



Travis Perkins ^{plc}

BUILDING FOR THE FUTURE

Annual Report and Accounts 2021





Kail Bailey, Travis Perkins General Merchant



WHAT'S IN OUR REPORT

Strategic report

- 1 Financial performance
- 2 Our purpose
- 4 Our Group at a glance
- 6 Our ambitions and values
- 8 Investment case
- 10 Chair's statement
- 12 Chief Executive's report
- 14 Market overview
- 18 Business model
- 20 Our strategy
- 26 Strategy in action
- 28 Key performance indicators (KPIs)
- 30 Business performance and priorities
- 32 Merchanting
- 34 Toolstation
- 36 Financial performance
- 40 Statement of principal risks and uncertainties
- 48 Climate-related financial disclosure
- 52 Sustainability report
- 72 Section 172 statement
- 74 Non-financial information statement

Governance

- 76 Board of Directors
- 78 Corporate governance report
- 84 Nominations Committee report
- 86 Audit Committee report
- 91 Directors' Remuneration report
- 94 Annual Remuneration report
- 105 Directors' report
- 108 Statement of Directors' responsibilities

Financial statements

- 110 Independent Auditor's report
- 118 Consolidated income statement
- 118 Consolidated statement of comprehensive income
- 119 Consolidated balance sheet
- 120 Consolidated statement of changes in equity
- 121 Consolidated cash flow statement
- 122 Notes to the consolidated financial statements
- 161 Company balance sheet
- 162 Company statement of changes in equity
- 163 Notes to the Company's financial statements

Other information

- 172 Five year summary
- 174 ESG data report
- 176 Other shareholder information

Throughout the Strategic report, and consistent with prior years, alternative performance measures ("APMs") are used to describe the Group's performance. These are not recognised under IFRS or other generally accepted accounting principles ("GAAP"). The Board focus on these measures when assessing ongoing trading and they facilitate meaningful year-on-year comparisons and hence provide useful information to shareholders. APMs are defined in the notes to the financial statements and reconciled to the closest GAAP measure.

Financial performance

Like-for-like revenue

25.4%

2020: (10.0)%

Adjusted EPS

107.3p

2020: 21.0p

Return on capital employed

14.1%

2020: 5.3%

Revenue

£4,587m

2020: £3,698m

Covenant net debt

£87m

2020: £40m

Basic EPS

103.9p

2020: loss of 14.3p

Adjusted operating profit

£353m

2020: £128m

Profit after tax

£241m

2020: loss after tax £35m

Operational highlights

- Successfully refocused the organisation around the Group's ambition to become the leading partner to the construction industry
- Completed portfolio actions with Wickes demerged and Plumbing & Heating (P&H) business sold
- Excellent performance in Merchanting resulting from volume growth, improved operational focus and a streamlined cost-base
- Another strong year for Toolstation with the UK rollout accelerated and scale building in Europe
- Continued progress on sustainability with the Scope 1 & 2 and new Scope 3 carbon targets approved by the Science-Based Target initiative ("SBTi") as in-line with a 1.5°C pathway and over 1,300 colleagues enrolled onto apprenticeships or Kickstart programmes



OUR PURPOSE

**WE'RE HERE
TO HELP
BUILD BETTER
COMMUNITIES
AND ENRICH
LIVES**



OUR AMBITION

**LEADING
PARTNER
TO THE
CONSTRUCTION
INDUSTRY**



Darren Pascoe – CCF
Ilan Richards – CCF

WE COLLABORATE ACROSS OUR BUSINESSES TO ADD VALUE



Travis Perkins



We are committed to creating a more sustainable future, guided by our impact goals and Environmental, Social and Governance (“ESG”) commitments.

Our values underpin everything we do

- We care
- We give our best to be the best
- We're better together

[Go to page 6 to see more](#)

Adding value and long-term success for our stakeholders

- For our customers, communities, suppliers, employees and investors

[Go to page 24 to see more](#)

Having negotiated the challenges of the Covid-19 pandemic and completed the demerger of Wickes and sale of our Plumbing & Heating business, the Group is extremely well-positioned for the future.

In 2021 we have set out our leading ambition and reshaped our purpose, aligning these to our updated strategy and ESG commitments to drive long-term success and value for our stakeholders.

