's business model, performance, solvency and liquidity are shown on pages 66 to 74 of the Annual Report. The Board believes the Group is well-placed to manage those risks successfully.

The Board has decided that it is appropriate to assess the performance of the Group over a three-year period from 28 February 2023, the month-end date closest to the approval of the 2022 annual results.

Three years has been chosen because this is the period that it is reasonably possible to forecast forward with a degree of accuracy. This is because the Group is subject to the vagaries of the economic cycle and property market which cannot reasonably be forecast with certainty further than three years forward. Whilst the Board has no reason to believe the Group will not remain viable over a longer period, the inherent uncertainty involved means three years is the appropriate period over which to give users of the Annual Report a reasonable degree of confidence.

The Corporate Plan, which is prepared annually on a rolling basis, considers the Group's future profitability, cash flows, liquidity headroom, availability of funds and covenant compliance. For the purposes of the viability review, the Board has performed a robust sensitivity analysis to stress test the downside scenario principally based upon the 2008/2009 financial crisis and the mitigating actions that would be taken to protect the Group's viability. These actions include reducing costs, capital spend, revenue investment and payments to shareholders, as well as restricting credit to customers. In undertaking this analysis, the Board considered the impact on the wider economy and property market from the current interest rate environment and cost-price inflation in building materials and energy prices, as well as general price levels. Given the Group's trading experience in the Covid-19 pandemic and the nature of the near-term risks to the economy, the use of the 2008–2009 financial crisis as a model for a prolonged downturn in the housing market remains appropriate.

Based upon the assessment undertaken, the Directors confirm that 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 three-year period of their assessment.

Statement of principal risks & uncertainties

Risk management is integral to building the Group's resilience and supporting delivery of its strategic objectives, which will both protect and create stakeholder value.

Heightened uncertainty in the external environment, alongside the need to successfully implement a number of transformational programmes internally, drive an increasingly dynamic risk landscape for the Group to navigate, underlining the importance of maintaining effective and timely risk management processes.

Risk management framework

The Group takes a balanced approach to manage risks in a proactive, efficient and effective way. Risk assessment and mitigation is a key area of focus for senior management and is embedded into broader review and decision making processes.

The risk management framework has three pillars:

- **Top down** – activities at the Board and Group Leadership Team levels, focused on material risks to the strategy, business models and operations.
- **Bottom up** – activities across the Group that capture and assess risks that are significant at a business unit, programme or functional level.
- **Emerging risk** – new and emerging risks are considered and tracked through the regular risk activities above, the results of assurance activities and, at least twice a year, through a process of horizon scanning that includes assessment of our risk set against a diverse set of external benchmarks.

The output from each pillar informs the process to determine the Group's principal risks.

In addition, the Risk function works in conjunction with the business to undertake a rapid evaluation process where new or unexpected events trigger changes to the Group's risk profile, such as the Group-wide impact analysis that was completed in early 2022, shortly before Russia's invasion of Ukraine.

Responsibility and oversight

The Board has overall responsibility for risk management and internal controls, and for reviewing their effectiveness at least annually. The Board is supported in its assessment by the work of the Audit Committee, which regularly assesses the risk framework and the results of key assurance processes, including the work of Internal Audit, to provide assurance to the Board that risk is being effectively managed throughout the Group. Further details on the Group's risk management responsibilities and oversight are given in the Corporate Governance Report on page 89.

Risk appetite

The Board accepts that, in order to achieve its strategic objectives, and generate suitable returns for shareholders, it must accept, and actively manage, a certain level of risk. It undertakes an exercise, at least annually, to consider the nature and level of risk it is prepared to accept to deliver the strategy. Risk appetite is set against a sliding scale across a suite of risk categories directly relevant to the Group, supported by high-level risk statements which set out the expectations for the management and control of each category of risk. The resulting assessment of risk appetite, refreshed again in 2022, has been set to balance opportunities for growth and business development in areas of potentially higher risk and return, whilst prioritising safety and maintaining the Group's reputation, legal and regulatory compliance and the desired high levels of customer service and satisfaction. The Board also considered the principal risks in the context of its risk appetite and assessed current and planned mitigating activities to ensure that these key risks are managed within the stated appetite.

Risk assessment and reporting

The risk management processes aim to identify and assess risks before they impact on activities, and position the businesses and support functions to effectively manage those risks and leverage related opportunities. The Board has developed a risk reporting framework that ensures it has visibility of key risks, the potential impacts on the Group and how and to what extent those risks are mitigated. Consideration of risk is also built into reporting for key review and decision making processes including those related to strategy, transformational programmes and regular business performance reviews.

Risk mitigation and assurance

The Group are able to mitigate relevant risks by adopting different strategies, informed by the Board's appetite for risk, and by maintaining a strong system of internal control which is routinely tested and assured.

The Group operates a "three lines of defence" model to obtain assurance that major risks are adequately mitigated and controlled, as set out below. Oversight is ultimately provided by the Group Leadership Team and the Audit and Stay Safe Committees, which includes regular review of progress against agreed improvement actions. Regular updates on assurance activities are provided to the Board.

Line of Defence	Source of assurance	Nature of assurance	Oversight
1st	Business operations & operational management *Branches & distribution centres*	**Direct assurance** – Execution of policies and procedures, training completion, management controls and monitoring, key performance indicators and self-assessments	Business leadership teams
2nd	Central functions *Includes Safety, Fleet, Legal, Finance, IT and HR*	**Management assurance** – Risk management programme, compliance and monitoring activities, central governance processes (including the setting of policies, procedures and training)	Group Leadership Team Stay Safe Committee
3rd	Independent reviews *Includes internal audit, external audit and other third party reviews*	**Independent assurance** – Internal audit activities, external audits and reviews that objectively assess the adequacy and effectiveness of governance, risk management and controls and support continuous improvement	Audit Committee Stay Safe Committee

Statement of principal risks & uncertainties continued

Development of the Risk Management Framework in 2022

The Group's risk management activities continue to be developed to support management's assessments of threats and opportunities that could materially impact strategic delivery, performance, compliance and reputation. Particular focus has been placed this year on reviewing potential disruptive forces, both in terms of a dynamic macroeconomic and geopolitical environment and the challenges and changes facing the construction industry more generally. The Board participated in a disruption-focused workshop during 2022 to assess both strategic resilience and further opportunities for the Group. The outputs of this exercise have been assessed against existing mitigations and planned initiatives to identify areas for ongoing review and focus.

At the end of 2022 the Group commissioned an external review of our risk management framework. This confirmed that the Group have made a marked improvement in the way risk is identified, considered and reported in recent years. Ongoing work is required to continue to evolve the framework, consistency of approach and risk culture across the Group. This will be built into the findings into the Group's development plan, to ensure that risk management is fully leveraged to drive insight, decision support and value for the Group as well as meet the future requirements of UK corporate reforms.

The Risk function has continued to deliver risk training and workshops in 2022 with a particular focus on Toolstation Europe and supporting the ongoing development of the risk assessments that underpin the Group's suite of minimum standards for ESG leading commitments and strong core focus areas. This year Internal Audit has also enhanced its reporting to assess findings against the Board's risk appetite, to ensure that action taken is proportionate to, and prioritised in line with, the Board's risk objectives.

Principal risks

The Group operates in an industry and markets which, by their nature, are subject to a number of inherent risks. In common with most large organisations, the Group is subject to general commercial, political and economic risks, which moved rapidly and significantly in 2022.

The principal risks that are considered to have a potentially material impact on the Group's operations and the achievement of its strategic objectives are set out below. Further detail in respect of the potential impact of these risks and the mitigating actions taken are explored on the following pages. The scope and potential impact of risks will change over time. As such the risks set out below should not be regarded as a comprehensive statement of all potential risks and uncertainties that may manifest in the future. Additional risks and uncertainties that are not presently known, or which are currently deemed immaterial, could also have an adverse effect on the Group's future operating results, financial condition or prospects.

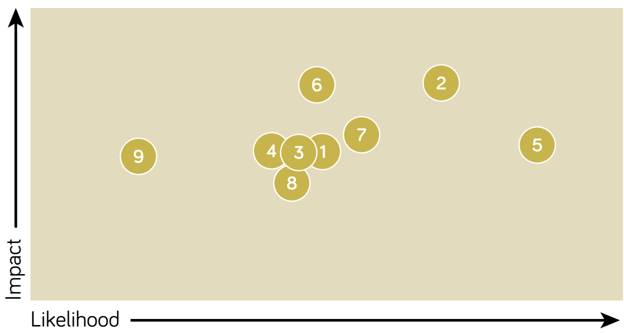
Risk category	Principal risks	Strategic objective	Risk trend 2022	Risk trend 2021	Inherent risk
External	1. Long term market trends	ABCD	↔	↔	High
	2. Macroeconomic volatility	AE	↑	N	High
	3. Supply chain resilience	BC	↑	↑	High
Strategic	4. Managing change	ABCDE	↔	↔	Medium
	5. Climate change & carbon reduction	D	↔	N	High
Technological	6. Cyber threat and data security	D	↑	↑	High
Operational	7. Health, safety & wellbeing	D	↔	↔	Medium
	8. Legal compliance	D	↔	↔	Medium
	9. Critical asset failure	BCD	↔	N	Medium

Key

A Operating and leading in attractive markets
B Leading the evolution of the merchanting model
C Maximising the potential of Toolstation
D Leveraging the power of the Group
E Delivering attractive financial outcomes
N New
↑ Increasing
↓ Decreasing
↔ Limited change year-on-year

Principal risks heat map:

After mitigating actions and controls



The Board and Group Leadership Team robustly assess the Group's principal and emerging risks at least twice a year. During 2022 the Board has considered the risk environment and/or the selected principal risks at five meetings, including detailed assessments of external and internal developments and influences on the risk set.

Key disruptive risks that may impact the viability of a strategy or business model are also identified and managed and were the topic of a dedicated Board workshop during 2022. The Group does not currently consider any of these to be standalone principal risks. Several of the risks set out below, particularly long-term market trends, include elements that can be considered disruptive in nature, however they are categorised in the table above according to the primary driver of the risk for the Group.

Key changes in the year

The Board has made the following changes to the principal risks in 2022:

- **Pandemic:** Whilst Covid-19 remains a potential source of disruption for the Group, the business has developed proven ways of working through the initial years of the pandemic to continue to operate whilst promoting the safety and wellbeing of it's colleagues, customers and suppliers as well as the general public. The Group's national network and extensive supply base means it is well placed to maintain high levels of customer service should there be further localised restrictions. The ongoing impact of the pandemic on global markets is considered in the Group's Macroeconomic Volatility risk. As a result, the Board has removed the Pandemic risk from the principal risk set but the Group remains vigilant in the ongoing assessment of, and response, to public health concerns.
- **Macroeconomic Volatility:** This risk was introduced in 2021 in light of availability challenges and early signs of inflation. Whilst the former has resolved in 2022, this risk has been reshaped to focus on the uncertain and volatile macroeconomic and geopolitical environment, which the Board now considers to present a high level of inherent risk to the Group, although action has been taken on many fronts to manage and mitigate the impacts, as set out below. Given the pace and breadth of change during 2022, in the UK and globally, this risk is still considered to be increasing.

Emerging risks

The risk environment in which the Group operates will continue to evolve and be impacted by future events, therefore awareness of emerging risks forms part of the overall risk assessment process. The Group seeks to capture and monitor areas of uncertainty that do not currently present a significant risk but which have the potential to adversely impact it in the future. This enables the Group to monitor and understand the potential implications and build these into the decision-making processes at the right time. The Group identifies emerging risks from regular external risk benchmarks, alongside perspectives on emerging risks collated from assessments made by the business and functional leadership teams and the results of assurance activities.

The potential for an escalation of hostilities in the war in Ukraine continues to be monitored as an emerging risk. Immediate action was taken at the start of the war to ensure compliance with sanctions and, particularly, that timber purchases are from certified sources and do not include timber sourced from Russia or Belarus. Any further escalation in conflict in Europe could present further impacts to sourcing and supply so this remains under regular review. Other areas of potential emerging risk considered by the Board during 2022 include international relations with China, which have the potential to influence our direct sourcing operation, and renewed calls for a referendum on Scottish Independence, which, dependent on the erms of an agreed separation, could impact our network of branches and stores in Scotland. These continue to be analysed and monitored.

Long-term market trends

Inherent risk: High	Change in risk level: ↔	Relevance: Industry-wide

Description

The construction sector is changing, driven by both macro and sector-specific factors. Whilst current macroeconomic conditions are creating a varied picture across the Group's customer base in terms of demand and sentiment, the fundamental long-term market drivers are strong. A number of industry trends present both opportunities and risks for the Group:

- Traditional ways of working in the industry will change, driven by technology and a move to modern methods of construction.
- A growing productivity challenge in the construction sector needs to be addressed alongside an increasing scarcity of technical knowledge and a more general labour shortage.
- Many customers want digitally-enabled solutions. The Group's ability to deliver platforms that meet customer demand and keep pace with competitor developments will impact its longer-term growth and delivery of the strategy.
- The Group's ability to provide innovative fulfilment solutions combined with digital models will be a key differentiator. This could also draw new entrants into the market, operating models that differ significantly from the traditional merchanting and online formats.
- Manufacturers of the materials and products that the business sells may look to sell directly to end customers, diminishing their role as a distributor. Disintermediation has the potential to increase in an economic environment where customers are more price sensitive and proposition differentiation becomes less important.
- ESG factors are becoming more fundamental to long-term success.
- New UK legislation drives a need to manage changing building standards and the future framework for heat in buildings through the products and services that the Group offers.

Mitigation

The long term fundamental drivers of the Group's end markets remain robust. The UK faces a shortage of new and affordable housing, alongside a significant backlog of maintenance and improvement work on public sector assets. The need to decarbonise an ageing housing stock is growing in urgency given the sharp increase in energy costs and government policy is supportive of investment in infrastructure.

The Group is well positioned to partner with the construction industry to deliver on this agenda. Its balanced portfolio of businesses all hold #1 or #2 positions in their markets and benefit from a diverse end-market exposure, from small independent builders to large national contractors.

The focus remains on deepening trade customer relationships by delivering convenient service propositions, both physical and digital, and on elevating customer relationships through the provision of solutions and value added services that take time, cost and carbon out of customers' construction processes. To this end, further investments have been made in developing Hire and Managed Services propositions and the Group is beginning to support customers' net zero plans by providing delivery carbon data.

The business continues to make progress in digitising key customer journeys and building tools that complement the existing operations and offer customers options to transact in ways that best suit their needs. The recently implemented delivery management system and customer apps offer a best-in-class digital customer experience and help drive internal efficiencies.

The Group has entered into a number of partnerships with companies involved in modern methods of construction.

The Group maintains a comprehensive tracking system for lead indicators that influence the market for building materials in the UK.

The Board conducts an annual review of strategy, which includes an assessment of likely competitor activity, market forecasts and possible future trends in products, channels of distribution, disintermediation threats and customer behaviour.

Impact: Adverse effect on financial results, loss of market share

Macroeconomic volatility

Inherent risk: High	Change in risk level: ↑	Relevance: Industry-wide

Description

The Group's operations are mainly based in the UK, serving UK customers, with a small but growing presence in the EU. These operations rely on a multi-territory supply base that exposes the business to much wider macroeconomic –and geopolitical– uncertainty. Global events in the last 18 months, including the war in Ukraine, and the continuing impact of the pandemic and related lockdowns in some areas, have created an uncertain and volatile macroeconomic situation that the Group is not alone in facing.

The UK is facing a range of macroeconomic challenges including, along with many of the countries from which the Group sources products, the highest level of inflation for 40 years. This is substantially impacting the cost of goods sold and operating costs including fuel and energy, which could continue to rise.

The performance is affected by both general economic conditions and a number of specific drivers of construction, repairs, maintenance and improvement and DIY activity. In the last year, the lead indicators, which include the volume of housing transactions, house price inflation, and consumer confidence, have been weakened by the cost of living crisis and rising UK mortgage rates.

Whilst the central government in the UK has named infrastructure as its second growth priority, any change in policy or investment levels could impact the businesses that serve this sector.

Although the Group has shown resilience in the face of this range of pressures, continued turbulence in the external environment could negatively impact the Group's ability to grow market share and deliver an improved trading performance.

Mitigation

The Group is confident in its strategy, the strength of the Group and the resilience of the diverse end-markets, however, like every business, the Group has to navigate the current volatile macroeconomic conditions carefully, continue to tightly manage costs and take the right decisions in order to steward the business responsibly and sustainably. The actions taken to simplify the Group's operating structure in recent years have created the flexibility to adapt to changing market conditions.

The Group remains focused on the recovery of elevated levels of input cost inflation and continues to tightly manage the operating cost base.

The Group undertakes constant product price and availability monitoring across the businesses. Pricing strategies across the Group are regularly reviewed and the Group has been successful in 2022 in working with customers to pass through higher input costs in the most transparent and fair way possible. The market positions of the businesses and their strong relationships with suppliers have been used in this uncertain period to ensure that the Group maintains adequate stocks to meet demand during periods of disruption.

Policy and legislative changes that may impact the businesses are monitored and, where appropriate, strategies are devised to influence these changes by using the Group's leading position to input into Government agendas.

The Group has a conservative hedging policy to reduce the exposure to currency fluctuations.

In response to cost of living concerns, the Group is actively promoting the comprehensive benefits package, discounts and support available to colleagues. In addition, the majority of colleagues received a one off additional support payment in January 2023.

Impact: Operational disruption; adverse effect on ranging and/or price, customer service and financial results

Supply chain resilience

Inherent risk: High	Change in risk level: ↑	Relevance: Industry-wide

Description

A resilient supply chain is a critical factor in serving customers and achieving strategic objectives.

There is both breadth and depth to the Group's supply chain. The Group sources products from across the globe and sells a wide range of products, from materials such as timber through to power tools comprised of many components. The smooth operation of this extensive supply chain may be disrupted by many events and circumstances outside of the Group's direct control including public health crises and related responses at a local, national or international level, geopolitical and macroeconomic factors, industrial action and the status of transport networks.

In certain product categories, the Group faces risk in relation to key supplier dependencies, where there are limited alternative options. The Group is the largest customer to a number of suppliers and, in some cases, those suppliers are material enough to cause significant difficulties and disruption if they are unable to meet their supply obligations. Alternative sourcing may be possible, but the volumes required and the production time needed could impact availability.

ESG matters are increasingly important to the Group and its customers: sourcing responsibly is a strategic focus area. This places additional requirements on the supply chain, which may increase over time. This helps the Group to assess supplier resilience but if suppliers do not meet standards it could further restrict the supply options.

Mitigation

The Group maintains strong relationships with its key suppliers and work closely with them to agree mutually beneficial contracts, conduct due diligence in line with the Group's commitment to responsible sourcing, and ensure a continuous supply of quality materials.