[Go to page 6 to see more](#)

OUR GROUP AT A GLANCE

Travis Perkins is the largest distributor of building materials in the UK. A balanced Group, focused on supporting both general and specialist trades through a range of market leading businesses tailored to meeting the needs of our customers.

Large and varied customer base

200k

Trade credit customers

Broad geographical spread in the UK

£4.6bn

Revenue

Engaged colleagues in the UK and Europe

20k

Colleagues

Evolving branch network

1,513

Branches

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 strong customer service ethos, Toolstation has been helping to change the purchasing experience of trade and DIY customers. Toolstation operates from over 500 branches across Great Britain and is growing quickly in the Netherlands, Belgium and France.

[Go to page 34 to see more](#)



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

[Go to page 32 to see more](#)



Market-leading supplier of commercial and industrial heating and cooling solutions, supplying specialist contractors with a wide variety of products from over 60 branches and two bespoke distribution centres. Offers customers a tailored tool hire proposition and contains TF Solutions, a specialist provider of air-conditioning products.

[Go to page 33 to see more](#)



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.

[Go to page 33 to see more](#)



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 locations 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 Tool Hire.

[Go to page 33 to see more](#)

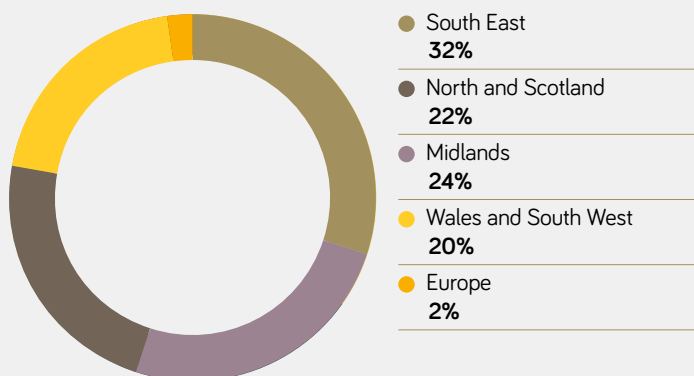
Merchandising



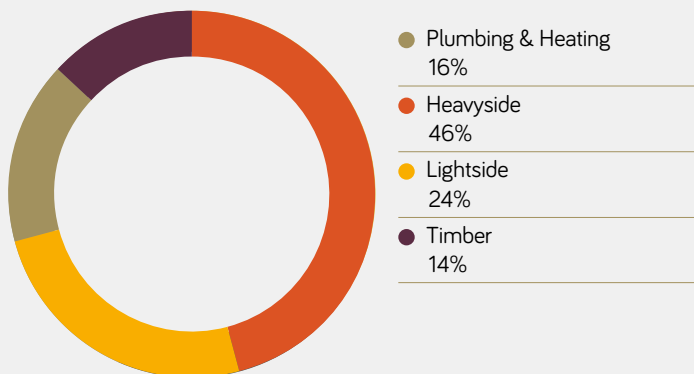
Amy Johnson – Travis Perkins

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.

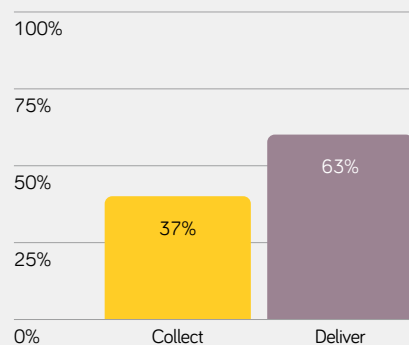
Geographic split



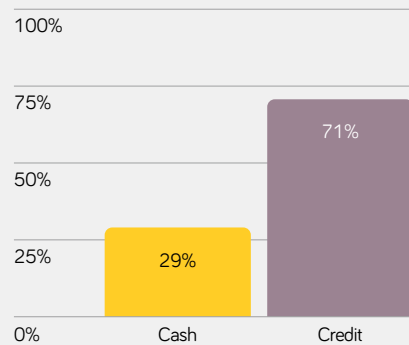
Product mix



Channel



Payment method



OUR AMBITIONS AND VALUES

Driven by our Group ambition, we have set three impact goals to help create a more sustainable construction industry, aligned to our existing ESG commitments

Our values

Our values have been refreshed after an extensive process of employee engagement to ensure they continue to reflect what matters to us and how we do things.

We care

By looking after each other's safety and wellbeing, treating people with respect and encouraging everyone to be themselves.

We give our best to be the best

Pushing ourselves to be bold, go the extra mile and deliver, always proud to own our actions and win.

We're better together

Working together to share knowledge, learn and grow – making the most of who we are and what we do.

[➤ Go to page 12 to see more](#)



WE ARE GUIDED BY A CLEAR PURPOSE AND STRETCHING GOALS

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

Group ambition
Leading partner to the construction industry

Modernising construction

Leading the development of future construction processes that enable the industry to build better, higher-quality outputs in a safer and more sustainable way



Decarbonising our industry

Helping the industry to decarbonise by using the most efficient products, supplied in the most efficient way to produce the right outcomes for our communities



Developing the next generation

Impacting a generation of young people, enriching their lives through work experience, skills building and career opportunities



Our ESG leading commitments

Safety and wellbeing
Responsible sourcing

Net zero carbon
Sustainable Products & Services

Diversity and inclusion
People and development

Driving strong total shareholder returns

INVESTMENT CASE

A reshaped Group to compete in a changing world

The demerger of Wickes and the successful sale of the Plumbing & Heating business marked the end of the Group-reshaping activity and has produced a more-focused and better-aligned business. The Group has worked hard through the Covid-19 pandemic and taken opportunities to improve and innovate to emerge well-positioned for the future.

The new strategic direction articulated at our Capital Markets Update in September 2021 demonstrates the potential of the Group to generate enhanced returns from the delivery of innovative propositions to our customers which will help them to adapt to the upcoming changes in the construction market.

Alexandra Murariu –
Travis Perkins

A compelling investment proposition

01

Reshaped Group more stable and predictable with competitively advantaged, trade-focused portfolio.

02

Actions taken to simplify processes, speed up decision making and address the cost base.

03

Well positioned to take advantage of new market opportunities and deliver profitable growth ahead of our markets.

04

Strong balance sheet with good cash conversion, sufficient to fund investment requirements.

05

Scope for enhanced shareholder returns over and above ordinary dividend.



Merchanting leadership and Toolstation expansion driving above market growth

Robust balance sheet and focused allocation of capital

Repeatable model that delivers sustainable returns to shareholders

Strong cash conversion from disciplined working capital management

Incremental cash release from freehold property development

Incremental cash release from freehold property development

Incremental cash release from freehold property development

- ✓ Attractive earnings growth
- ✓ Ordinary dividend of 30–40% adjusted earnings
- ✓ Potential for additional return of surplus capital

Chair's statement



I am delighted to introduce the Annual Report for the Group for the year ended 31 December 2021 and feel privileged to have been selected as the Chair of Travis Perkins at this important time for the Group and all its stakeholders.”

Jasmine Whitbread
Chair

Shareholder returns

Having taken the difficult but prudent decision to suspend dividend payments in 2020 as the Group navigated the pandemic, I am pleased to confirm the reinstatement of the dividend with the final dividend of 26.0p payable on 13 May 2022 to shareholders on the register on 3 April 2022. This will give a full-year ordinary dividend of 38.0p for the year.

The strength of the Company's balance sheet will enable the return of the full net proceeds from the sale of the Plumbing & Heating business. This process started with a special dividend of 35p paid in November 2021 and the remaining proceeds are being returned to shareholders through a share buy-back programme that started on the same date. The initial buy-back of £170m is largely complete and will now be extended to £240m, which will complete this stage of the programme.

As set out in the 2021 Capital Markets Update, we intend to grow total shareholder return by:

- Driving earnings growth through operating margin accretion over time and market outperformance on revenue
- Payment of 30%–40% of adjusted earnings each year as an ordinary dividend
- Delivering strong free cash flow conversion which, combined with disciplined capital allocation and achievable leverage targets, will create the scope for additional shareholder returns

Introduction

As I reflect on the end of my first year as Chair, I'm struck by the Group's strong people orientation and by how resilient and relevant our businesses have proven to be during the pandemic and during the supply challenges we've faced. This resilience, underpinned by our culture and values, has enabled us to achieve a huge amount in 2021 and will enable us to lead change in the construction sector and deliver for all our stakeholders.

Performance

The Group delivered an excellent performance in 2021. The extensive work undertaken to enhance the customer proposition through investment in network capacity and technological capability, coupled with the robust recovery in the Group's main markets, helped the Group deliver revenue of £4,587m, up 24.0% from 2020 and 10.6% from 2019.