The pandemic tested the ability to ensure continued supply and respond quickly to changes in demand. The increased supplier liaison that the Group introduced in preparation for Brexit helped them to successfully navigate a period of significant uncertainty in collaboration with the key suppliers. Whilst the pandemic-related supply issues experienced across the sector have resolved, the Group continue to navigate uncertainty working in tandem with suppliers. The Group moved quickly in 2022 to ensure that sanctions against Russia were effective within the supply chain and, particularly, purchases excluded timber sourced from Russia or Belarus.

To ensure continuity of supply, where possible, contracts exist with more than one supplier for key products, to reduce the risks of dependency on a sole supplier. The Group keeps stock levels under constant review and, helped by the Group's market position, has a track record of effectively managing availability issues in conjunction with suppliers.

The Group has made a significant investment in its TP Asia office to support direct sourcing. This allows the development of own brand products, reducing the reliance on branded suppliers.

The Group has published Supplier Commitments that articulate its expectations. Independent checks are undertaken on the factories producing products for the Group, covering ethical, safety, environmental, financial and quality factors. The results of these checks are kept under review with action taken as necessary to address any concerns.

Impact: Adverse impact on ranging and/or price, customer service and financial results

Managing change

Inherent risk: Medium | **Change in risk level:** ↔ | **Relevance:** Company specific

Description
Embracing and effectively navigating change is fundamental to the Group's future success.

Strategic change
The Group's strategy is built upon innovation and some of the capabilities needed are different from the traditional merchanting skill set. The Group seeks to build new services, digitise its businesses and adapt to new ways of working within the industry, all whilst maintaining a high level of service to more traditional customers, for whom change will come more slowly. The ability to attract, retain and develop colleagues, or add capability through targeted acquisitions, is central to ensuring that the Group has the right skills and experience to deliver strategic initiatives. The Group increasingly competes for skills nationally and internationally and, in key areas such as data analytics, the demand for skills may increase recruitment time and costs. It is a dynamic labour market but these forces could make it harder to secure capabilities key to strategic delivery.

Technology-enabled business change
The Group has embarked on a number of major technology projects to underpin its operations, enable the future growth plans and meet customers' changing needs. Delivering the systems and associated change required is key to successful execution of the strategy.

In adopting a more agile, incremental approach to business change, enabled by technology, the Group needs to manage an extended transition period where old and new technologies must successfully co-exist.

Against a backdrop of economic uncertainty, the pace of project delivery may need to flex with available resources, which could lead to missed opportunities or delays to access operational benefits or deliver on strategic priorities.

Mitigation
The Group has adopted a new Group-wide 'Idea to Live' change approach this year to prioritise, approve and manage initiatives in a transparent and consistent way. The Group creates dedicated teams to deliver major programmes with external expertise added to support when necessary. The strategic initiatives consider the related capability requirements and, as needed, they will make bolt-on acquisitions to deliver a strategically significant opportunity.

All major programmes are ultimately governed by the Group Programme Review, overseen by the CEO, CFO and COO, with regular reporting to the Board. This review considers the portfolio of programmes in terms of progress, milestones, interaction, key decisions, risks and requirements. Major programmes are also supported by defined governance structures, including a dedicated sponsor from the Group Leadership Team and regular review by a project Steering Committee.

The Group undertakes post-investment review exercises to assess the success of change, in both financial and non-financial terms. If projects do not deliver against expectations, the Group assesses the 'lessons learned' to inform future programmes.

The Group has designated people development and diversity & inclusion to be among its leading commitments and they are progressing delivery of the pillars of "Our People" agenda: attract, belong, deliver, learn and grow. The Group listens to colleagues' voices through regular engagement surveys with 76% of colleagues completing the 2022 survey.

The reward and recognition systems are actively managed and regularly benchmarked to ensure that the offering is competitive and encourages talent to join and remain with the Group.

Impact: Failure to deliver the strategy; adverse effect on financial results, shareholder value, colleague engagement

Climate change and carbon reduction

Inherent risk: High | **Change in risk level:** ↔ | **Relevance:** Industry-wide

Description
Climate change could significantly impact the construction sector during the transition to a low carbon environment. The nature, extent and scale of that change remains unclear. The Group is committed to helping the industry to decarbonise by using the most efficient products, supplied in the most efficient way to produce the right outcomes for communities. This commitment promotes a sustainable and value-generating business model, underpinning the Group's ambition to be the leading partner to the construction industry, and, more fundamentally, aligns with its purpose, to build better communities and enrich lives, fulfilling its responsibility to take action and influence the wider industry to mitigate the significant threats posed by climate change.

The Group top climate-related risks in 2022 relate to:

- The move to a low-carbon fleet, as the Group has one of the largest UK vehicle fleets
- Increasing costs of goods due to producer-country carbon-pricing
- The ability to transition to new lower-carbon product categories
- Product obsolescence for higher-carbon product categories

Delivering the industry-leading carbon reduction targets, approved by the Science Based Targets initiative (SBTi), will be challenging. It requires significant investment and engagement with the wider construction products industry to reduce supply-chain and product carbon.

Environmental matters are increasingly important to colleagues, customers, suppliers, investors and government, driving changes to demand, expectations and information requirements, which the Group must identify and effectively respond to.

Mitigation
The Group must regularly identify its most material climate-related responsibilities and challenges in order to target investment and drive effective mitigation. Related governance is led by the Board which, along with the Group Leadership Team, receives regular reports on the most material related risks and opportunities for the Group, the action taken and the progress made.

The Group continues to make good progress against its SBTi accredited targets, which are underpinned by clear roadmaps for delivery in each business.

The Group allocates capital to meet its commitments. A programme of investment in the estate to install energy saving solutions, such as utilising LED lighting and solar panels, is well underway. A number of fleet initiatives will significantly reduce future carbon emissions, including the continued rollout of electric fork lift trucks and sustainably sourced Hydrotreated Vegetable Oil (HVO) as a low carbon alternative to diesel. The Group also announced this year investment in a new fleet of 26-tonne trucks, which are engineered to reduce emissions, reduce fuel consumption, and can also run on HVO.

A key element of the plans to address Scope 3 carbon emissions is engagement throughout the whole supply chain. The Group has upskilled colleagues in Sales and Commercial to support this and ran a series of workshops with around 750 key suppliers to work with them on the collation of carbon data. In CCF the focus on delivery carbon data has supported reduced emissions and costs in CCF and allowed for detailed delivery carbon reporting to customers.

Further information on progress made during the year can be found in the Sustainability Report on pages 30 to 42.

Impact: Adverse effect on reputation, financial and/or operational performance; competitive disadvantage; less attractive as an investment stock

Statement of principal risks & uncertainties continued

Cyber threat & data security

Inherent risk: High	Change in risk level: ↑	Relevance: Industry-wide

Description

Incidents of sophisticated cyber-crime represent a significant and increasing threat to all businesses including the Group. This risk is further heightened by recent external events, such as Russia's invasion of Ukraine and geopolitical tensions and uncertainties more generally, where cyber warfare is a possibility.

Incidents impacting the confidentiality, integrity and availability of the Group's data and systems could result in disruption to customer-facing, supplier-facing and financial systems through theft and misuse of confidential data, damage to or manipulation of operationally critical data or interruption to IT services, any of which may have serious consequential impacts on the Group's reputation, ability to trade and compliance with regulations including GDPR.

The Group currently assesses its main risk of attack to be from opportunistic criminals, seeking financial gain either from the theft and sale of personal data or ransom payments, either directly or as the result of supply-chain attacks. Over the past year the Group have seen a continued increase in the volume, frequency and sophistication of attempted cyber-attacks.

As the Group continues to seek to meet customers' increasing digital expectations and drive competitive advantage in this area, the underlying data is attractive to external attackers whose methods and global footprint are rapidly evolving. In executing the technology roadmap, the Group will move away from legacy systems and transition to new cloud-hosted solutions that will change the profile of information security and the cyber threat landscape for the Group.

Using personal data in a non-compliant manner (whether deliberately or inadvertently) may exacerbate the impact of security incidents.

Mitigation

The Group takes its responsibilities and legal obligations in respect of data security and protection seriously and focus on a combination of people, process and technology to reduce the likelihood and impact of cyber incidents.

The Group assessed its potential vulnerabilities in advance of the war in Ukraine and took steps to support its partners whilst ringfencing development activities, with a regular re-assessment cadence as the situation evolved.

The Information Security team aligns the Group's approach to the National Institute of Standard and Technology CyberSecurity Framework. Best of breed security controls and technologies are key to reducing the likelihood of an attack and are regularly tested. These include firewalls, virus protection, email threat protection and intrusion detection. A combination of penetration testing, vulnerability scanning and breach simulation technology is used to test and measure the Group's security posture and address any vulnerabilities. All changes to technology solutions require Information Security review and approval.

The Group continues to utilise a 24/7 security operations centre, designed to monitor for suspicious activity and behaviours and work with resolver teams.

The cyber-incident response protocol is regularly updated with lessons learned from attempted attacks and external cases. Third-party forensic capability is in place, if needed, to support the Group's response capability.

The Group continues to prioritise a number of initiatives to focus on the most material opportunities to reduce risk associated with cyber threat and data security, including a programme to support ongoing GDPR compliance.

Impact: Operational disruption; adverse effect on reputation; potential legal action, fines and penalties

Health, safety & wellbeing

Inherent risk: Medium	Change in risk level: ↔	Relevance: Industry-wide

Description

Keeping people safe and well is clearly aligned to the Group's purpose. It is one of the Group's leading ESG commitments and remains the Group's number one priority.

The Group expects everyone to go home safe and well, every single day.

The Group operates a large estate, with many sites running complex and busy yards. The Group also operates one of the largest vehicle fleets in the UK, distributing heavy and bulky materials. Certain products that are sold pose health and safety risks. Poorly implemented safety practices on site, on the road and at delivery locations could result in significant harm to colleagues, customers and the wider community.

Full ownership of Staircraft has changed the Group's safety risk profile, with this business introducing risk of harm from the manufacturing process, in a sector with different requirements and greater regulatory scrutiny.

The Group remains exposed to the impact of Covid-19, and any prolonged public health threat, in its UK and European operations and across the territories in which its suppliers are based, which may present different challenges from those navigated so far.

Mitigation

Health, safety and wellbeing is fundamental to the Group's values. The Group continue to challenge current ways of thinking to de-risk the Group's operations and improve safety performance through the established 'Stay Safe' brand. The Group fosters an open reporting culture around safety. Colleagues continue to be encouraged to 'Call It Out' if they see anything that they consider to be unsafe and regular communications highlight examples where 'calling it out' has avoided a safety issue.

Staircraft is being integrated into the Group's Safety Management System and a dedicated Safety Manager has been appointed to support delivery of a tailored safety improvement plan.

Governance of Stay Safe is well established and designed to promote a continual focus on health and safety. Stay Safe performance is reviewed at all Board Meetings, by the Group Leadership Team, by every business leadership team and by the dedicated Stay Safe Committee, which is chaired by a Non-executive Director. The Group Leadership team also monitors the achievement of transport compliance requirements.

Incidents are monitored, investigated and corrective action taken to address the root cause. An Incident Review Board is held in the event of a significant incident, with the lessons shared across the Group.

The Group's support for mental health and wellbeing has continued to develop, with an inaugural Mental Health First Aider conference, expansion of colleague resources in the online Stay Well Hub and the creation of a wellbeing room for colleagues in the Group's Northampton offices.

Further information on progress made during the year can be found in the Safety and Wellbeing report on page 47.

Impact: Harm to colleagues, customers or the public; potential legal action, fines and penalties; adverse effect on reputation

Legal compliance

Inherent risk: Medium	Change in risk level: ↔	Relevance: Industry-wide

Description

The Group is subject to a broad range of existing and evolving governance requirements, environmental, health and safety and other laws, regulations, standards and best practices which affect the way that the Group operates and gives rise to significant compliance costs, potential legal liability exposure for non-compliance and potential limitations on the development of the Group's operations and strategy, if not managed correctly.

New requirements may also be placed on the Group as it delivers the new services set out in the strategy.

Should the Group fail to deliver against its legal and regulatory obligations, as well as broader responsibility commitments, this could significantly undermine the Group's reputation, result in legal exposure and adversely impact operations and results.

Upcoming changes to UK corporate governance requirements, the continued implementation of the Building Safety Act 2022 and the ongoing global development of ESG frameworks and related reporting all require the Group to assess current processes, controls and related assurance.

Mitigation

The General Counsel's Office is responsible for monitoring changes to laws and regulations that affect the business and is supported by external advisors. The Group Leadership Team and the Board regularly monitor compliance with laws and regulations.

A Code of Conduct, supported by minimum standards and a comprehensive framework of detailed policies, sets out the Group's requirement for all colleagues to do business in the right way with adherence regularly monitored by the Group Leadership Team. This year the Group launched a new suite of mandatory training to colleagues, Licence to Operate. This delivers essential role-based learning that underpins the Code of Conduct and core operating practices to support all colleagues to do the right thing.

The Group encourage colleagues to speak up whenever they see or suspect activity that contravenes our values, Code of Conduct or policies. All cases reported through the independent hotline are investigated.

The Group shares Supplier Commitments with suppliers to articulate expectations and higher risk suppliers are assessed against these requirements using an Online Risk Assessment.

Good progress is being made in the first phase of the finance modernisation programme, which will underpin the Group's journey to demonstrate compliance with the UK's upcoming corporate governance reforms.

The Group continues to make progress in the product provenance strategic workstream to track the 'golden thread' of product data from source through the supply chain to a customer's project.

Further information on the Group's climate disclosures in line with TCFD guidelines can be found on pages 50 to 61.

Impact: Adverse effect on reputation, financial and/or operational performance; potential legal action, fines and penalties; diversion of management attention

Critical Asset Failure

Inherent risk: Medium	Change in risk level: ↔	Relevance: Company specific

Description

Disruption of a critical Group asset, whether a primary Group distribution location, or a key system failure or outage, could significantly interrupt operations. More generally, if the Group is unable to effectively respond to global or national events, such as a pandemic, which may impact multiple sites simultaneously, this could also significantly impact operations and performance.

Distribution Centres

The Group operates a small number of distribution centres with significant stockholdings with an increasing volume of deliveries that are shipped direct to the end customer. Whilst many categories, particularly lightside products, are held throughout the network such that a short period of disruption could be managed, certain categories such as kitchens would present more significant challenges over a prolonged period of disruption. Certain distribution locations hold product, and related handling equipment, that is not carried elsewhere in the network.

IT Systems

In our day-to-day operations the Group is dependent on a wide range of IT systems and supporting infrastructure. The Group's current IT landscape is complex and includes legacy systems that lack the functionality of modern software and where expertise is diminishing. Although adequate resources and processes are in place that keep the current IT estate well maintained and operational, the older systems present an increasing risk of failures or outages and require more effort to maintain. Execution of our technology roadmap will lead in time to the replacement of a number of legacy systems.

Mitigation

Business continuity management

The Group takes a risk-based approach to business continuity management. Key distribution locations maintain business continuity plans which cover a range of scenarios. Regular prevention measures, such as fire risk assessments, are undertaken across the estate as well as maintenance programmes, in order to reduce the risk of internally-generated disruption.

The Group's size and scale helps to mitigate stock issues in the event of disruption. The Group carries a level of buffer stock in the network that would be sufficient to cover a short-term disruptive event. The Group has the ability to leverage the lightside capability in Toolstation to support an issue in Travis Perkins, and vice versa. Branch-level disruption would be managed by fulfilling orders from alternative local sites and re-routing stock.

Crisis management

The Covid-19 pandemic tested the Group's crisis response capability as tiered crisis response teams were mobilised to coordinate activity and provide ongoing monitoring, decision support and communications. The crisis management capabilities were refreshed this year, overseen by a new Group-level steering group. This enhances the existing approach with the lessons learned from the pandemic to deliver an updated control framework and improved oversight.

IT Disaster Recovery

The Group's IT disaster recovery plans are regularly tested and the results assessed to drive further improvements. The Group successfully ran a test during 2022. The incident management process is designed to prioritise and respond to any incident quickly and effectively, with escalation and communication protocols. Recovery targets are in place, designed to minimise the operational and customer impact.

Impact: Adverse effect on performance: financial, operational, customer service; diversion of management attention

Non-financial information statement

The information below is intended to help users of these accounts understand the Group's position on key non-financial matters and has been prepared in response to the reporting requirements contained in section 414C(7), 414CA and 414CB of the Companies Act 2006.

Reporting requirements	Principal risks	Policy embedding, outcomes and key performance indicators	Link
Colleagues	Health, safety and wellbeing	Business model	Page 14-15
		KPIs – Accident frequency rate	Page 27
		Safety and wellbeing	Page 47
	Managing change	Development	Page 44-45
		Modern slavery and human rights	Page 42
		Diversity and inclusion	Page 46
		Colleague voice and engagement	Page 48
		Reward	Page 48
		Directors' Remuneration report	Page 98-116
		Directors' report – Employees	Page 118
Environment	Climate change and carbon reduction	Business model	Page 14-15
		KPIs – Carbon emissions	Page 27
		Climate-related financial disclosure	Page 50-61
		Sustainability report	Page 30-49
		Carbon	Page 36-37
		Waste	Page 40-41
		Sustainable products and services	Page 36-37
Human rights, anti-bribery and anti-corruption	Legal compliance	Human rights and modern slavery	Page 42
	Supply chain resilience	Legal compliance	Page 42
		Directors' report – Modern slavery	Page 118
Social and community	Managing change	Business model	Page 14-15
		Charities and volunteering	Page 49
		Responsible sourcing	Page 38-39

A description of the Group's business model and how it creates sustainable value can be found on pages 14 to 15.

Most of the reporting on these topics and KPIs is contained in the Strategic report under the sections Business model, Sustainability report and Statement of principal risks & uncertainties or are incorporated into the Strategic report by reference from the pages noted. The Group has appropriate policies and diligence procedures regarding all the non-financial information presented in this Annual Report.

Strategic report approval

The Strategic report on pages 2 to 82 was approved by the Board of Directors and signed on its behalf by:

Nick Roberts
Chief Executive
27 February 2023

Alan Williams
Chief Financial Officer
27 February 2023

Governance

Governance

Board of Directors

Jasmine Whitbread
Chair

Nationality
British/Swiss

Appointment date
31 March 2021

Committee membership: N R S

Skills and experience
Jasmine has extensive boardroom experience with a number of large public companies. These include BT Group plc, where she chaired the Digital Impact and Sustainability Committee. Jasmine currently serves as Non-executive Director with Compagnie Financière Richemont SA, WPP plc and Standard Chartered plc. She will stand down from the Board of Standard Chartered in May 2023.

A seasoned executive leader, whose career spans over two decades, she was most recently CEO for London First (2016–2021) where she worked with business leaders to keep the UK's capital globally competitive. Prior to this Jasmine was CEO of Save the Children UK (2005–2010). She became the first CEO of Save the Children International, aligning 30 federation members in over 100 countries.