Operating profit increased to £349m and adjusted operating profit grew by £225m to £353m, with growth across all businesses, reflecting actions taken to restructure the business and improve operational effectiveness, coupled with disciplined management of the inflationary pressures and the product availability challenges.

Strategy

The demerger of Wickes and sale of the Plumbing & Heating business in 2021 marked the completion of the strategic agenda laid out in 2018. It was therefore fitting that in September Nick Roberts and his leadership team had the opportunity to set out a clear strategy for the Group over the next cycle, at the Capital Markets Update.

In engaging in the development of our strategy, the Board focused on the long-term evolution of the construction industry and the opportunities and risks that this presents. The Board fully endorses the Group's refreshed strategic direction, which responds to macro changes and sector-specific factors and which positions the Group well for growth, profit enhancement and shareholder returns over the medium term. There are three elements of the strategy that demonstrate the intent of the Group.



Dividend per share

73.0p

including special dividend of 35.0p

Total cash dividends

£167m

Firstly the clear focus on the customer and the quality of our customer relationships. The commitment to add value to customers and help to solve their problems is clear; our strategic framework highlights the potential to elevate and deepen relationships and shows how this can be achieved.

Secondly the strategy makes a clear statement about collaboration and working for customers across the Group. Since joining I have been impressed by the coherence and cross-Group alignment that I have seen. It is clear to me that the Group is more than the sum of its parts and there are some critical areas of incremental value that are unique to Travis Perkins.

The final area I would draw out is that ESG is rightly and necessarily at the heart of the strategy. The potential for the Group to take a leading position in the decarbonisation of the built environment and to support the development of the sector's next generation workforce is genuinely exciting. It offers a combination of clearly being the right thing to do and of commercial opportunity.

The Group is on a sound strategic footing, with a strong and aligned team who are doing the right things for customers, shareholders and society as a whole. The Board is fully behind this direction and we look forward to helping navigate this next chapter in the Group's story.

Board and Leadership

In March 2021, Stuart Chambers retired as Chairman. On behalf of the Board I would like to thank Stuart for his outstanding leadership. Stuart expertly guided the Board as it shaped the Group's strategy and left having ensured that a strong, capable Board is in place with the skills and experience needed to meet the future demands on the business.

In addition the Board has been strengthened by Heath Drewett joining in May 2021 and taking over as Chair of the Audit Committee and Jora Gill joining the Board in August 2021. Heath, an experienced CFO, brings a wealth of financial and commercial acumen to the Board based on his experience across a number of sectors adjacent to the construction industry and Jora brings valuable technology and digital experience and skills to the Board, along with a strong commercial background and focus.

In 2021 Blair Illingworth, Chris Rogers and John Rogers resigned from the Board. During Blair's two years' service, he made a valuable contribution to the Group as a Non-executive Director and in his role as Chair of the Stay Safe Committee. Chris Rogers stepped down at the 2021 AGM to take up the Chairmanship of Wickes plc after six years of service that included being our Senior Independent Director. John joined the Board in 2014 and gave the Group dedicated and much valued service in his role as a Non-executive Director and as Chair of the Audit Committee. The Board is grateful for the service of Blair, John and Chris and wish them every success in their future endeavours.

Summary and looking forward

2021 has been a year of significant change for the Group and I have been impressed by the pace of strategy execution and the energy of colleagues, at all levels, that I have seen since I joined. The work done to simplify the Group and focus our efforts on our substantial trade customer base is already delivering results and has helped us to successfully navigate the challenges of the recent year.

Looking ahead, the Group is in excellent shape and we approach the future with confidence and enthusiasm. There is growing momentum in our core Merchant business, fuelled by our market-leading positions and scale advantage, while our newer businesses – such as Toolstation, TF Solutions and Staircraft – offer important growth opportunities in the UK and Europe.

Chief Executive's statement



2021 has been a year of significant progress for the Group, executing our strategy and navigating challenging market conditions and I am delighted with the positive response of all of our colleagues, which is reflected in an outstanding performance.”

Nick Roberts
Chief Executive Officer

Progress and delivery

2021 was a remarkable year for the Group and I am immensely proud of what we have achieved. Once again our colleagues have overcome many difficult challenges to deliver exceptional service to all our customers, and I thank them for their commitment and spirit. This commitment has enabled the Group to deliver an excellent financial performance alongside significant progress against many other key objectives.