Prior to this Jasmine's career was in marketing in the technology sector, holding management positions with Rio Tinto and then in the US with Cortex and Thomson Financial.

Committee membership key:

- A Audit
- N Nominations
- R Remuneration
- S Stay Safe
- Chair

Nick Roberts
Chief Executive Officer

Nationality
British

Appointment date
1 July 2019

Committee membership: S

Skills and experience
Since joining the Group in 2019, Nick has reshaped the business to be the leading partner to the construction industry by focusing on trade customers and offering value-added services through an improved branch network. He was previously President of engineering consultancy Atkins and has spent nearly 30 years in the construction industry. He is an Honorary Fellow of the Institution of Civil Engineers and is the Deputy Chair and Trustee of the Forces in Mind Trust.

Alan Williams
Chief Financial Officer

Nationality
British

Appointment date
3 January 2017

Committee membership: N/A

Skills and experience
Alan is a qualified Accountant and Treasurer and in addition to having a strong finance background, he has extensive experience in leading strategic initiatives, mergers and acquisitions, integration and business transformation. Prior to joining the Group, Alan served as CFO at Greencore Group plc for six years. Alan also previously worked at Cadbury plc in a variety of financial roles in the UK, France and the USA.

Marianne Culver
Non-executive Director

Nationality
British

Appointment date
1 November 2019

Committee membership: R

Skills and experience
Marianne has extensive executive and board experience in the global distribution and logistics sectors. She has served as Chief, Global Supply Chain with Premier Farnell plc and as Chief Executive (UK & Ireland) of TNT. Marianne was latterly Global President of RS Components, the components trading and distribution division of the RS Group plc.

Marianne is a member of the Supervisory Board of Blackstone portfolio company the BME Group B.V. Her Non-executive Directorship career to date has included membership of the Boards of Rexel SA (listed on Euronext Paris), The British Quality Foundation and EDS Corporation Inc.

Pete Redfern

Senior Independent Non-executive Director

Nationality
British

Appointment date
1 November 2014

Committee membership: A N R S

Skills and experience
Pete has extensive financial, operational and management experience as well as strong construction and property expertise. Pete is a Chartered Surveyor, as well as a Chartered Accountant. From 2007 to 2022, Pete held the position of CEO at Taylor Wimpey plc. He was previously Chief Executive of George Wimpey plc and prior to that, successively held the posts of Finance Director and Chief Executive of George Wimpey's UK Housing business.

Coline McConville

Non-executive Director

Nationality
Australian

Appointment date
1 February 2015

Committee membership: A R

Skills and experience
Coline has a wealth of international experience with a background in management, marketing and media as well as extensive remuneration and boardroom experience. Coline is currently a Non-executive Director of TUI AG, Fevertree Drinks plc and 3i Group plc and was formerly a Non-executive Director of Inchcape plc, UTV Media plc, Wembley National Stadium Limited, Shed Media plc and HBOS plc. Prior to that Coline was Chief Operating Officer and Chief Executive Officer Europe of Clear Channel International Limited. Coline is also on the Board of Kings Cross Central GP (owned by Australian Super).

Coline holds an MBA from Harvard Business School where she was a Baker Scholar.

Louise Hardy

Non-executive Director

Nationality
British

Appointment date
1 January 2023

Committee membership: R

Skills and experience
Louise has over thirty years of business and leadership experience across the construction and infrastructure industries. A civil engineer by background, Louise has held a range of senior roles at London Underground, Bechtel and Laing O'Rourke, where she was the Infrastructure Director for the London 2012 Olympic Park. Her most recent executive appointment was European Project Excellence Director for AECOM.

Louise is currently a Non-executive Director of Crest Nicholson Holdings plc, Severfield plc and Balfour Beatty plc and the independent chair of Oriel. Louise was formerly a Non-executive Director of Renew Holdings plc, Sirius Minerals plc and Genuit Group plc.

Louise remains a keen volunteer within the construction industry as a STEM ambassador and diversity champion.

Heath Drewett

Non-executive Director

Nationality
British

Appointment date
11 May 2021

Committee membership: A

Skills and experience
Heath is an experienced CFO and currently Chief Financial Officer at Aggreko; a global power, temperature control and energy services company and former constituent of the FTSE 250 prior to its take-over in August 2021. Heath has extensive experience in the engineering, leisure and transportation and industrial sectors having previously worked for WS Atkins, British Airways, Morgan Advanced Materials and PwC. Heath brings a wealth of financial and commercial acumen to the Board at Travis Perkins based on his experience across a number of markets and sectors adjacent to the construction industry.

Jora Gill

Non-executive Director

Nationality
British

Appointment date
4 August 2021

Committee membership: N S

Skills and experience
Jora has extensive data and digital experience having held a number of Chief Information Technology Officer and Chief Digital Officer roles in significant organisations, including Standard and Poors, Elsevier, the Economist, and latterly SHL Group Ltd where he served as Chief Digital Officer until December 2021. Jora is now the CEO and Co-founder of an AI and data analytics company, Insights Driven. In addition, he serves as a Non-executive Director of the Care Quality Commission, a role he has held since 2016.

Corporate governance report

Jasmine Whitbread
Chair
27 February 2023

I am pleased, on behalf of the Board, to present the corporate governance report for the year ended 31 December 2022

Role of the Board

The Board is responsible for promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. It sets the overall Group Strategy, the tone and approach to corporate governance and considers the opportunities and risks to the future success of the business. The Group's strategy and business model are set out on pages 14 to 16. The principal risks of the business are set out in more detail on pages 75 to 81. The Board discusses strategic matters at every meeting and in June 2022 held an off-site strategy day to consider progress made against the Group's stated strategic direction and to review the opportunities and risks faced by the Group.

The Board has a schedule of matters reserved to it which was last reviewed and approved in December 2022. The latest approved schedule of matters reserved can be found on the Group's website.

In line with the UK Corporate Governance Code 2018 issued by the Financial Reporting Council (the "Code"), which is available at www.frc.org.uk, the Board has a number of Committees to which it delegates certain responsibilities: Audit, Nominations, Remuneration and Stay Safe. All Committees operate within defined terms of reference and these can be found on the Group's corporate website. The minutes of all Committee meetings are made available to all Directors and the Chairs of the Committees report on the proceedings of the Committee meetings at each subsequent Board meeting.

Culture

The Board recognises the role it plays in assessing and monitoring the Group's culture to ensure that policy, practices and behaviour throughout the Group are aligned with Group purpose, strategy and values. The Board receives regular updates on cultural indicators to assist its understanding and oversight of the Group's culture. These include Non-executive Director workforce engagement, the Group-wide colleague engagement survey and a number of listening groups and colleague communities. The Chair, Chief Executive Officer ("CEO") and other members of the Board also visit branches around the country and in doing so gain insight into the Group culture.

During the year work was undertaken to embed understanding of the Group's purpose and strategy and the new Company values, which the Board approved at its meeting in December 2021. The alignment of our culture with the Group's purpose, values and strategy is demonstrated in the Colleague voice and engagement section found on pages 48 to 49.

Engaging with stakeholders and the workforce

The Board takes into account the views of its stakeholders when making decisions, liaising with various stakeholder groups throughout the year, particularly when strategic decisions are to be taken. Engagement with stakeholder groups such as shareholders, customers, suppliers and colleagues occurs when formulating the strategic direction of the Group to gain feedback to inform the implementation and realisation of the strategy.

A statement on the ways in which the Group meets its duties under Section 172 of the Companies Act 2006 is described in the Strategic report on pages 62 to 64. This includes reporting on engagement with major shareholders and the outcomes of that engagement.

Pete Redfern is the Colleague Voice Representative on the Board. His activities in this capacity, intended to help bring the employee voice into the boardroom. During 2022 Pete held a number of meetings with colleagues with a particular focus on drivers and new starters. Key feedback themes included safety, belonging, equal opportunity, customer focus and corporte citenzenship.

Conflicts of interest and raising concerns

Declarations of any actual or potential conflicts of interest with items on the agenda are requested and made at the start of every Board and Committee meeting. A register of the Directors' interests and conflicts is maintained by the Company Secretariat and Directors complete an annual questionnaire on potential or actual conflicts of interest and their activities throughout the year. Any potential conflicts are reviewed by the Board as a whole and if necessary, mitigating actions are taken and recorded on the register of Directors' interests and conflicts. The impact of any relationships or involvements are considered carefully to ensure that they do not compromise or override the Directors' ability to exercise independent judgement.

Concerns in relation to the operation of the Board can be raised with the Chair or the Senior Independent Director. No such concerns were raised during the year.

During 2022 we continued to emphasise the principle of "calling it out" across the Group and the importance of the Code of Conduct and the Speak Up line. The Speak Up line is available for colleagues and others who interact with the Group to raise matters that are inconsistent with the Group's values or otherwise require investigation and attention. The Audit Committee, on behalf of the Board, received quarterly reports on issues raised through the Speak Up line and subsequent action taken. The Board reviewed the effectiveness of the Speak Up line at its meeting in December.

Board composition and evaluation

Board composition

As at 31 December 2022 the Board comprised six Non-executive Directors and two Executive Directors. Louise Hardy was appointed to the Board as a Non-executive Director on 1 January 2023. The biographies of the Board, as of the date of this report, are listed on pages 84 and 85.

Appointments of new Directors are made by the Board on the recommendation of the Nominations Committee. The Nominations Committee's responsibilities and a description of its work, including in connection with succession and Board effectiveness review, can be found in the Nominations Committee report on pages 91 and 92.

Re-election of Directors

All Directors are considered to be eligible, on the basis of performance and contribution to the long-term sustainable success of the Company, to submit themselves for re-election at the 2023 AGM.

Board effectiveness review

Consistent with the requirements of the Code a rigorous evaluation of the performance of the Board and its Committees is carried out in order to identify efficiencies, maximise strengths and highlight areas for further development. As described in the Nominations Committee report on pages 91 and 92, although 2021 would have been the due date for that review in typical circumstances, the externally-facilitated review of Board effectiveness was deferred to 2022.

Division of responsibilities and meetings

Chair and CEO

The Chair leads the Board and ensures its effectiveness. Jasmine Whitbread was independent on appointment as Chair.

Provision 10 of the Code sets out circumstances which are likely to impair, or could appear to impair, a Non-executive Director's independence, including where individuals hold cross-directorships or have significant links with other Directors through involvement in other companies or bodies. There were no relevant cross-directorships or other links in 2022.

The roles of the Chair and CEO are split and the Board has approved a written statement of the division of key responsibilities between the Chair and CEO which was reviewed in 2022 and is available on the Group's corporate website.

Non-executive Directors

The Board ensures that at least half of its members, excluding the Chair, are independent non-executives and reviews any relationships or circumstances which are likely to affect their independence.

There were no changes to the Board during 2022. The Board is satisfied that none of the circumstances set out in provision 10 of the Code currently apply and that all Non-executive Directors remain independent.

Pete Redfern is the Company's Senior Independent Director ("SID"). The SID acts as a sounding board for the Chair and an intermediary for Directors and shareholders. The SID's responsibilities are set out in writing and are available on the Group's corporate website. The SID is available to shareholders should they wish to raise an issue through an alternative channel. The Non-executive Directors led by the SID meet without the Chair present annually to discuss the Chair's performance and any other matters as required.

The Non-executive Directors provide constructive challenge, strategic guidance and appraise Executive Directors' performance against agreed performance targets. The Non-executive Directors and Chair meet regularly without the Executive Directors present.

Time commitment

When making new appointments the Board carefully considers the competing demands on candidates' time. Prior to appointment, candidates are required to disclose any significant commitments along with the estimated associated time commitment. Each Non-executive Director's letter of appointment sets out the time commitment expected of them and these letters will be available for inspection at the Annual General Meeting.

The Board considers, on an annual basis, the time commitments of each Director and it is satisfied that all Directors continue to have sufficient time available to fulfil their duties. Any new external appointments during the year are given careful consideration, taking into account the number and scale of each Director's other commitments before approval is given and recorded. Subject to approval by the Board, Executive Directors are allowed to accept one external non-executive directorship with a listed entity.

So far as is practicable, the Company liaises with the Non-executive Directors to ensure the schedule of meetings does not clash with external appointments. Directors are able to attend meetings by video or telephone conferencing if there is an issue with location or travel.

Board and Committee meetings

The Board held eight scheduled meetings in 2022, all of which were in person and included a meeting at Staircraft together with a tour of operations. Regular items on the agenda included: detailed updates on financial results and performance against related KPIs; health and safety; progress against strategic objectives; and strategic reviews of the Group's businesses. Other areas of consideration included investor feedback, sustainability, risk and governance. During 2022 the Board focused especially on: bringing to fruition the strategy of "elevating relationships" by adding services and new areas of added value and of "deepening relationships" to earn a greater share of spend; the Group's key commitments under its ESG Framework of "Building for Better" (more detail of which are set out in the Strategic Report on pages 30 to 49); the Group's purpose, values and culture; diversity and inclusion; and the Group's response to the trading conditions prevailing in 2022 due to macroeconomic circumstances.

The General Counsel & Company Secretary manages the process of setting the agenda for each Board meeting which is agreed between the Chair, the CEO and the Chief Financial Officer ("CFO"). A programme of work and key priorities is set with the Board at the beginning of each year, with agendas based on the annual plan as well as topical items and matters of particular concern or interest to the Board. Key financial and other relevant information is circulated to the Board outside scheduled meetings and is monitored by the Chair to ensure that it is sufficient, timely and clear.

The Chair meets regularly with Board members and with members of the Group Leadership Team ("GLT") between Board meetings and ensures that Board members are kept informed of material developments. At meetings the Chair encourages debate and equal contribution from each Board member within a transparent and constructive atmosphere. The names of the Directors who served on the Board during the year together with the number of Board and Committee meetings attended by each Director is set out below.

	PLC	Audit Committee	Stay Safe Committee	Nominations Committee	Remuneration Committee	Overall attendance (%)
Number of meetings	8	4	3	5	3	
Attendance:						
M. Culver	8/8	n/a	n/a	n/a	3/3	100
H. Drewett	8/8	4/4	n/a	n/a	n/a	100
J. Gill*	7/8	n/a	3/3	5/5	n/a	93
C. McConville	8/8	4/4	n/a	n/a	3/3	100
P. Redfern	8/8	4/4	3/3	5/5	3/3	100
N. Roberts	8/8	n/a	3/3	n/a	n/a	100
J. Whitbread	8/8	n/a	3/3	5/5	3/3	100
A. Williams	8/8	n/a	n/a	n/a	n/a	100

* Jora Gill missed one Board meeting due to the cancellation of a flight, caused by Covid-19 related disruption. Jora ensured that his comments on the meeting papers were circulated to the Chair who represented his thoughts in the meeting.

Group Leadership Team

The Board has delegated responsibility for the execution of the Group's strategy and the day-to-day management and operation of the Group's business to the CEO. The CEO has established and chairs the GLT which comprises key business and functional leaders.

Other colleagues are invited to attend GLT meetings from time to time in relation to specific matters. The main purpose of the GLT is to assist the Executive Directors in the performance of their duties, particularly in relation to the development and implementation of strategy, operational plans, policies, procedures and budgets; the monitoring of operational and financial performance; the assessment of control of risk; and the prioritisation and allocation of resources.

Provision of information and support

All Directors have direct access to the General Counsel & Company Secretary who is responsible for advising the Board on all governance matters. Directors may also seek independent professional advice at the Company's expense in the furtherance of their duties as required.

Annual General Meeting

In 2022 we were pleased to open our Annual General Meeting ("AGM") to shareholders, their proxies and corporate representatives to attend in person at the Company's premises at Ryehill House in Northampton. This followed two years where we found that the Covid-19 pandemic impeded our ability to hold our AGM with shareholders physically present. As we prepared for the 2022 AGM we allowed for the possibility that the Government could once again introduce guidance or restrictions which would prevent the attendance of shareholders (and others) at the AGM physically. This influenced our choice of venue and decision to broadcast the 2022 AGM to preserve the ability to attend and participate remotely.

Happily it transpired that we were able to admit shareholders to the 2022 AGM in person while also broadcasting the meeting. No shareholders chose to attend remotely and view the broadcast and no questions were submitted during the meeting by participants attending remotely. The possibility of disruption linked to the Covid-19 pandemic has now receded. In order to husband shareholders funds appropriately, avoiding uneccessary expenditure, we have decided to not broadcast this year's AGM, given that there appears to be no demand for it.

Shareholders, their proxies and corporate representatives will be able to attend the 2023 AGM in person. We will keep shareholder demand for remote participation under review in respect of our future AGMs.

Shareholders receive at least 20 working days' notice of the AGM at which, ordinarily, all Directors are present and available for questions. Each substantive issue considered at the AGM is the subject of a separate resolution and, in accordance with best practice, voting is conducted by way of a poll rather than a show of hands. The numbers of proxy votes, lodged in advance of the meeting, for and against each resolution are announced at the meeting and the final votes are subsequently published on the Company's website. Should a resolution at an AGM receive 20% or more of votes cast against the Board's recommendation, the Board would consult with shareholders to understand the reasons behind their voting.

All Directors were present and available for questions at our 2022 AGM. At our 2022 AGM we received strong support from shareholders for the resolutions put to the meeting with an average of 96% of votes in favour of each resolution.

Statement by the Board

A review of the performance of the Group's businesses and the financial position of the Group is included in the Strategic Report on pages 2 to 83. The Board uses it to present a full assessment of the Group's position and prospects, its business model and its strategy for delivering that model. The Directors' responsibilities for the financial statements are described on page 120.

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 and the Company have 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 on 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 Board's fair, balanced and understandable declaration

At the Board meeting during which the Group's results for the year were presented by the CEO and the CFO, the Board considered whether the Annual Report and Accounts, when taken as a whole, present a fair, balanced and understandable overview of the Group and its performance. After hearing from the Executive Directors, receiving a report from the Audit Committee Chair on that Committee's meeting to review the preparation and content of the year-end financial statements and the audit conducted upon them and reviewing the contents of the Annual Report and Accounts; the Board concluded that the Annual Report and Accounts are fair, balanced and understandable and accordingly the Directors' declaration to that effect can be found under the Statement of Directors' responsibilities on page 120.

Remuneration

The Board has established a Remuneration Committee comprising at least three independent Non-executive Directors. The Remuneration Committee's responsibilities and a description of its work is set out in the Directors' Remuneration report on pages 98 to 116.

Audit, risk and control

The Board has established an Audit Committee comprising three independent Non-executive Directors. The Audit Committee's responsibilities and a description of its work is set out in the Audit Committee report on pages 93 to 97.

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. In the design of the system of internal control, consideration has been given to the significant risks to the business, the probability of these risks manifesting themselves and the most cost-effective means of controlling them.

The threat posed by those risks and any perceived change in that threat is reviewed half yearly by both the GLT and the Board. The system manages rather than eliminates risk and therefore can only provide reasonable and not absolute assurance against material misstatement or loss.