During the year, the Group delivered our previous strategic commitments with the demerger of Wickes and sale of our Plumbing & Heating business. This positions us well for the future as a cohesive Group of market-leading trade-focused businesses, with more stable revenues, disciplined capital allocation and opportunities for growth.

The construction industry has been at the heart of the UK's economic recovery following the initial impact of the Covid-19 pandemic. Despite enormous challenges with the availability of materials and input cost inflation throughout the year, the Group worked closely with customers, suppliers and industry bodies to successfully satisfy strong near-term demand, whilst never losing sight of the need to ensure the safety of everyone who works within or interacts with the Group. As a result of our 2021 achievements, we are in a strong position to embrace the opportunities in front of us.

Safety at the heart of our culture

The pandemic and other related external factors created a number of challenges for our business from a safety perspective. Whilst our performance was challenged, progress in improving our safety culture was positive. The tone and emphasis from the leadership community on safety and wellbeing have improved during the year and I remain confident in the continued improvement in our culture as we move forward.

Our purpose and ambition

As we completed our portfolio changes during 2021 it was appropriate to look forward, define our purpose to reflect our culture and the role we play in our industry and communities in the long term, and to frame our strategy for growth.

The Group sits at the heart of an extensive network of stakeholders and our long term success relies on all benefiting positively from a progressive construction industry. We have the ability to influence the way in which our customers undertake the construction process, the development of skills, new materials and ways of working, and the quality and sustainability of the built environment that touches our lives every day.

Therefore our purpose – **we're here to help build better communities and enrich lives** – will, with our reshaped values, guide the way in which we execute our strategy and make long-term decisions regarding the future of the Group.

In September we held a Capital Markets Update to set out our ambition: to become the leading partner to the construction industry. The pace of change within the construction industry provides the opportunity for the Group to use its considerable assets and capabilities to do more for our customers; providing services, equipment and expertise to our customers in addition to remaining the largest provider of building materials to the trade. Together our purpose and ambition provide the basis for our intention to lead and collaborate with others in our industry and beyond to make positive progress to modernise and decarbonise construction and address the skills and diversity issues the sector faces, both now and in the future.

A strategy to delight customers and deliver our ambition

Within our market-leading businesses we are focused on:

- **Deepening our customer relationships** by providing simple, convenient ways to transact with us, whether that be through our branch or digital channels.
- **Elevating our customer relationships** by providing value-added services that directly address our customers' challenges and by removing costs and complexity or providing new capabilities to help them navigate changes to the construction process.

The acquisition of Staircraft, a leader in technology and design led timber engineering, in late 2021 allows us to provide innovative solutions to deliver efficiencies on our customers' projects.

Furthermore, we are leveraging the power of the Group by collaborating between our businesses to provide even more convenience to our customers, utilising our unique combination of assets and capabilities to support their needs.

I'm delighted by the way our colleagues and customers have embraced our strategy, and we look forward to delivering the benefits as we grow. These priorities are explored in greater detail in the strategy section of this report.

Significant operational progress

Whilst 2021 has been a year in which significant effort has been invested in both strategy development and execution, we have also made excellent progress on key operational initiatives within our business. From our market leading digital channel development, including the launch of mobile apps for the Travis Perkins General Merchant and Toolstation, to the continued development of our branch network to deliver further market share gains and customer service improvements, the business continues to move at pace in order to maximise growth opportunities.

In addition, the progress we have made in developing our customer propositions across our businesses continues to be augmented by the simplification of internal processes to empower local decision making and enable our branch colleagues to serve customers and compete effectively in their markets. We remain committed to improving our business for customers, colleagues and shareholders.

A positive outlook

I am confident that as we deliver this strategy our customers will trust and value us as a forward-thinking supplier of relevant and integrated solutions and as a proactive partner that is helping the industry accelerate to a net zero carbon future and enabling communities to thrive.

Looking forward, the long-term fundamentals of the Group's end markets remain robust as a result of ongoing demand for new housing and the historic under-investment in the repair, maintenance and improvement ("RMI") of many areas of the country's built environment.

Our core end markets remained robust throughout 2021 with strong RMI activity, a healthy recovery in the new build sector and substantial infrastructure investment. We are optimistic that these trends will continue into 2022.