The day-to-day operation of the system of internal control is delegated to the GLT and senior management, but the Audit Committee reviews and discusses internal controls on a regular basis. The system of internal controls is reviewed by the Board in a process that accords with the Financial Reporting Council guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

It is the responsibility of the Board to establish the risk framework within which the Group operates. The Board and the GLT review the risk register and risk appetite at least once each year. Members of the Audit Committee also receive reports on internal audit reviews. If appropriate these reports include recommendations for improvements in controls or for the management of those risks. Measures to integrate risk management processes into the Group's operations, to extend awareness of the importance of risk management and to ensure that recommended improvements are implemented are regularly reviewed.

As part of its viability review, the outcome of which is set out on page 74, the Board considered the principal risks and uncertainties and mitigating factors set out on pages 75 to 81.

Corporate governance report continued

In conjunction with the Audit Committee, the Board has carried out an annual review of the overall effectiveness of the system of internal control and risk management during the year and up to the date of approval of this Annual Report, and concluded that they are effective.

Where areas requiring improvement have been identified, processes are in place to ensure that the necessary action is taken and that progress is monitored.

UK Corporate Governance Code

Throughout the year ended 31 December 2022, the Company was in compliance with the principles and provisions of the UK Corporate Governance Code 2018 ("the Code") issued by the Financial Reporting Council, but for one exception.

Provision 38 of the Code requires that "pension contribution rates for the Executive Directors, or payments in lieu, should be aligned with those available to the workforce". The FRC's guidance "Improving the quality of 'comply or explain' reporting" published in February 2021 recognised that "As a new requirement of the Code, it was expected that it would be difficult for some companies to comply with this Provision immediately due to contractual obligations", however the Company had acted before the FRC published its guidance and in the Directors' Remuneration report contained in the 2020 annual report, the Company reported its intention to move away from the contractual position agreed with Alan Williams on recruitment some three years previously, stating "CFO Alan Williams' pension had been agreed at 25% on recruitment in 2017. From 1 January 2020 it was reduced and fixed at £103,530 (equalling 20% at the time). Taking into account shareholder expectations and best practice, it will be further reduced to 10% of salary with effect from 1 January 2023." Accordingly the reduction of 10% salary was made with effect from 1 January 2023 and as a result this non-compliance ended on 1 January 2023.

The Corporate governance report has been approved by the Board of Directors and is signed on its behalf by:

Jasmine Whitbread
Chair
27 February 2023

Nominations Committee report

Jasmine Whitbread
Chair, Nominations Committee
27 February 2023

2022 focus areas

- Board succession planning
- Appointment of Louise Hardy
- Board and Committee effectiveness review
- Board and senior management pipeline diversity

Number of scheduled meetings during 2022

5

Dear Shareholder,

I'm pleased to present the Nominations Committee report for 2022.

The Committee had a busy year ensuring the succession pipeline for Board and senior management positions is in the best of health. In doing so the Committee kept focus on the diversity of skills and background among the Board and senior management as well as the Group as a whole. We also undertook an externally facilitated effectiveness review for the Board and all of its Committees.

Board succession

The Board has seen a number of changes over recent years, including my appointment in 2021, however since the end of 2021 we have had no departures from the Board. In December 2021 the Board carefully considered the size and make-up of the Board. We concluded that we would benefit from a period of stability to allow the changes of recent years to bed in and that we should take the time to plan succession for our two longest serving Non-executive Directors, Pete Redfern and Coline McConville, who will reach nine years service in November 2023 and February 2024, respectively. Mindful that it can take time to find the right people, the Committee began a search for two successors with the right profiles to ensure that the Board continues to have the required skills and experience once Pete and Coline leave.

We appointed Russell Reynolds to assist us with the search process. This resulted in the appointment of Louise Hardy to the Board in January this year. Louise has wide ranging experience across the construction industry spanning large infrastructure projects to housebuilding. Her deep understanding of the sector enables her to bring a valuable customer's-eye view as we pursue our strategy of deepening and elevating our relationships with our customers to become the leading partner to the construction industry. The Committee's work to identify a second Non-executive Director to join the Board in anticipation of Pete's departure continues. Key criteria in that search include substantial public company board and City experience, strong commercial acumen, governance experience and strategic capability.

Russell Reynolds has no relationship with the Company or Group other than for the provision of search and evaluation services. No Director or Senior Manager has any personal relationship with Russell Reynolds.

Senior Management Pipeline

During the year the Committee continued to sharpen its focus on the pipeline for Senior Management roles, helping the Group to ensure it has the right colleagues in the pipeline with the right skills and experience to ensure smooth succession for Senior Management roles. Diversity, in all respects, is an important factor in the pipeline build and although we have a number of female as well as male colleagues in the pipeline, the Committee is conscious that the diversity of ethnic background is not as broad as it would like. The Committee is fully aware of and supportive of the diversity and inclusion programme being driven by Management across the Group and is confident that over time that programme will help to address the issue of ethnic diversity in the Senior Management pipeline. The Committee recognises that it will take time to build a more diverse pipeline but is determined to do so.

Nominations Committee report continued

Board effectiveness review

Although 2021 was the third anniversary of the Board's previous externally facilitated effectiveness review, the Board decided to postpone this by one year in order to give the new Non-executive Directors and Chair time to settle into their roles. The Board did undertake its own effectiveness review in 2021 which was facilitated by the Company Secretary. In 2022, as planned, the Board undertook an effectiveness review of its own activities and those of its Committees. That review was conducted by Chris Saul who until 2016 was Senior Partner at Slaughter and May. Since then, Chris has acted as an independent, trusted adviser to senior executives and key stakeholders within publicly quoted and privately owned businesses and professional service firms.

In conducting the review, Chris interviewed all Directors, members of the Group Leadership Team, the Director of Risk and Internal Audit, the external auditor's Client Engagement Partner and the remuneration advisor's Lead Partner. The review concluded that the Board and its Committees operate effectively, are collegiate and well-led, operate to high standards of professionalism and benefit from quality support. Reflecting on the review, the Board agreed that focus areas for 2023 should include:

- Board agendas and meeting frequency, including addressing what should come to the Board and why the Board needs to be involved
- A focus on constructive challenge and on operational issues (but not operational detail) in addition to strategy
- Succession planning for Non-executive Directors and the GLT
- Competitive landscape and associated learnings

Committee focus for 2023

Our search for the best possible talent with the skills and experience to succeed Pete Redfern with the scope to be the next Senior Independent Director will remain a key focus for the Committee this year, as will our work to ensure strong executive succession. The Committee will maintain its focus on diversity of gender, ethnicity, background and skills as it conducts its work.

Process for Appointments

Through a rigorous selection process, appointments to the Board are made on merit and against an agreed set of specific and objective criteria. The Committee oversees this process on behalf of the Board and advises the Board on the identification, assessment and selection of candidates.

The appointment process includes: 1. Agreeing the key skills, attributes and business experience required for the role as well as diversity priorities 2. Preparing a role description 3. Engaging independent search consultants 4. Conducting a market search via the search consultants 5. Preparing a "long list" of candidates, taking into account diversity considerations and the Committee's review of the composition, experience and skill-sets of the Board 6. Selecting a shortlist which meet the Committee's criteria 7. Candidate interviews and assessments 8.

Making a recommendation to the Board, following detailed references Appointees are provided with a programme of induction meetings and visits with key personnel to key areas of the businesses within the Group.

Board diversity

The Board currently comprises nine Directors of whom four are female (44%). Seven Directors are of white British heritage, one is of Indian British heritage and one is of Australian heritage. The Chair of the Board is female. Accordingly, the current composition of the Board meets the recommendations of both the Parker Review on ethnic diversity on boards and the FTSE Women Leaders Review, as well as the requirements of the Investment Association and IVIS. The Nominations Committee, which is comprised of three members, is diverse with male and female members and a member whose heritage is British Indian. The Committee requires of the search firms with which it works that long lists demonstrate diversity of gender, ethnic background, skills and experience.

While gender and ethnicity are key elements of diversity, they are not the only ones. Diversity of skills, experience and backgrounds also brings competitive advantage to organisations. The Nominations Committee will strive to achieve diversity in all senses in Board and senior management appointments and will provide oversight of the adoption of the same approach to diversity in the pipeline for Board and senior management roles, and more broadly in the approach which is taken to the recruitment of colleagues at all levels of the Group. Led by senior management, the Group has embarked on a structured programme to improve diversity in the Group and further details of the Group's diversity and inclusion programme can be found on page 46. DTR 7.2.8AR requires companies to provide a description of their diversity policy applied to their administrative, management and supervisory bodies. This Nominations Committee report together with the Group's report on its diversity and inclusion policies and activities on page 46 provide an explanation of the Company's diversity policy for the purposes of the Disclosure and Transparency Rules.

Jasmine Whitbread
Chair
27 February 2023

Audit Committee report

Heath Drewett
Chair, Audit Committee
27 February 2023

2022 focus areas

- Monitoring the integrity of financial statements and formal announcements relating to financial performance
- Assessment of effectiveness and maturity of risk management and internal control
- Assurance in connection with the Group's finance modernisation programme

Number of scheduled meetings during 2022

4

Dear Shareholder,

I am pleased to present the Audit Committee's report for the year ended 31 December 2022. The report sets out the Audit Committee's work in relation to financial reporting, internal audit, risk management and oversight of the external audit process.

I will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Audit Committee membership and attendance

The members of the Audit Committee for the year ended 31 December 2022 have been Heath Drewett, Coline McConville and Pete Redfern. All members are independent Non-executive Directors. Two of the members have recent and relevant financial experience and all members have competencies relevant to the Company's sector, gained through a variety of corporate and professional appointments, as required by the UK Corporate Governance Code (see biographies on pages 84 to 85).

The Audit Committee held four formal meetings in 2022. Attendance by members at the Audit Committee's meetings during the year can be found in the Corporate governance report on page 88.

The following were also invited to attend each of the Audit Committee's meetings in 2023:

- Chair of the Board
- Chief Executive Officer
- Chief Financial Officer
- General Counsel & Company Secretary
- Director of Group Finance
- Director of Internal Audit & Risk
- Director of Financial Accounting & Control
- the Group's external auditor

From time to time Directors who are not members of the Audit Committee may be invited to attend meetings of the Audit Committee where this will facilitate a richer discussion and avoid potential inefficiencies in repeating a review of matters at a Board meeting. In 2022 other Directors were invited to attend the meetings in February and July for the review of principal and emerging risks. The Group Head of Corporate and Commercial Legal Services is the Secretary to the Audit Committee, as nominee of the Company Secretary.

The Audit Committee held separate meetings with the Director of Internal Audit & Risk and external auditor without the presence of management and held separate meetings with management without the external auditor.

Audit Committee report continued

Role of the Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities. The main roles and responsibilities of the Audit Committee include:

- Monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, which includes reviewing significant financial reporting judgements contained therein
- Reviewing the effectiveness of the Company's internal financial controls and internal control and risk management systems
- Monitoring and reviewing the effectiveness of the Company's internal audit function
- Maintaining an appropriate relationship with the Company's external auditor and reviewing and monitoring its independence, objectivity and effectiveness in carrying out the audit process, taking into account relevant professional and regulatory requirements and ethical guidance

Work of the Audit Committee

In carrying out the activities set out below, the Audit Committee places reliance on regular reports from management, the Company's internal audit team and the external auditor. The Audit Committee is satisfied that it received sufficient, timely and reliable information to enable it to fulfil its responsibilities during the year.

In 2022 the Board undertook a review of Board and Committee effectiveness. The review was conducted by an independent advisory firm and culminated in a report and a discussion of feedback on the performance of the Committee. It concluded that the Committee was operating effectively, with some topics and recommendations suggested, upon which the Audit Committee has reflected.

The Audit Committee functions around an annual agenda of business covering financial reporting, internal controls, risk management, internal audit activity and external audit. This agenda is reviewed regularly by the Committee to ensure that it reflects the priorities of the Company and continues to include all matters for which consideration must be given in order to meet the Audit Committee's corporate governance responsibilities. Details of the main matters covered at each of its meetings in 2022 are as follows:

February 2022

- Year-end accounting for 2021*
- External auditor's report
- Review of internal controls
- Review of principal and emerging risks
- The content of the Annual Report and Accounts, the results announcement prepared by management and the associated press release

May 2022

- 'Deep dive' into how the work of the Operational Compliance Support teams is conducted to support control of risks within the Group's businesses
- The Group's systems of controls, the effectiveness of controls and management's continuing controls improvement initiatives
- Progress reports on information security initiatives and other security matters
- The Group's finance modernisation programme
- External audit plan including the half-year strategy
- Review of performance and effectiveness of the external auditors

July 2022

- Half year accounting for 2022*
- External auditor's report, including items on auditor quality control and independence
- Review of principal and emerging risks
- Review of the Group's approach to risk, key risks and the effectiveness of the risk management framework

November 2022

- Committee effectiveness review
- External auditor's report including progress against the plan for the 2022 audit
- Updates regarding the outcome of impairment testing and other significant accounting matters relevant to year-end accounting
- Assurance relating to the Group's finance modernisation programme
- External Quality Assessment of internal audit
- Internal audit independence assessment and approval of an Internal Audit Charter
- Approval of the Internal Audit plan for 2023

In addition to the above specific matters, the Audit Committee considered, at each of its meetings in 2022, the following standing agenda items:

- Review of non-audit fees
- Review of internal audit reports, including progress on implementing recommendations arising from internal audit work
- Review of reports on activity within the relevant period of the Operational Compliance Support teams
- Review of reports regarding matters disclosed to the Group's Speak Up! Hotline (save that this formed part of the business of the meeting of the Board in December 2022, rather than the Audit Committee's November 2022 meeting)

* In considering accounting for both the year end and the half year, in discharging its financial reporting responsibilities, the Audit Committee has special regard for accounting policies and compliance with accounting standards, going concern and viability assumptions, and significant financial reporting estimates and judgements made during the preparation of the Group's annual and interim accounts.

The Board is updated on key matters and recommendations following each Audit Committee meeting.

Significant issues related to the financial statements

The Audit Committee has assessed whether suitable accounting policies have been adopted by the Group and whether management has made appropriate judgements and estimates.

The table below sets out the key judgement areas associated with the Group's financial statements that were considered by the Audit Committee. This is not a complete list of all accounting issues, estimates and policies, but includes those which the Audit Committee believes are the most significant.

In reaching its conclusions, set out in more detail in the table, the Audit Committee considered papers and explanations given by management, discussed each matter in detail, challenged assumptions and judgements made and sought clarification where necessary. It reviewed and discussed any internal audit reports in respect of the matters under consideration and the Audit Committee also received a report from the external auditor on the work undertaken to arrive at the conclusions set out in the auditor's report on pages 122 to 128, discussing all relevant matters in depth.

	Issue and nature of judgement	Factors considered and conclusions reached
Inventory valuation	To meet customer expectations, the Group carries a wide range of inventory in around 1,500 locations. Inventory should be included in the balance sheet at the lower of cost or net realisable value. At 31 December 2022 the Group's inventory was valued at £728m. The determination of cost is made more difficult by the ageing accounting systems and material rebate and fixed price discount agreements requiring regular reconciliations in areas such as accruals for goods received not invoiced.	During the year, management regularly reported on inventory valuation and provisioning to the Committee and did so again at its meeting to consider the year-end Annual Report and Accounts. The Committee reviewed and discussed the information presented about gross inventory values and the adjustments made by management to reduce inventory carrying values to allow for rebates and fixed price discounts attributable to inventory and provisions to reflect obsolescence or slow-moving inventory. The Committee assessed the judgements made by management and concluded from the information it had received and its discussions with management and the external auditor that inventory was fairly stated in the balance sheet. Further information is given in the notes to the financial statements (note 12 – inventories and note 13 – supplier income).
Defined benefit pension schemes	At 31 December 2022 the Group's balance sheet included a net asset position of £136m in respect of its defined benefit pension schemes, which reflects a gross pension asset of £1,097m and pension liability of £961m. The valuation of the pension liability is calculated under the unit credit method specified in IAS 19 – Employee Benefits, and depends on several key assumptions including the discount rate, inflation forecasts and life expectancy. By their nature, these estimates are subject to considerable uncertainty and small changes in the value could materially impact the valuation of the liability.	Management presented the Committee with papers setting out the results of the work done, the assumptions made and the conclusions reached with respect to the Group's defined benefit pension schemes. Management explained to the Committee how the discount rate, inflation and life expectancy estimates were prepared and how sensitive the valuation was to changes in these key assumptions, with specific discussion of the impact of Covid-19 on the mortality tables and the effect of the planned phasing out of RPI by 2030. After reviewing these papers and obtaining further explanation where necessary, the Committee concluded that management had taken a consistent, balanced and reasoned approach to preparing its calculations and made acceptable judgements. Further information is given in the financial statements (note 18 – pension arrangements).

Audit Committee report continued

Risk management and internal controls

Risk management

Risks are managed on an ongoing basis at either a Group level or within the businesses, captured in risk logs and assessed in key strategic and performance review processes throughout the year. Key risks are regularly collated and reviewed by the Group Leadership Team and the Board to assess the potential impact and likelihood of occurrence, after taking into account key controls and mitigating factors, as well as interdependencies. Additional mitigating actions are put in place as required to manage risks within the Board's risk appetite. Regular horizon scanning and risk benchmarking is undertaken to test the Group's risk set and identify emerging risks, which are reviewed by the Board.

Significant time was spent by the Board in 2022 considering the impact of disruptive forces on the Group's strategy and business models and potential disruption opportunities, as well as the ongoing risk impacts of macroeconomic factors, geopolitical tensions and market trends.

The Group adopts a continuous improvement approach to risk management. Refinement of the risk management framework continued in 2022 with a particular focus on delivering an in-depth assessment of disruptive forces and developing the consideration of risk within major programmes, which were reviewed at Group Leadership Team level in conjunction with the Director of Internal Audit & Risk, and delivery of risk management awareness and training sessions.

An independent review of the maturity of the Group's risk management framework was conducted in 2022. Further development plans drawing upon the outcome of the review will be considered by the Board in the first quarter of 2023. The principal risks and uncertainties are set out on pages 75 to 81, together with information on how those risks are mitigated and how emerging risks are assessed.

Internal controls

The Company operates a "three lines of defence" assurance model. The Audit Committee plays a key role in monitoring activities in respect of the Company's internal control and assurance framework throughout the year, to ensure that risks are adequately mitigated (see "Risk mitigation and assurance" on page 75). The Audit Committee has received regular updates on the status of these activities.

The Audit Committee conducted a review of the effectiveness of the Company's risk management and internal controls, concluding that notwithstanding the limitations of IT systems they remain effective. The internal control framework is intended to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Management has continued its initiatives to improve the control environment, which has developed over many years. There are a number of system replacements in progress, including the programme to deliver a new finance system, as well as enhancing and improving the Group's control framework to lead to greater consistency and automation of controls. The programme has an assurance plan which has been reviewed by the Audit Committee and is reported on to both the dedicated steering committee and the Audit Committee, both of which will monitor the progress of this programme through 2023. Reviewing such major system transformation programmes will remain an area of focus for internal audit. It is also the case that all major internal assurance processes, including operational compliance, health and safety and internal audit, track control improvement actions to completion, which is a core part of the continuous improvement of controls.

Internal audit

The delivery of the Internal Audit Plan, which is the annual plan of internal audit activity structured to align with the Group's strategic priorities, major change programmes and principal risks, is a key source of internal assurance for the Group. The in-house internal audit team develops the Internal Audit Plan, with input from management, and delivers the majority of reviews, supported as needed by co-source partners to provide specialist knowledge and skills. The Audit Committee assesses and approves the Internal Audit Plan and reviews results and progress at each Audit Committee meeting. The Internal Audit Plan is reviewed periodically throughout the year and is updated as business priorities and risks change, to ensure that it remains relevant. The Audit Committee oversees and approves all changes to the Internal Audit Plan throughout the year.

The audits delivered during 2022 covered a broad range of operational, financial, legal, regulatory, IT and transformation activities. Core financial control areas are audited regularly. In 2022 this included reviews of rebates, the certification process for key financial controls, the process supporting the Senior Accounting Officer tax declaration and newly implemented processes and controls in relation to Plastic Packaging Tax. In addition, the audit team has commenced a process to map risks and assurances for key financial areas.

The 2023 Internal Audit Plan was approved by the Audit Committee at its meeting in November 2022. The 2023 Internal Audit Plan is underpinned by a rolling risk assessment to ensure that internal audit activities remain targeted at the areas presenting the most risk to the Group, which can change over time. The 2023 Internal Audit Plan is targeted at assurance in relation to key programmes such as finance modernisation, areas of change and complexity and seeks to deliver ongoing assurance coverage of the Group's principal risks.

All audit findings and agreed management actions are communicated to the Audit Committee and tracked through to completion. The Audit Committee receives an update at every meeting on the age of findings and the level of risk to the business. Significant progress has been made in the last year to address outstanding audit findings, thereby reducing the ongoing risks to the business.

The in-house internal audit team has a continuous improvement strategy, with initiatives set annually and progress reported regularly to the Audit Committee. Initiatives undertaken during 2022 included further streamlining and standardising the audit process, with a particular focus on the use of data and analytics to increase the depth of assurance and insight provided by each audit. The team has assessed its data capabilities and has set a roadmap to bring all members to a core capability level, with a number of the team undertaking Data Literacy apprenticeships that will enable them to champion the use of data in the function.

In accordance with best practice, an external assessment of the effectiveness of the in-house internal audit team was undertaken in 2022. Based on its review of the assessment, the Audit Committee was satisfied with the overall effectiveness of the function throughout 2022. Opportunities identified by the external effectiveness assessment have been integrated into the continuous improvement process for 2023.

External auditor

The Audit Committee confirms that the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

KPMG LLP has been the external auditor since 2015. There are no contractual restrictions on the Group with regard to this appointment. The individual lead audit engagement partner for KPMG LLP is James Tracey, appointed in August 2022. The Company expects to re-tender the external audit in accordance with the timescales set out in the Financial Reporting Council's guidance, which require the external audit to be put out to tender by 2025. Based on the Audit Committee's assessment of the effectiveness of the audit, the Audit Committee considers a tender for the 2025 audit to be in the best interests of the Company's shareholders.

Audit scope and effectiveness

The external audit plan and strategy for the external audit of the 2022 Annual Report and Accounts was presented by the external auditor to the Audit Committee in November 2022 to enable the Audit Committee to discuss and challenge the key elements.

The Audit Committee considers the effectiveness of the external auditor during the year and, with input from management, carries out a formal review of its performance after the year-end audit has been completed. In undertaking this assessment the Audit Committee considers:

- The experience and expertise of the auditor
- The completion of the agreed external audit plan
- The content, quality of insights and added value of external audit reports
- The robustness and perceptiveness of the external auditor in their handling of key accounting and audit judgements
- The interaction between management and the auditor
- The provision of non-audit services

Financial Reporting Council

During 2022 the Audit Committee monitored the Group's engagement with external stakeholders relevant to the Audit Committee's areas of oversight, including the Financial Reporting Council ("FRC"). Engagement included a limited scope review of the Company's 2021 Annual Report and Accounts. This review was conducted by the FRC in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures as part of the FRC's thematic review of companies' disclosures relating to business combinations. The FRC's role in this review was to consider compliance with reporting requirements based on its understanding of the relevant legal and accounting frameworks and on the annual report and accounts. The FRC was pleased to inform the Company in December 2022 that no queries arose based on the review. The review was not based on detailed knowledge of business conducted by the Group business or an understanding of the underlying transactions entered into and does not verify the information provided or seek to assure that the annual report and accounts are correct in all material respects.

In the preparing the Group's Annual Report & Accounts, the Group responds to the recommendations of the FRC made through its published reviews of corporate reporting and its thematic reviews of specific areas of corporate reporting.

Independence and objectivity

One of the Audit Committee's responsibilities is to ensure compliance with the Board's policy on services provided by and fees paid to the external auditor. The policy sets out the work that is permitted to be performed by the external auditor and the work that is prohibited.

The process for approving all non-audit work provided by the external auditor is overseen by the Audit Committee to safeguard the objectivity and independence of the auditor. The Audit Committee considers whether it is in the interests of the Company that the services are procured from KPMG LLP rather than another supplier.

In 2021 KPMG was engaged to provide non-audit services in relation to the Wickes business, in addition to conducting a review of the Group's interim financial statements. In 2022 KPMG was engaged to provide non-audit services only in relation to the June 2022 review of the Group's interim financial statements. KPMG was considered the most appropriate firm to carry out the work in respect of the interim review given its knowledge of the Group and the synergies that arise from running this engagement alongside the main audit.

The amount of non-audit fees payable to the external auditor in any particular year cannot exceed 70% of the average of the current and previous two years' audit fees. The Audit Committee determines the policy on provision of non-audit services by the external auditor, reviews the nature and extent of non-audit work performed and monitors and confirms annually compliance with the policy.

Reporting

The Chief Financial Officer reports to the Audit Committee on fees for non-audit services payable to the external auditor at every meeting. As shown in note 4 to the accounts, during the year the auditor was paid £1,891,000 (2021: £1,820,000) for audit-related work and £85,000 (2021: £770,000) for non-audit work. Non-audit work related to the review of the Group's interim financial statements. Fees for non-audit work were 4% (2021: 42%) of fees for audit-related work. The total fees paid by the Group to KPMG LLP in 2022 represents 0.1% of KPMG's UK fee income. In addition, £1.3m (2021: £1.9m) of fees were paid to other accounting firms for non-audit work.

Assessment of the external auditor

Having considered the external auditor's performance and representations from the auditor about its internal independence processes, the Audit Committee was satisfied with the independence, objectivity and effectiveness of the external auditor and recommended to the Board that KPMG LLP be reappointed by shareholders at the Annual General Meeting on 4 May 2023.

This report has been approved by the Board of Directors and signed on its behalf by:

Heath Drewett
Audit Committee Chair
27 February 2023

Directors' Remuneration report

Dear Shareholders,

As Chair of the Remuneration Committee, I am pleased to introduce the 2022 Directors' Remuneration Report.

Supporting our colleagues in challenging times

The ongoing cost of living crisis – with price increases for everyday costs at times far exceeding the headline rate of inflation – has affected all colleagues across the Group, and particularly front-line workers.

Whilst needing to continue to manage costs carefully in an uncertain external environment, a comprehensive package of support has been provided to colleagues throughout the year, increasing the focus on financial wellbeing, education and practical tools to help people manage their money. In June 2022, Wagestream was launched across the Group, building on the successful implementation in Toolstation the year before. This tool has enabled easy-to-access financial management support for all colleagues. In addition, other benefits have been offered including short-term loans, extensive retailer discounts and offers on essential spend such as groceries and utilities, an employee assistance programme and a wide range of wellbeing and financial education resources. More recently, at a total cost of £7.7m, a one-off cost of living payment of £400 was made to over 17,000 colleagues, around 95% of the total workforce in the UK. The take-up and use of benefits has been monitored closely to assess the impact of cost of living pressures and resources have been invested in further communications and engagement, directly with colleagues as well as through line managers, to ensure that everyone is aware of the support that is available. The benefits offering is regularly reviewed, with virtual GP advice, health checks, mental health and nutritional support recently added to the portfolio of benefits that all colleagues can access.

All colleagues in the UK also have the opportunity to participate in the discounted Sharesave programme, which has seen consistently high take-up over time. The Restricted Share Plan (RSP) is used in a targeted way to recognise critical roles and key talent across the Group.

All colleagues have the opportunity to earn a bonus when performance targets are met. However, many colleagues will not receive a bonus for 2022 due to the impact of challenging trading conditions on the Group's profit performance. In light of this, whilst considerable progress has been made against strategic targets during the year (see page 107, the Committee has decided that no bonus payout will be made for the Group element of the annual bonus plan for Executive Directors and the Group Leadership Team for 2022.

No changes to policy

During 2019 and 2020, the Committee undertook a comprehensive review of the Group's executive remuneration framework and, following extensive shareholder consultation in both years, a new Directors' remuneration policy was approved by 89% of shareholders at the 2021 Annual General Meeting. This policy simplified and refocused executive remuneration in order to support long-term sustainable business performance, to align management and shareholders and to foster a culture of collaboration. The primary change to the policy was the replacement of the two long-term incentive plans (Performance Share and Co-Investment Plans) with a Restricted Share Plan (RSP).

The Committee believes the Directors' remuneration policy is operating effectively and remains the right approach to ensure delivery of the Company's strategic objectives and sustainable long-term value for shareholders. No changes are therefore proposed to policy or the approach to the implementation of remuneration (including quantum and metrics) this year. The policy will be reviewed next year and put to a shareholder vote at the 2024 Annual General Meeting.

Each part of the remuneration package plays an important role in driving performance to deliver the Company's long-term strategy and improve shareholder returns, as outlined in the remuneration policy and summarised on pages 101 to 103. The link between the Company's strategic ambition and incentive measures is detailed under the 'Quick view of remuneration' on page 100.

2023 salary review

This year's annual salary review presented a complex set of considerations. The volatile external climate, very high levels of inflation and the need to manage costs in a sustainable way necessitated a delicate balance in supporting lower earners as well as protecting against retention risk throughout the business. The Group has taken a fair and equitable approach, investing higher increases in colleagues who are facing the biggest cost of living challenges, as well as providing a meaningful uplift to everybody else. 99% of colleagues eligible for a salary increase will receive an increase of at least 6%, with a substantial proportion of colleagues benefiting from a salary uplift closer to the level of inflation. The Remuneration Committee subsequently reviewed Executive Director salaries and, taking into account current market conditions, determined that their salaries would be increased by 4% from 1 April 2023. This is lower than the increases awarded to other colleagues across the business.

This follows a similarly restrained approach to setting salaries for Executives in the past. Both the Chief Executive and Chief Financial Officer received a 3% salary increase in April 2022, which was also lower than the increases offered to the wider workforce, in order to prioritise investment in raising wages at lower levels across the organisation. Executive Directors did not receive any salary increase during 2021, and also took a voluntary salary reduction of 20% for a three-month period during 2020.

Non-executive Directors' fees were increased by 3% in April 2022, consistent with the annual salary review for Executive Directors last year. Non-executive Director fees will next be reviewed in April 2023.

2023 bonus plan

The Committee reviewed the structure of the 2023 annual bonus plan and in light of the challenging economic environment, decided to increase the focus on financial measures, with the weighting on profit increasing from 50% to 55%, the weighting on cash increasing from 20% to 25%, and the weighting on strategic measures reducing from 30% to 20% of maximum. The Committee also refined the cash measure from operating cash flow to operating cash conversion, to drive deeper Group-wide accountability on efficient management of stock and debtors together with disciplined capital expenditure management. This also aligns with the key performance metric around cash performance, which was set at the Capital Markets strategy update in September 2021.

Incentive outcomes in 2022

Following an outstanding set of financial results last year, 2022 has proved to be more challenging, with significant economic headwinds including the highest level of inflation for 40 years. Despite the softening of trading volumes in the second half of the year, the Group delivered total year-on-year sales growth of 8.9%, and both the merchanting businesses and Toolstation outperformed against peers.

Performance against key financial objectives in 2022 was as follows:

- Group adjusted operating profit of £295m vs bonus target of £362m
- Group adjusted operating cash flow of £180m vs bonus target of £228m

2022 bonus payout: 0% of maximum

The annual bonus plan for Executive Directors in 2022 was based on adjusted operating profit (weighted at 50% of maximum), adjusted operating cash flow (20% of maximum) and strategic performance (30% of maximum).

Both operating profit and operating cash flow performance for 2022 were below the threshold level of performance under the annual bonus plan, resulting in no payout against either of these financial measures.

Delivery against the Company's strategic objectives during 2022 was strong, despite ongoing volatility and uncertainty in the external environment. The Group Leadership Team navigated these conditions carefully, tightly managing costs and driving efficiencies, whilst taking the right decisions to steward the business responsibly and sustainably, in service of long-term shareholder value.

Market share gains were delivered across the business during 2022, cost efficiencies were achieved throughout the year and the implementation of the Group's finance modernisation programme and BSS Enterprise Resource Planning system progressed in line with plan. There was also considerable progress in raising standards on health and safety across the Group, reflected both in positive feedback from colleagues as well as there being a lower Lost Time Injury (LTI) frequency rate compared to the target for 2022. Having successfully met the Group's carbon reduction target during the previous year, in 2022 the Scope 3 emissions target was met through partnering with key suppliers to actively help them reduce their carbon emissions. There was significant focus on people development, diversity and inclusion and culture through the year. The Group continues to champion internally and externally the value of apprenticeships and has set an ambitious long-term target for growth in apprenticeship hires, though the targeted number of hires in 2022 was not achieved.

The Committee determined that delivery against the strategic measures would have resulted in a payment of 66% of this element of the bonus plan. In light of financial performance and lower bonus payments across the wider workforce than in previous years, the Committee used its discretion and did not award a bonus payment against the strategic measures for 2022 for Executive Directors and the Group Leadership Team.

Long-term incentives vesting in March 2023

Long-term incentive awards granted to Executive Directors in 2020 were made in the form of Performance Share Plan (PSP) and Co-Investment Plan (CIP) awards, in accordance with the previous Directors' remuneration policy, prior to the introduction of the RSP in 2021. Based on performance against the financial targets for the three-year period 1 January 2020 to 31 December 2022, 2020 PSP awards will vest at 65% of maximum and 2020 CIP awards will vest in full in March 2023. While performance in 2022 has been challenging, the vesting levels reflect the significant progress delivered over the past three years, particularly on cash performance.

2020 PSP awards vesting at 65% of maximum

The vesting of 2020 PSP awards is subject to performance against the targets for adjusted Earnings Per Share (EPS) growth (40%), aggregate cash flow (40%) and relative Total Shareholder Return (TSR) (20%). The compound annual growth rate (CAGR) for adjusted EPS over 2020-2022 was 6.4%, meaning that this element will vest at 62.5% of maximum. Aggregate cash flow over the three-year period was £840m, so this element will vest in full. Finally, relative TSR performance was ranked below median, resulting in nil vesting for this element. The 2020 PSP award will therefore vest at 65% of maximum in March 2023.

2020 CIP awards vesting at 100% of maximum

The vesting of 2020 CIP awards is based on Cash Return on Capital Employed (CROCE) performance. Performance over the three year period was 9.0%, meaning that this award will vest in full. This outcome reflects strong cash generation underpinned by a focus on liquidity and working capital management through a fundamental review and streamlining of stock management, purchasing and rebate processes.

Given the corporate changes to the Group during the vesting period, to assess performance on a comparable basis with the targets, aggregate cash flow and CROCE targets were adjusted by the Committee to exclude the divested businesses (Wickes and Plumbing & Heating) from 1 January 2021 onwards, consistent with the approach taken last year to determine the vesting of 2019 long-term incentive awards. EPS performance has similarly excluded the divested businesses to ensure a fair assessment of performance.

The Committee evaluated underlying business performance across the three-year period, and concluded that the level of vesting of 2020 PSP and 2020 CIP awards was appropriate. Whilst 2022 has been more challenging, management has delivered strong cash performance throughout the period as well as executing the strategy, delivering operational performance and simplifying and strengthening the business for the future. The current share price is lower than the share price on grant for PSP and CIP awards, so there have been no windfall gains. No discretion was consequently exercised by the Committee.

The Committee will submit its Remuneration report to the 2023 Annual General Meeting, where it will be subject to an advisory shareholder vote. I very much look forward to receiving your support, and will be available to answer any questions.

Coline McConville
Remuneration Committee Chair
27 February 2023

Directors' Remuneration report continued

Quick view – remuneration in 2022

Pay for performance

The following table shows how performance is measured under the annual bonus and long-term incentive plans.

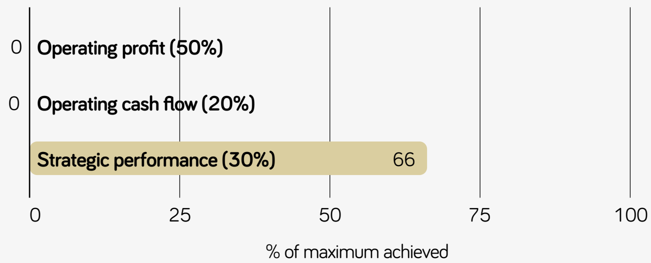
Ambition	Strategic KPI	Bonus Weighting	RSP Weighting
Profit growth	Adjusted operating profit	50%	–
Turning profit into cash	Adjusted operating cash flow	20%	–
Delivery against investments	Return on Capital Employed ("ROCE")	–	Underpin
Strategic delivery	Strategic and operational objectives that continue to lay the foundations to deliver future success	20%	–
Governance	ESG measures and strong governance framework	10%	Underpin
Delivering value to shareholders	Alignment to shareholder experience through share price movement	–	100% (since awards are made in shares)

2022 remuneration outcomes

	Nick Roberts, CEO		Alan Williams, CFO	
Element	2022	2021	2022	2021
Base salary (annualised from 1 April)	£655,389 +3%	£636,300	£533,180 +3%	£517,650
Annual bonus (% of maximum)	0%	97%	0%	97%
Long-term incentives:				
PSP (% of maximum	65%	94%	65%	94%
CIP (% of maximum)	100%	100%	100%	100%
Share ownership (% of salary) (as at 31 December)	236%	169%	605%	798%

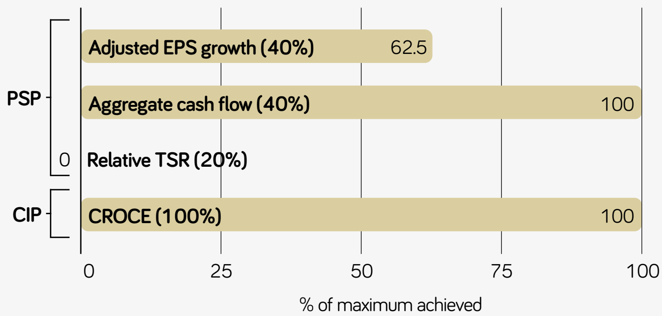
Annual bonus outcome for 2022: 0% of maximum

The maximum bonus opportunity for Executive Directors is 180% of salary. Half of the bonus earned is deferred into shares for three years.



Long-term incentive plan outcome for 2020-2022: 65% and 100% of maximum

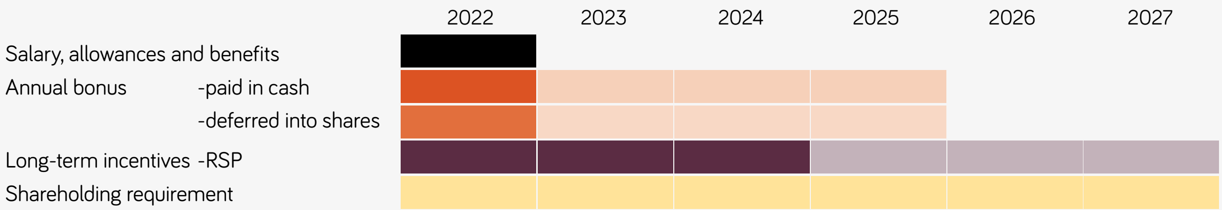
Under the previous remuneration policy, the maximum PSP award for Executive Directors was 150% of base salary. The maximum award under the Co-Investment Plan was 100% of base salary, subject to an Executive investing 50% of their net salary.



Despite strong strategic progress, in light of financial performance and lower bonus payments across the wider workforce than in previous years, the Committee used its discretion and did not award a 2022 bonus payout to Executive Directors and the Group Leadership Team for the Group performance element of the annual bonus plan. All bonus and LTIP outcomes are subject to malus and clawback. Performance weighting and measures are unchanged from the previous year.

Proportionality and management of risk

The remuneration structure ensures that executives have a vested interest in delivering performance over the short and long term. There is a three-year deferral of half of the annual bonus payout into shares, a two-year retention period on any vested awards under the long-term incentive plan and a shareholding requirement that applies for two years after leaving the Company. The performance, retention and clawback periods for each element of remuneration are shown below.



Holding or clawback periods are shown in lighter shade.

Remuneration Policy report

The Directors' remuneration policy (the 'Policy') was approved by 89% of shareholders at the Annual General Meeting held on 27 April 2021. The Policy can be found on pages 99 to 106 of the Annual Report & Accounts 2020 and is available on the Travis Perkins plc website. A summary of the Policy is also provided below under the 'Statement of Implementation of Remuneration Policy in 2023' section.

Annual Remuneration report

The following sets out the Annual Remuneration report for 2022, which includes details of how the Policy was implemented in 2022 and how the Policy is intended to be implemented in 2023. This report is subject to an advisory shareholder vote at the 2023 Annual General Meeting.

Implementation of the Remuneration Policy in 2023

Executive Directors:

The following provides a summary of the Group's remuneration policy and how the Group intends to implement the policy during 2023.

Plan	Purpose and link to strategy	Individual maximum opportunity in 2023	Performance measures and weighting	Operation
Base salary (increase of 4% with effect from 1 April 2023)	Core element of total package, essential to support recruitment and retention of high calibre executives.	CEO: £681,605 (2022: £655,389) CFO: £554,507 (2022: £533,180)	n/a	The Remuneration Committee reviewed executive salaries and, taking into account current market conditions, determined that salaries will increase by 4% from 1 April 2023, compared to a minimum of 6% for the majority of the rest of the workforce.
Benefits (no change)	Maintains a competitive package with a range of benefits for the executive and their family.	n/a	n/a	Directors continue to be entitled to benefits in line with the Policy, including private medical insurance, income protection, annual leave, company car (or cash alternative), life insurance of up to five times salary and participation in all-employee share plans such as Sharesave (SAYE) and BAYE.
Pension (CFO pension aligned with the workforce rate from 1 January 2023)	Helps executives provide for retirement and aids retention.	10% of salary in line with the rate available across the wider workforce.	n/a	Directors participate in a defined contribution arrangement or receive a cash allowance.

Directors' Remuneration report continued

Plan	Purpose and link to strategy	Individual maximum opportunity in 2023	Performance measures and weighting	Operation
Annual bonus (no material change)	Rewards achievement of annual financial and key business strategy objectives. Rewards personal performance measured against key objectives. Deferred element encourages longer term shareholding and aligns reward to shareholder interests. Malus and clawback based forfeiture provisions discourage excessive risk, taking and short-term outlook, ensuring that executive and shareholder interests are aligned.	Maximum annual bonus opportunity of 180% of salary.	The 2023 annual bonus will be based on the following measures: • 55% on adjusted operating profit • 25% on adjusted operating cash conversion • 20% on strategic performance For 2023, strategic performance will include: • Future sources of profit growth • Operational efficiency • Critical change programmes • Sustainability Adjusted operating profit has been chosen to ensure that there is a continued focus on driving revenue and managing costs to deliver profit to shareholders. Likewise operating cash conversion is a critical measure for the business to ensure that we have the necessary resources to invest in business transformation and return value to shareholders. Strategic measures ensure there is also focus on key opportunities that will deliver long-term growth and sustainable performance.	Targets are determined in relation to the Group's budget. There is no bonus payment below the threshold level of performance, and maximum payment is made only for performance in excess of the Group's budget. 50% of bonus earned is deferred as shares that are held for three years. Malus and clawback provisions apply, up to three years from the date of award. For 2023, the weighting on financial measures has been increased, with a corresponding reduction from 30% to 20% of maximum for the strategic element, to reflect the level of focus that is required on top and bottom line performance during an expected economic downturn. The cash measure has also been refined from operating cash flow to operating cash conversion, to facilitate the cascade of the measure deeper in the business, driving accountability on the efficient conversion of profit into cash through effective management of stock and debtors throughout the year, together with disciplined capital expenditure management.

Plan	Purpose and link to strategy	Individual maximum opportunity in 2023	Performance measures and weighting	Operation
Restricted Share Plan (no change)	Aligns participants with the shareholder experience, whereby participants build up a shareholding in the Company and are incentivised to deliver sustainable financial performance and enhance shareholder value over the longer term. Helps retain high performing executives.	Maximum annual award of 125% of base salary.	For RSP awards granted in 2023, the performance underpins remain as follows: • ROCE above 9%. ROCE is one of the business' key KPIs assessing how successful the Group's investments have been in returning value to shareholders. Return measures have been a feature of the incentive plans for a number of years. • Satisfactory governance performance including no ESG issues that result in significant reputational damage to the Company.	75% of the award vests on the third anniversary of the grant date, subject to a holding period of a further two years. The final 25% of the award vests on the fifth anniversary of the grant date. If the Company does not meet one or more of the underpins, the Committee would consider whether it was appropriate to scale back the level of payout under the award to reflect this. The Committee retains discretion to determine what level of scale back is appropriate. Malus and clawback provisions apply up to six years from the date of award. The Committee is mindful of shareholder guidance regarding windfall gains. Based on the current share price, the Committee does not consider that it is necessary to scale back awards, but this is reviewed prior to grant.
Share ownership requirement.	Aligns the interests of executives and shareholders.	Executive Directors are required to hold shares valued at 2x annual salary within five years of appointment.		Executive Directors are also expected to maintain this level of shareholding (or their actual shareholding if lower) for a period of two years after stepping down from the Board.

Bonus targets are considered to be commercially sensitive, and disclosure of such may provide an unfair advantage to the Company's competitors. However targets, and the corresponding level of bonus earned, will be disclosed retrospectively, in the relevant reporting period.

Non-executive Directors:

Fees and Benefits	• The Non-executive Director fees policy is to pay: – A basic fee for membership of the Board. – An additional fee to the Chair of a Committee and to the Senior Independent Director, taking into account the additional responsibilities and time commitment of the role. • The Non-executive Chair receives an all-inclusive fee for the role. • Non-executive Directors do not receive any other benefits (other than a staff discount card for purchasing products) and are not eligible to join the Company pension scheme. • The review date for Non-executive Directors' fees is 1 April. Fees were last increased by 3% with effect from 1 April 2022, in line with the approach for the wider workforce. The Chair fee has not increased since her appointment on 31 March 2021. • The current fees are as follows: – Chair fee £320,000 – Non-executive Director basic fee £61,800 – Audit/Remuneration Committee Chair fee £17,510 – Senior Independent Director fee £12,875 – Stay Safe Committee Chair fee £12,360

Considering stakeholders' views

Shareholders

The Committee believes that it is important to maintain open dialogue with shareholders on remuneration matters. The Committee regularly consults with significant shareholders and advisory bodies regarding the Group's approach to executive remuneration and the views of shareholders are important in determining any final changes. The Committee engaged extensively with shareholders regarding the changes proposed to the Policy during 2019 and 2020 and were pleased with the level of engagement and support. The Committee intends to continue to consult with shareholders regarding any material changes to remuneration arrangements. There have been no material changes to Policy over the past year and shareholders were not therefore consulted in 2022.

Colleagues

The Company undertakes regular engagement surveys for all employees to understand their views on working for the Group. Employee feedback on all matters of reward is provided as part of this survey, and through supplementary surveys and focus groups on specific areas such as employee health and financial wellbeing. Pete Redfern, the designated Non-executive Director for workforce engagement, is the Colleague Voice representative on the Board. He hosts a number of listening groups throughout the year to gather colleagues' perspective on any topic relating to their experience of working for the Group, and the insights are fed back to the Board on a regular basis during the year. The colleague voice is considered as part of the wider workforce context when making executive remuneration decisions. A significant portion of colleagues are shareholders, meaning that they are also able to express their views in the same way as other shareholders.

Remuneration elsewhere in the Group

The approach to setting reward for the wider workforce is guided by the same principles that apply to executives, with a focus on attracting and retaining the best talent, competing within the industry sector and against the local market, and ensuring that pay outcomes are fair and equitable. The salary review process and incentive plan design are broadly consistent throughout the Group. A higher proportion of total remuneration for Executives and the Group Leadership Team is variable and linked to business performance, compared to the wider workforce.

All of the merchant businesses moved salaries to meet the Real Living Wage at the beginning of 2021, and the aim is to continue to work towards meeting the Real Living Wage across the Group over time. For the 2023 salary review, the focus has been on delivering fair and equitable outcomes, recognising the difficult and uncertain external conditions, investing higher increases in colleagues who are facing the biggest cost of living challenges, as well as providing a meaningful uplift to everybody else.

The Group's extensive wellbeing and benefit programmes are well established and provide comprehensive support to colleagues and their families, which has been of particular importance during the pandemic and more recently as basic living costs have increased sharply. An extensive retailer discount programme provides savings on average of between 6-7% of spend to help colleagues manage their essential household expenditure. An employee assistance programme and a range of health, wellbeing, financial and lifestyle benefits are also provided to colleagues. More recently, at a total cost of £7.7m, a one-off cost of living payment of £400 was made to over 17,000 colleagues, around 95% of the total workforce in the UK. The take-up and use of benefits are closely monitored to assess the impact of cost of living pressures and resources have been invested in further communications and engagement, direct with colleagues as well as through line managers, to ensure that everyone is aware of the support that is available. The benefits offering is regularly reviewed, with virtual GP advice, health checks, mental health and nutritional support recently added to the portfolio of benefits that all colleagues can access.

During 2022, the focus on financial wellbeing has been increased, with a series of communications and webinars around financial wellbeing topics, in particular providing advice and support on retirement savings, budgeting, cost of living and mortgages. The financial wellbeing tool, Wagestream, was also launched to all colleagues in June 2022, which allows them to track their earnings, manage their budget and short-term borrowing needs more effectively, as well as encouraging long-term savings and providing financial coaching and other resources. 80% of the workforce now use the platform for their regular budgeting needs, a third use the short-term borrowing service and another third are working towards achieving their savings goals, with over half a million pounds saved collectively since the benefit was launched. Take-up of this benefit has increased steadily over time and will continue to provide colleagues with valuable support through challenging times.

All colleagues based in the UK and the Netherlands also have the opportunity to participate in the Company's Sharesave plan, which allows them to save towards acquiring shares in Travis Perkins plc at a discounted option price. Leaders and key talent across the Group also receive long-term incentive awards under the Restricted Share Plan.

Audited information

Single total figure of remuneration

£000	Salary	Benefits	Pension	Total fixed	Bonus	LTI[1]	Total variable	Total
	2022							
Executive Directors								
Nick Roberts	651	29	65	745	–	1,081	1,081	1,826
Alan Williams	529	19	104	652	–	882	882	1,534
Non-executive Directors								
Jasmine Whitbread[3]	320	–	–	320	–	–	–	320
Coline McConville	79	–	–	79	–	–	–	79
Pete Redfern	74	–	–	74	–	–	–	74
Marianne Culver	61	–	–	61	–	–	–	61
Heath Drewett[4]	79	–	–	79	–	–	–	79
Jora Gill[5]	71	–	–	71	–	–	–	71
Total	**1,864**	**48**	**169**	**2,081**	–	**1,963**	**1,963**	**4,044**

£000	Salary	Benefits	Pension	Total fixed	Bonus	LTI[2]	Buy-out	Total variable	Total
	2021								
Executive Directors									
Nick Roberts	636	29	64	729	1,111	1,199	391	2,701	3,430
Alan Williams	518	19	104	641	904	1,207	–	2,111	2,752
Non-executive Directors									
Jasmine Whitbread[3]	241	–	–	241	–	–	–	–	241
Coline McConville	77	–	–	77	–	–	–	–	77
Pete Redfern	72	–	–	72	–	–	–	–	72
Marianne Culver	60	–	–	60	–	–	–	–	60
Heath Drewett[4]	46	–	–	46	–	–	–	–	46
Jora Gill[5]	25	–	–	25	–	–	–	–	25
Chris Rogers[6]	20	–	–	20	–	–	–	–	20
Blair Illingworth[7]	67	–	–	67	–	–	–	–	67
John Rogers[8]	56	–	–	56	–	–	–	–	56
Stuart Chambers[9]	80	–	–	80	–	–	–	–	80
Total	**1,898**	**48**	**168**	**2,114**	**2,015**	**2,406**	**391**	**4,812**	**6,926**

Notes:

1. Long-Term Incentives (LTI) reported for 2022 include PSP and CIP awards granted in 2020 and vesting in March 2023, based on performance over the three-year period 1 January 2020-31 December 2022. The value of these awards has been calculated based on the average share price for the last quarter of 2022 of £8.83. For 2020 CIP awards, the share price on the date of grant on 22 September 2020 was £10.42. For 2020 PSP awards, the share price on the date of grant on 14 September 2020 was £11.435. As the share price used to value LTI for the single figure table is £8.83, no value in the value reported is attributable to share price appreciation for either Executive Director.
2. The LTI figure for 2021 reported last year (£1,894 for Nick Roberts and £1,430 for Alan Williams) was calculated on an estimated basis using the average share price of the final quarter of 2021 of £15.33. These figures have been restated to reflect the actual share prices on vesting (£9.40 for Nick Roberts for both PSP and CIP awards, and £13.21 for Alan Williams' PSP award and £12.56 for his CIP award).
3. Jasmine Whitbread was appointed to the Board on 31 March 2021.
4. Heath Drewett was appointed to the Board on 11 May 2021. Heath Drewett was appointed Chair of the Audit Committee on 4 August 2021.
5. Jora Gill was appointed to the Board on 4 August 2021. Jora Gill was appointed Chair of the Stay Safe Committee on 25 February 2022.
6. Chris Rogers stepped down from the Board on 27 April 2021.
7. Blair Illingworth stepped down from the Board on 29 November 2021.
8. John Rogers stepped down from the Board on 6 October 2021.
9. Stuart Chambers stepped down from the Board on 31 March 2021.

Directors' Remuneration report continued

Explanatory notes for the single total figure of remuneration table

Salary

Annual salaries for the Executive Directors increased by 3% on 1 April 2022. Non-executive Director fees also increased by 3% on 1 April 2022. The Chair's fee has not been increased since her appointment on 31 March 2021.

Benefits

Benefits for 2022 for Nick Roberts and Alan Williams include private medical insurance and the provision of a company car and fuel (or allowance alternative).

Directors' pension entitlements

Nick Roberts receives 10% of salary, paid as a mix of pension contributions to the Company's defined contribution pension scheme and a cash allowance.

A gross cash allowance in lieu of pension of £103,530 was paid to Alan Williams during 2022. As previously disclosed, from 1 January 2020, the Committee agreed with Alan Williams that his pension would be reduced to 20% of salary. This monetary amount of £103,530 was frozen at this fixed level over the following two years. From 1 January 2023, Alan's pension has been reduced to the wider workforce rate of 10% of salary.

The value of Directors' pension entitlements for the year ended 31 December 2022 are outlined in the table below.

£000	Nick Roberts	Alan Williams
Pension value in the year from company contributions to defined contribution scheme	£3,996	n/a
Pension value in year from cash allowance (salary supplement in place of employer pension contributions)	£61,066	£103,530
Total pension benefit accrued	£65,062	£103,530

Annual bonus for 2022

Annual bonuses for 2022 were subject to adjusted operating profit (50%), operating cash flow (20%) and performance against our strategic measures (30%).

The following table summarises the bonus targets and achievement for 2022:

Performance measure	Weighting	Targets			Actual performance	Payout (% of maximum)
		Threshold (0%)	Plan (50% bonus)	Maximum (100% bonus)		
Adjusted operating profit	50%	£344m	£362m	£380m	£295m	0%
Adjusted operating cash flow	20%	£205m	£228m	£274m	£180m	0%
Strategic performance	30%	The Committee assessed performance against a number of strategic measures which were set at the start of the year. A summary of performance is provided below. The Committee determined that delivery against the strategic measures would have resulted in a payout of 66% of maximum for this element of the bonus plan. In light of financial performance and lower bonus payments across the wider workforce than in previous years, the Committee used its discretion and did not award a bonus payout against the strategic measures for 2022.				0%

Strategic performance	Measure	Summary of performance	Committee's assessment
Strategic milestone	Market share	Significant progress on building capability to deliver more value-added services, drive retention and growth within our customer base, and develop areas of strategic focus such as Intelligent Solutions and Whole House, as well as leveraging new areas of business development with Staircraft and TF Solutions. Market share gains were achieved during the year across the Merchanting division.	Delivered
	Operational efficiency	Operational cost efficiency has been a key focus during the year, and Travis Perkins general merchanting and Toolstation in particular have driven core costs down in their organisation structures throughout the year. Action was also taken in Q4 to prepare the organisation for more challenging trading conditions in 2023. Supply chain and distribution centre capabilities have been reviewed across the Group to drive improved customer propositions and more efficient operations. Work is also underway to scope out continuous improvement strategies.	Mostly delivered
	Critical foundational programmes	The finance modernisation programme progressed in line with the agreed plan during 2022 and is on track to go live towards the end of 2023. This will deliver improved stock accounting, simpler margin reporting and more streamlined and efficient finance processes. The first phase of the Enterprise Resource Planning implementation project within the BSS business division went live in November 2022, a significant milestone with further implementations planned for later in 2023.	Delivered
ESG measures	Safety	Successful amplification of the health and safety culture across the business, with various initiatives landing well with colleagues. There was a positive shift in Colleague Safety Voice feedback, with engagement survey results four points ahead of the external global benchmark. For 2022, the LTI frequency rate was five LTIs per million hours, which is a 16% improvement on the prior year.	Exceeded
	Sustainability	Support has been provided to suppliers who have calculated their Scope 1 and 2 emissions and who are actively working to reduce their carbon emissions. 53.9% of Group spend was with centrally managed suppliers who meet the Group's Scope 3 criteria, which exceeded the target set at the beginning of the year. More detail on the Group's progress against its sustainability ambition is detailed on page 30.	Delivered at target
	People development and diversity	4.7% of all new hires in 2022 were appointed through the apprenticeship programme, compared to 9.5% last year and behind the target of 15%. There has been continued development of the centralised resourcing team, which is expected to drive further progress in apprenticeship hires as well as a significant shift in the recruitment of colleagues from minority backgrounds in the future. The launch of a digital onboarding space, the learning management platform ('Thrive'), and further embedding of 'At My Best' performance enablement and the Group's values and purpose ('Our Story') are all contributing to a renewed focus on people development. The recent 'Your Voice, Our Future' colleague survey was answered by 76% of colleagues across the Group and produced a positive overall engagement score of 71. Equal opportunity and authenticity were in the top three engagement scores across the Group, both higher than the external benchmarks, and 68% of colleagues felt a sense of belonging at the Company. During 2022, the proportion of female colleagues increased slightly compared to the prior year.	Partly delivered

Directors' Remuneration report continued

Long-term incentives (LTI)
Long-term incentives in the single total figure of remuneration for 2022 comprise the following awards, based on the average share price for the three months 1 October 2022 to 31 December 2022, which was £8.83.

	Performance Share Plan	Co-Investment Plan	Total LTIP
Nick Roberts	**£512,399** 83,467 shares granted 54,253 shares due to vest at 65% of maximum 3,758 shares in respect of dividend equivalents added in the vesting period **58,011** shares in total	**£568,699** 60,214 shares granted 60,214 shares due to vest at 100% of maximum 4,171 shares in respect of dividend equivalents added in the vesting period **64,385** shares in total	**£1,081,098**
Alan Williams	**£416,846** 67,903 shares granted 44,136 shares due to vest at 65% of maximum 3,057 shares in respect of dividend equivalents added in the vesting period **47,193** shares in total	**£465,250** 49,261 shares granted 49,261 shares due to vest at 100% of maximum 3,412 shares in respect of dividend equivalents added in the vesting period **52,673** shares in total	**£882,096**

Impact of Wickes and Plumbing & Heating disposals
During 2021, the Group completed two material corporate transactions. In April 2021, the Wickes business was demerged and in September 2021, the Plumbing & Heating division was sold. Taking into account the significance of the transactions and the impact on long-term incentive performance metrics, the Committee reviewed the targets for in-flight awards granted in 2019 and 2020 to ensure that performance was being assessed on a comparable basis with the targets for outstanding awards. Following careful consideration the Committee determined that it was appropriate to exclude Wickes and Plumbing & Heating performance from 1 January 2021, both from the target set and from reported performance. This holds management to account for the performance of these businesses prior to the end of 2020, while ensuring that performance continues to be fairly assessed against targets. The adjusted targets for 2020 awards are set out in the tables below and the Committee is satisfied that the level of stretch is not materially different compared to the original targets.

2020 Performance Share Plan (PSP) awards

The following table sets out the performance targets, achievements and vesting levels for the PSP award granted in 2020 and vesting in 2023 in respect of the performance period 1 January 2020 to 31 December 2022:

Measure	Weighting	Threshold	Maximum	Actual	Vesting (% Total)
Adjusted EPS growth[1]	40%	3% p.a.	10% p.a.	6.4% p.a.	25%
Relative TSR[2]	20%	Median	Upper quartile	Below median	0%
Aggregate cash flow[3]	40%	£720m	£800m	£840m	40%
Total vesting					**65%**

1. Adjusted EPS growth has been calculated on a consistent basis, adjusting for the impact of the Wickes demerger, the sale of the Plumbing & Heating business and the acquisition of Toolstation Europe. Toolstation Europe was acquired on 30 September 2019 and was previously accounted for as an associated undertaking. Where relevant, accounting policies have been kept consistent for the calculation of adjusted EPS growth, in particular the treatment of restructuring provisions.
2. Relative total shareholder return performance was measured against companies ranked 50-150 in the FTSE index on the date of award.
3. Wickes and P&H have been included in the aggregate cash flow targets up to the end of 2020 but targets have been adjusted to exclude both divisions for 2021 and 2022. Actual performance has been assessed on the same basis to ensure consistency between the actual trading results and the targets.

2020 Co-Investment Plan (CIP) awards
Co-Investment Plan awards are subject to three-year average Cash Return on Capital Employed (CROCE) targets. As with aggregate cash flow, the targets have been adjusted on the same basis to exclude the impact of both Wickes and Plumbing & Heating divisions in respect of 2021 and 2022 to ensure a like-for-like comparison with performance.

The following table sets out the performance targets, achievements and vesting levels for the matching awards granted in 2020 and vesting in 2023 in respect of the performance period 1 January 2020 to 31 December 2022:

Measure	Weighting	Threshold	Maximum	Actual	Vesting
CROCE (three-year average)	100%	7.6%	8.6%	9.0%	100%
Total vesting					**100%**

Consideration of underlying performance for long-term incentive outcomes
When considering the long-term incentive vesting outcome, the Committee also considered the underlying performance of the Group over the three-year performance period, taking into account performance against key financial and non-financial indicators as well as the share price performance and the experience of shareholders and other stakeholders. The Committee also considered whether there had been a significant negative event (such as an ESG event) which would warrant an adjustment. While 2022 has been more challenging, given the progress that management has made on delivering strong cash performance thought-out the three-year period as well as the execution of the strategy, delivery of operational performance and the simplifying and strengthening of the business for the future, the Committee concluded that the level of vesting of the long-term incentive awards was appropriate.

The Committee also noted that there were no windfall gains, since the share price is currently lower than on the date of grant. No discretion was consequently exercised by the Committee.

Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2022.

Payments to past Directors and payments for loss of office
No payments were made to past Directors and no payments were made to any Director for loss of office in the year.

Share interests awarded during the financial year
The Restricted Share Plan was approved by shareholders at the Annual General Meeting held on 27 April 2021, replacing the PSP and CIP.

Before granting awards under the RSP in 2022, the Committee took into account shareholder guidance that where the share price has fallen significantly compared to prior years awards should be scaled back. The Committee considered that the share price at grant was broadly comparable to prior years and therefore felt that it was appropriate to continue to grant at the normal levels. In line with best practice the Committee retains discretion to adjust the vesting outturns if they are not considered to be reflective of the underlying financial or non-financial performance of the business or the individual over the performance period or where the outcome is not considered appropriate in the context of the experience of shareholders and other stakeholders.

2022 Restricted Share Plan (RSP) awards

	Date of award	Type of award	Basis	% vesting at lower target	Face value*	Underpin period
Nick Roberts	1 April 2022	Restricted shares	125% of salary	n/a	£807,261 (64,298 shares at £12.555 per share)	1 January 2022 to 31 December 2024 (for the purposes of assessing underpins only)
Alan Williams	1 April 2022	Restricted shares	125% of salary	n/a	£656,739 (52,309 shares at £12.555 per share)	Shares that vest after three years are subject to an additional two year holding period post vesting

* Awards are increased at each dividend payment date to reflect the dividends that would have been paid on vested shares between grant and the end of the holding period.

If the Company does not meet one or more of the underpins the Committee would consider whether it was appropriate to scale back the level of payout under the award to reflect this. The Committee retains discretion to determine what level of scale back is appropriate.

2022 Deferred Share Bonus Plan (DSBP)

Half of the bonus earned in respect of 2021 performance was awarded as deferred shares as follows:

2022 DSBP awards	Date of award	Face value	Number of shares**	Share price*
Nick Roberts	1 April 2022	£555,483	36,185	£15.35
Alan Williams	1 April 2022	£451,908	29,438	£15.35

* The share price used to calculate the number of shares awarded was the last 30 days of the 2021 financial year.

** Shares vest three years from the date of award. Awards are increased at each dividend payment date to reflect the dividends that would have been paid on vested shares between grant and vesting.

As no bonus was earned in 2022, there will be no share awards under the deferred bonus plan in 2023.

Director's shareholding and share interests – Executive Directors

Formal shareholding requirements apply to Executive Directors and senior executives. The Committee may decide to scale back or withhold participation in long-term incentives if the requirements are not met or maintained. Executive Directors are required to hold shares valued at two times annual salary within five years of appointment.

As at 31 December 2022, Nick Roberts' total shareholding was 175,033 (which includes DSBP and RSP shares calculated at a net of tax basis) and represents 2.36 times salary. Alan Williams' total shareholding was 364,906 shares (which includes DSBP and RSP shares calculated at a net of tax basis) and represents 6.05 times salary, based on the average share price for the last quarter of 2022 which was £8.83.

Directors' shareholdings and share interests as at 31 December 2022 are outlined in the table below:

Executive Director	Beneficially owned shares	Conditional shares under PSP and CIP[1]	Conditional shares under RSP	Unconditional shares under DSBP and Sharesave[2]	Unvested options subject to performance[3]	Vested but unexercised options	**Total interests**	Total shareholding (beneficially owned and DSBP)[4]	**Total shareholding (beneficially owned, DSBP and RSP)[5]**
Nick Roberts	83,010	153,635	119,076	56,557	2,339	79,666	**494,283**	111,923	**175,033**
Alan Williams	285,221	125,280	96,870	55,485	2,623	0	**565,479**	313,565	**364,906**

1. Includes outstanding unapproved Performance Share Plan (PSP) awards and Co-Investment Plan (CIP) awards, which are subject to performance conditions.
2. Includes outstanding awards made under the Deferred Share Bonus Plan (DSBP) and Sharesave, which are not subject to performance conditions.
3. Market value options awarded under the HMRC tax-advantaged CSOP element of the PSP. These awards are subject to the same performance conditions as the corresponding PSP award.
4. Deferred Share Bonus Plan shares are calculated at the post-tax value (53%).
5. Interests qualifying towards the shareholding requirement comprise ordinary shares beneficially held at 31 December 2022 by the Executive and their spouse/partner, vested but unexercised SAYE options and the post tax value (53%) of DSBP and RSP awards and any other share options or awards which have vested but have not been exercised.

During 2022 the following awards were exercised:

Nick Roberts	Exercise date	Number of shares	Price per share
Buyout award	17 August 2022	41,596	£9.1504
2019 Co-Investment Plan award	17 August 2022	47,877	£9.1504

Alan Williams	Exercise date	Number of shares	Price per share
Deferred Share Bonus Plan	16 March 2022	12,937	£13.1783
2019 Co-investment Plan award	1 April 2022	39,369	£12.8428
2019 Performance Share Plan	16 March 2022	53,955	£13.1783

Director's shareholding and share interests – Non-executive Directors

Non-executive Director	Beneficial shareholding (as at 28 February 2023)	Beneficial shareholding (as at 31 December 2022)	Beneficial shareholding (as at 31 December 2021)
Jasmine Whitbread	4,528	4,528	2,405
Coline McConville	4,003	4,003	4,003
Pete Redfern	10,012	10,012	10,012
Marianne Culver	728	728	728
Heath Drewett	–	–	–
Jora Gill	–	–	–
Louise Hardy	–	–	–

There were no material changes in Directors' share ownership between 31 December 2022 and 28 February 2023. Nick Roberts acquired an additional 30 shares through the all employee Buy as you Earn (BAYE) scheme.

Directors' Remuneration report continued

Unaudited information

Service contracts

Each of the Executive Directors has a service contract, which will be available for inspection at the Annual General Meeting or at the Company's registered office. These contracts provide for six months' notice from the Directors and 12 months' notice from the Company. They do not specify any particular level of compensation in the event of termination or change of control. Details of the Group's policy on payments in respect of loss of office are provided in the Directors' Remuneration Policy.

The dates Executive Directors service contracts were entered into are as follows:

- Nick Roberts – 1 July 2019
- Alan Williams – 3 January 2017

Non-executive Directors do not have a service contract, but each has received a letter of appointment which will be available for inspection at the Annual General Meeting or at the Company's registered office.

These appointments expire on the following dates:

Director	Expiry of appointment letter
Jasmine Whitbread	March 2030
Coline McConville	February 2024
Pete Redfern	November 2023
Marianne Culver	November 2028
Heath Drewett	May 2030
Jora Gill	August 2030

In accordance with best practice, the Non-executive Directors stand for re-election annually.

No compensation is payable on termination of the employment of Non-executive Directors, which may be with or without notice.

Outside appointments

Travis Perkins recognises that its Executive Directors may be invited to become Non-executive Directors of other companies. Such non-executive duties can broaden a Director's experience and knowledge which can benefit Travis Perkins.

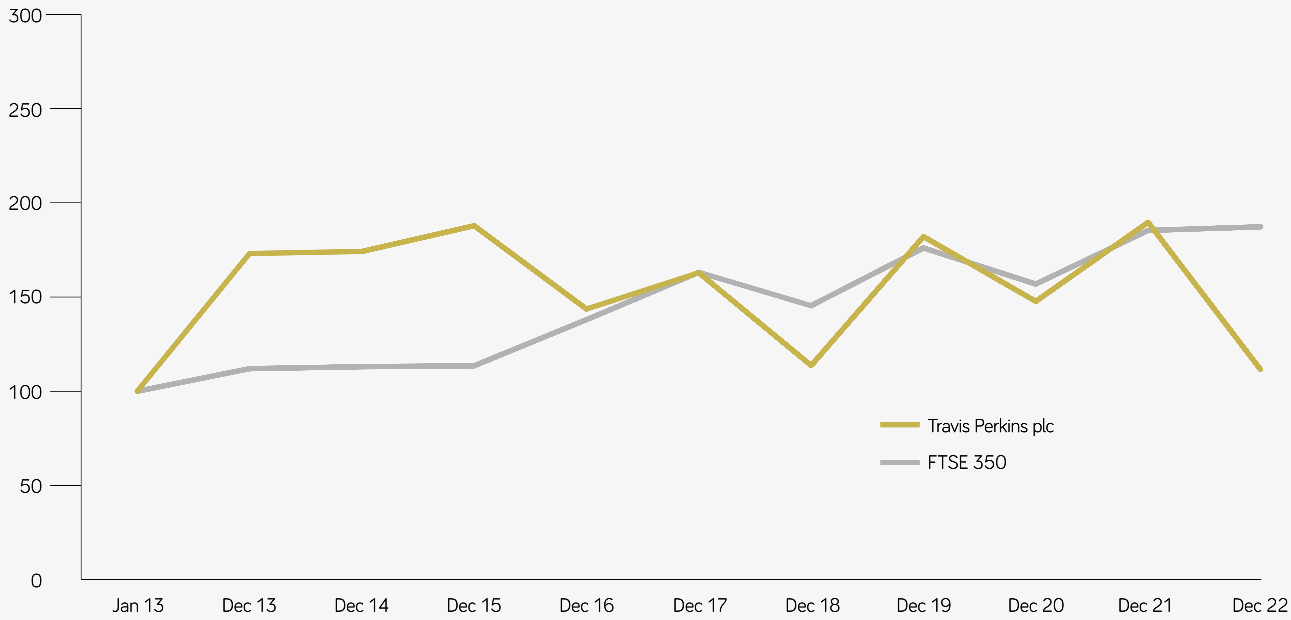
Subject to approval by the Board, Executive Directors are allowed to accept one Non-executive Directorship or other significant appointment, provided that these appointments will not lead to conflicts of interest, and they may retain the fees received. Nick Roberts is a Director and Trustee of the Forces in Mind Trust, and does not receive a fee for this appointment. Alan Williams held no external appointments during 2022.

Funding of equity awards

Both Executive incentive arrangements and entitlements under the HMRC approved all-colleague Sharesave scheme are satisfied by shares purchased in the market. Shares purchased in the market are held by a trust and the voting rights relating to the shares are exercisable by the Trustees in accordance with their fiduciary duties. As at 31 December 2022, the Trust held 2,596,684 shares.

Total shareholder return performance graph

For comparative purposes the FTSE 350 index has been selected as this is the index of which the Company was a member during the reporting year.



TSR is rebased to 100 from 1 January 2013.

Historical CEO pay

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Single figure remuneration (£000)	£2,044	£2,634	£2,360	£2,575	£2,532	£2,258	£2,622	£696	£4,446	£1,826
Annual bonus payout (% of maximum)	63%	89%	32%	24%	72%	35%	89%	–	97%	–
Vesting of Performance Share Plan (% of maximum)	37%	45%	97%	54%	40%	40%	46%	40%	94%	65%
Vesting of Co-Investment Plan (% of maximum)	–	–	44%	97%	100%	100%	100%	100%	100%	100%

Data for 2019 relates to both Nick Roberts and John Carter reflecting their tenure in the role of CEO during 2019. 2014-2018 relates to John Carter, earlier data relates to the previous CEO, Geoff Cooper.

Directors' Remuneration report continued

CEO to all-employee pay ratio

The following table provides pay ratio data in respect of the CEO's total remuneration compared to the 25th, 50th and 75th percentile employees.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option A	79	69	56
2021	Option A	206	168	134
2020	Option A	37	30	23
2019	Option A	133	109	81

The employees used for the purposes of the table above were identified on a full-time equivalent basis as at 31 December 2022. Option A was chosen as it is considered to be the most accurate way of identifying the relevant employees.

Employee Pay includes salary, allowances, overtime, bonus, commission, benefits and share plan proceeds. For the purpose of the calculation employee pay has been standardised to the equivalent of a 40-hour working week and where employees have started mid-period the employee's pay has been restated on a full year basis to ensure a like-for-like comparison.

The following table provides salary and total remuneration information in respect of the employees at each quartile:

Year	Element of pay	25th percentile employee	Median employee	75th percentile employee
2022	Salary	£21,120	£24,000	£29,416
	Total remuneration	£23,169	£26,506	£32,830

The Board has confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

There is a decrease in the CEO pay ratio for 2022. This reflects the fact that there was no bonus payout for 2022 whereas during 2021 the CEO received a bonus and long-term incentives close to maximum, reflecting strong business performance in 2021. Also included in the CEO's total remuneration in 2021 is a significant element of his buyout awards.

There are no changes attributable to changes in the Company's employment model nor in the methodology used to calculate the ratio.

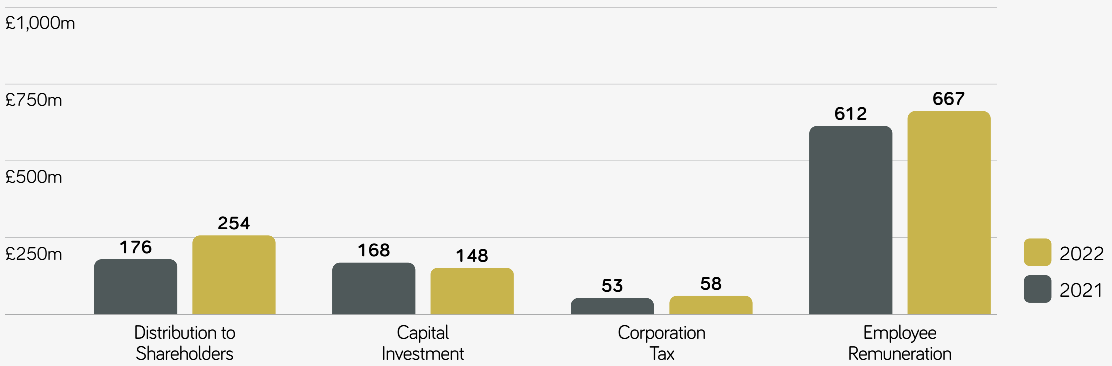
Change in remuneration of Directors

The following table sets out the year-on-year percentage change in remuneration for the Executive and Non-executive Directors relative to the wider workforce.

	Percentage change in salary/fee earned			Percentage change in bonus earned			Percentage change in taxable benefits received		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Comparative Employee Group[1]	5.2%	1.5%	1.7%	(74.8%)	69.0%	(38.0%)	13%	(8.5%)[2]	8.4%
Executive Directors									
CEO – Nick Roberts[3]	2.4%	5.3%	(4.0%)	(100.0%)	97.0%	(89.0%)	1.1%	1.4%	0.0%
CFO – Alan Williams[3]	2.1%	5.3%	(3.5%)	(100.0%)	97.0%	(89.0%)	–	(6.9%)	(5.0%)
Non-executive Directors									
Jasmine Whitbread[4]	32.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Coline McConville	2.6%	5.4%	(2.0%)	n/a	n/a	n/a	n/a	n/a	n/a
Pete Redfern	2.8%	(3.6%)	11.4%	n/a	n/a	n/a	n/a	n/a	n/a
Marianne Culver	1.7%	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Heath Drewett[4]	71.7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jora Gill[4]	184.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. The comparator group is all colleagues within the Trade Merchant businesses and central functions. Travis Perkins plc is a non-employing entity and so is not used for comparative purposes.
2. During 2021, the Group began to replace the company car fleet with a cash allowance. The reduction reflects the difference between the P11d value and the cash allowance.
3. During 2020 Nick Roberts and Alan Williams took a pay cut of 20% for a period of three months. The increase in 2021 reflects the reinstatement of this temporary reduction in salary. They received no underlying salary increase in 2021.
4. Jasmine Whitbread, Heath Drewett and Jora Gill were appointed during 2021 and therefore the increases to fees received in 2022 reflect the comparison of a full-year to a part-year.

Relative importance of spend on pay



Capital expenditure is shown, for comparison, as an indicator of investment by the Company in future growth. It includes funds invested in the purchase of property, plant and equipment. Corporation tax is included as an indicator of wider societal contribution facilitated by the Company's operations and is the actual amount of corporation tax paid in the relevant reporting periods.

Governance

During the year the Committee comprised Coline McConville (Chair), Pete Redfern and Marianne Culver, all of whom are independent Non-executive Directors, and Jasmine Whitbread, Chair of the Board, who was independent on appointment.

Deloitte was appointed by the Committee in December 2015, following an interview process, to provide independent advice on executive remuneration. Deloitte are founding members of the Remuneration Consultants Code of Conduct and adhere to this Code in its dealings with the Committee. The Committee is satisfied that the advice provided by Deloitte is objective and independent. The Committee is comfortable that the Deloitte engagement partner and team that provides remuneration advice to the Committee do not have connections with the Company or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Deloitte provided additional services to the Company in relation to remuneration including support in developing and implementing remuneration proposals, compensation benchmarking and other tax and consulting services. Fees are charged on a time and materials basis. During the year Deloitte was paid £16,500 for advice provided to the Committee.

In addition Nick Roberts (Chief Executive), Alan Williams (Chief Financial Officer), Robin Miller (General Counsel & Company Secretary), Emma Rose (Chief Human Resources Officer), Jon Erb (Director of Group Finance), Paul Nelson (Group Reward Director until 31 March 2022) and Leonie Clarke (Group Reward Director from 6 June 2022) have assisted the Committee in its work and attended Committee meetings where appropriate. No individual is involved in the setting of their own remuneration.

Directors' Remuneration report continued

Responsibilities

The Remuneration Committee is responsible for developing and implementing the remuneration policy within the Company. It determines and agrees with the Board the policy for the remuneration and benefits of the Chair of the Company, Executive Directors and Group Leadership Team members and other senior executives. The Committee also oversees the administration of the Company's share plans. The Committee's terms of reference are available on the Company website (www.travisperkinsplc.co.uk) or on request from the Company Secretary.

Key items discussed in 2022 meetings

The Remuneration Committee met formally three times during the year, with additional conference calls or meetings as required. The Committee discussed amongst others the following matters:

Date	Key issues considered
4 February	• Annual salary review for Executive Directors and the Group Leadership Team • Annual bonus targets for 2022 • Performance update on the 2021 annual bonus scheme • Performance update on 2019 long-term incentive awards
21 February	• Review of 2021 performance against targets and determining outcomes for the 2021 annual bonus and 2019 long-term incentive awards • Annual bonus targets for 2022 • Deferral of 2021 bonus into shares granted in 2022 • Approach to granting awards under the RSP beyond the leadership team • 2021 Directors' Remuneration Report
9 December	• Context and considerations for the 2023 annual salary review for the wider workforce • Performance update on the 2022 annual bonus scheme • Performance update on 2020 long-term incentive awards and impact of Corporate Restructuring on targets • Governance process for interim long-term incentive awards under the RSP • Committee terms of reference

Shareholder voting

The following resolutions in relation to remuneration were put to the Company's AGM (2021 Directors' Remuneration Report and 2020 Policy):

Resolution	Votes for	For (%)	Votes against	Against (%)	Votes withheld
To receive and approve the Directors' Remuneration Report (2022 AGM)	154,790,824	94.71%	8,653,670	5.29%	7,325
To receive and approach the Directors' Remuneration Policy (2021 AGM)	178,947,921	89.38%	21,267,740	10.62%	31,205

The Director's Remuneration Report has been approved by the Board of Directors and is signed on its behalf by:

Coline McConville
Chair of the Remuneration Committee
27 February 2023

Directors' report

For the year ended 31 December 2022

The Directors present their Annual Report and audited accounts of Travis Perkins plc and its subsidiaries (the "Group") for the year ended 31 December 2022. The report sets out information required to be included by the Companies Act 2006 (the "Act"), and the applicable Financial Conduct Authority ("FCA") Listing Rules (LR 9.8.4R(4), (12), (13)) and Disclosure Guidance and Transparency Rules (the "DTRs"). Certain information is incorporated into this report by reference and can be located in the sections outlined below.

Business review

A review of the Group's position, developments, activities in the field of research and development and a review of the key events affecting the Group in the last financial year can be found on pages 66 to 70. Whilst the Group operates predominantly in the UK, it has a sourcing office in China; a small number of branches in the Isle of Man and the Republic of Ireland; and continued development of the Toolstation Europe business now reaching 158 branches in Belgium, France and Holland.

Articles of Association

The Company's Articles of Association (the "Articles") may only be amended by special resolution at a general meeting of the Shareholders. The Articles can be viewed on the Group's website at: www.travisperkinsplc.co.uk/about-us/governance/

Board of Directors

The names, biographies and committee memberships of all Directors are provided on pages 84 to 85 and details of the Directors that held office during the 2022 financial year are set out on page 88. The powers and responsibilities of the Directors are set out in the Corporate Governance report on pages 86 to 90. The appointment and removal of Directors is regulated by the Articles, the Act, the UK Corporate Governance Code (the "Code") and related legislation. Under Article 83 of the Articles all Directors are required to retire and seek re-election annually and accordingly all will do so at the Annual General Meeting (AGM), except for Louise Hardy who is standing for election having been appointed since the last AGM.

All Directors are recommended for re-election on the basis of their skills, experience and the value of their contributions to the Board and the Company's long-term sustainable success.

Details of the service agreements for Executive Directors and letters of appointment for Non-executive Directors are set out in the Directors' Remuneration report on pages 98 to 116 and are available for inspection at the Company's registered office. Executive Directors have rolling 12-month notice periods in their contracts.

Directors' conflicts of interest

Directors have a statutory duty to avoid a situation where they have or may have a direct or indirect interest that conflicts or may conflict with the Company's interests. The Company's Articles permit Directors to authorise a potential conflict of interest to the extent permitted by law. During the year, no Director had any material interest in any contract of significance of the Group's business.

The disclosable interests of Directors at 31 December 2022, including holdings, if any, of spouses and of children under the age of 18 are provided in the Directors' Remuneration report on pages 98 to 116.

Directors' indemnities

Article 143 of the Company's Articles permits the Company to indemnify any person who is or was a Director, or a Director of any associated company against any loss or liability in relation to the Company or associated company, to the extent permitted by law. The Company has granted such indemnities to its Directors and Directors of associated companies and these remain in force in the year ending 31 December 2022.

The Company maintains Directors' and Officers' liability insurance cover in respect of potential legal action brought against its Directors.

Directors' report continued

For the year ended 31 December 2022

Major shareholdings

Information received by the Company pursuant to the FCA's DTR 5.3.1(1) is published on a Regulatory Information Service and the Company's website. As of 31 December 2022, the Company has received notification of the following holdings of voting rights in its shares. The information provided below was correct at the date of notification, however that date of notification may not have been within the current financial year. It should be noted that these holdings are likely to have changed since the Company was notified, however further notification is not required until the next notifiable threshold is crossed.

Disclosure	Direct/Indirect	Number of Shares	Voting Rights
BlackRock, Inc.	Indirect	10,860,539	5.13%
Sprucegrove Investment Management Limited	Direct	10,569,923	5.03%
Artemis Investment Management LLP	Indirect	10,751,952	5.059%
Schroders Plc	Indirect	11,136,777	5.24%
Ninety One UK Limited	Indirect	12,480,008	4.95%
Investec Asset Management	Indirect	12,741,837	5.05%
Harris Associates L.P.	Indirect	12,398,948	4.92%
OppenheimerFunds, Inc	Indirect	12,381,080	4.91%
Sanderson Asset Management LLP	Indirect	12,321,382	4.89%
Pzena Investment Management, Inc	Indirect	15,587,458	6.93%

Results and dividend

The Group's results for the year ending 31 December 2022 are set out in the income statement on page 129 and dividends for the year ending 31 December 2022 are set out in note 21. The Directors recommend a final dividend of 39.0 pence per share for approval at the Company's Annual General Meeting. If approved by shareholders, the final dividend will be paid on 18 May 2023 to those shareholders on the register at the close of business on 11 April 2023.

Balance sheet and post-balance sheet events

The balance sheet on page 130 shows the Group's financial position. No important events have occurred since the balance sheet date.

Employees

The Group is committed to its purpose of enriching lives and building communities, and recognises the importance of colleague engagement and inclusion in this. A full statement on employee matters can be found in the Sustainability report on pages 30 to 49 and an overview of the Company's approach to diversity can be found in the Sustainability report and the Nominations Committee report on pages 91 to 92.

The Encouraging Equal Treatment policy aims to ensure recruitment, employment and promotion decisions are based solely on an individual's ability and potential, regardless of their gender, race, colour, ethnic origin, sexual orientation, religious belief, age, disability, marital status (including civil partnership), pregnancy, maternity or gender identity. In particular, applications for employment by disabled persons are always fully and fairly considered, bearing in mind the aptitudes of the person concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues, including making any reasonable adjustments to their role, and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The Group's practices are designed to keep employees informed on matters relevant to them, including the Group's financial performance and strategy, through regular meetings and communications. The Group makes use of various channels including employee representatives; listening groups; colleague forums; workshops; conferences; internal newsletters and newspapers; and online communities.

In September 2022 the Group conducted its latest colleague engagement survey 'Your Voice Our Future', which enables colleagues to give feedback on issues affecting them and provides valuable insight into their priorities and concerns. Areas for improvement are identified and action plans to improve are developed with colleagues and implemented accordingly. The results of the survey are used to inform the Group's approach to policies, the working environment, working practices and diversity and inclusion, amongst other matters. The Company has a designated workforce engagement Non-executive Director to bring the colleague voice into the boardroom.

All colleagues with more than three months consecutive service are eligible to join the Group's Sharesave and Buy-As-You-Earn schemes, enabling them to benefit from the Group's growth and success. Full details of employee share plans are available in the Remuneration report on pages 101 to 116.

Modern slavery

The Group recognises the harmful impact that Modern Slavery and human trafficking has on society and is committed to ensuring its business and supply chain is free from this criminal activity. The Group produces a slavery and human trafficking statement each financial year. The latest statement can be found on the Group's corporate website at: www.travisperkinsplc.co.uk/modern-slavery-statement.

Political donations

The Group's policy is not to make donations to political parties. The Group did not give any money for political purposes nor did it make any donations to political organisations or independent candidates or incur any political expenditure during the year.

Statement on disclosure of information to the Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all reasonable steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Act.

Share capital and change of control

As at 31 December 2022 the Company had an allotted and fully paid share capital of 212,509,334 ordinary shares of 11.205105 pence each with voting rights and an aggregate nominal value of 23,811,894.01, including shares owned by the Travis Perkins Employee Share Ownership Trust. The Ordinary Shares are listed on the London Stock Exchange and all shares rank pari passu. The Company does not hold any Ordinary Shares in Treasury.

There are no restrictions on voting rights attached to the Company's Ordinary Shares. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

During the year, the Company continued its non-discretionary share buyback programme. The authority granted to the Board at the 2021 Annual General Meeting remained in place until the conclusion of the 2022 Annual General Meeting. Further authority to purchase own shares was approved at the 2022 Annual General Meeting, provided that the maximum aggregate number of Ordinary Shares authorised to be purchased is 21,359,702 (representing approximately 10% of the issued Ordinary Share capital of the Company as at 11 March 2022). This authority remains in place as of 31 December 2022 and will expire at the conclusion of the next Annual General Meeting.

During the period 1 January 2022 to 28 April 2022, 11,437,559 Ordinary 11.205105 pence Shares were acquired by the Company through buyback. They had an aggregate nominal value of 1,281,590.50, represented 5.08% of the Company's issued share capital as at 11 March 2021 and a consideration of £ 158,225,820.59 was paid for them. During the period of 29 April 2022 to 31 December 2022, 945,614 Ordinary 11.205105 pence Shares were acquired by the Company through buyback. They had a nominal value of 105,957.04 represented 0.44% of the Company's issued share capital as at 11 March 2022 and a consideration of £11,406,349.41 was paid for them.

As at 31 December 2022, there were no Ordinary Shares of the Company held in Treasury.

The rights and obligations attaching to its shares are set out in the Articles. Fully paid shares in the Company are freely transferable. There are no persons that hold securities carrying special rights with regard to the control of the Company. Details of the structure of the Company's share capital and changes in the share capital during the year are also included in the notes to the financial statements on page 176.

As at 31 December 2022 the Travis Perkins Employee Share Ownership Trust owned 2,596,684 shares in the Company (1.22% of issued share capital) for use in connection with the Company's share schemes. Any voting or other similar decisions relating to those shares would be taken by the trustees, who may take account of any recommendation of the Company. There are no rights attached to shares under employee share schemes, save for the right to acquire shares pursuant to options granted under those schemes in accordance with and subject to their rules.

There are a number of agreements to which the Company is a party that may take effect, alter or terminate upon a change of control following a takeover bid. None of these agreements are considered significant in the context of the Company as a whole. The Company does not have agreements with any Director or any employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Robin Miller
General Counsel & Company Secretary
27 February 2023

Directors' Statement of responsibilities

For the year ended 31 December 2022

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant, reliable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- For the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for 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 and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the Annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- The Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and accounts, 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 Statement of Directors' Responsibilities has been approved by the Board and is signed on its behalf by:

Nick Roberts
Chief Executive Officer
27 February 2023

Alan Williams
Chief Financial Officer
27 February 2023

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.

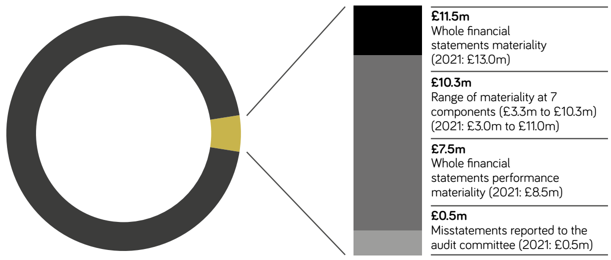
Of the Group's 29 (2021: 33) reporting components, we subjected 7 (2021: 7) to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated opposite. The remaining 5% (2021: 3%) of total Group revenue, 11% (2021: 6%) of the total profits 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.

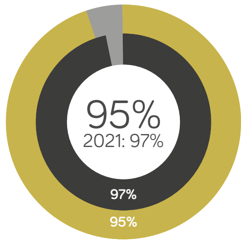
Group profit before tax*
£245m (2021: £299m)

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

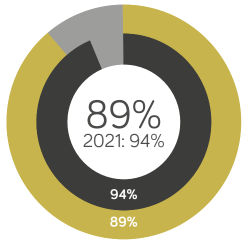


Profit before tax
Group materiality

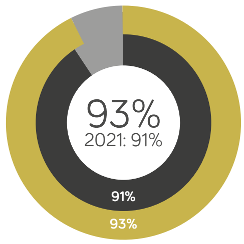
Group revenue



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

£m	Merchanting	Toolstation	Unallocated	Consolidated
		2022		
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**

£m	Merchanting	Toolstation	Unallocated	Consolidated
		2021		
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.

Capital continued

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)

Risk continued

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.

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.

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.

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

Notes to the Company's financial statements continued

For the year ended 31 December 2022

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

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