Having successfully delivered significant portfolio rationalisation and operational improvements over the last two years, the Group is well-placed to continue to outperform its markets and generate further value for shareholders and I am excited by the opportunities that lie ahead.



Revenue

£4,587m

2020: £3,698m

Adjusted operating profit

£353m

2020: £128m

Our year in review

- > Executed planned portfolio actions with Wickes demerged and the Plumbing & Heating business sold
- > Announced our new purpose, updated our values and framed our strategy, encompassing our ambition to become the leading partner to the construction industry
- > Merchant businesses performed well, benefiting from decisive actions taken in 2020 and robust end-market demand
- > Toolstation UK rollout continues at pace with 77 new branches in 2021. Toolstation Europe added 40 branches and remains an exciting growth opportunity
- > Set out plans to expand TF Solutions and added Staircraft to the Group
- > Scope 1 & 2 and new Scope 3 carbon targets, consistent with a 1.5°C pathway
- > 902 apprenticeships started and 409 under-25s recruited on the Kickstart programme

> [Go to page 34 to see more](#)

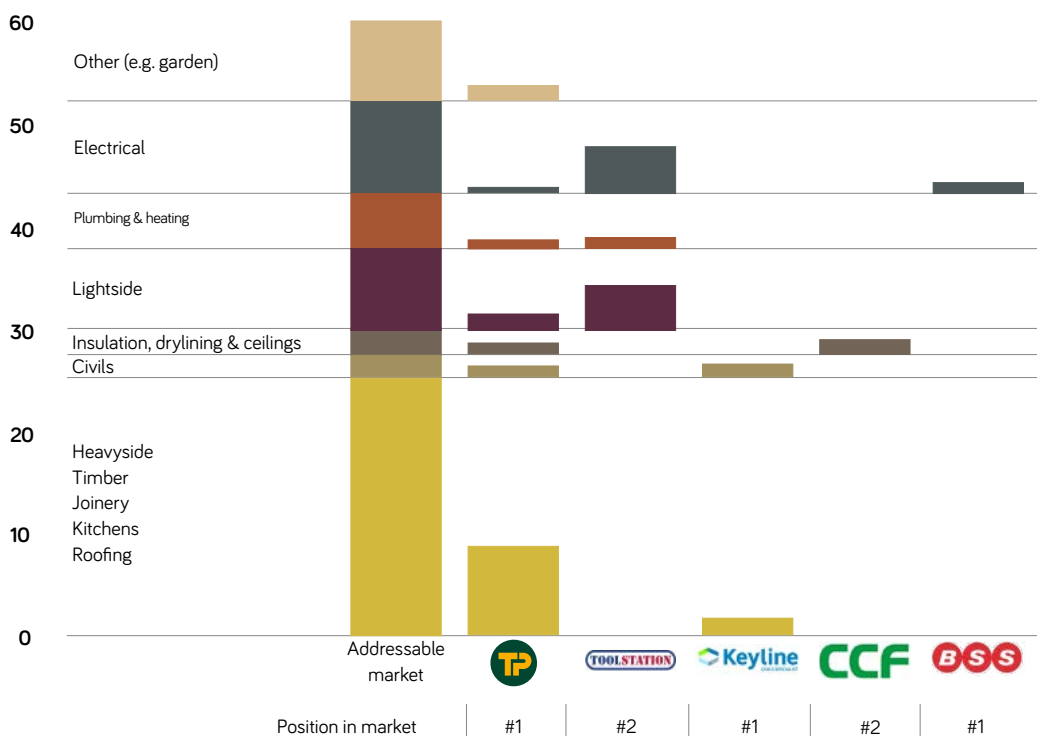


MARKET OVERVIEW

THE GROUP OPERATES IN A £76BN MARKET

The market for construction materials totals over £76bn. This is fulfilled through a variety of channels but a significant proportion (over £60bn) comes through distribution and is therefore addressable by the Group.

UK addressable market size by business unit (£bn)



- Market compound annual growth rate of 3.4% 2013–2019
- Businesses are #1 or #2 in their markets
- Significant M&A and capital inflows into the sector

Group businesses hold leading positions in the markets in which they operate and all have the available headroom to continue to grow and take market share.

The sector has been active with ongoing transactions and significant capital inflows. This demonstrates the attractiveness and resilience of our markets.

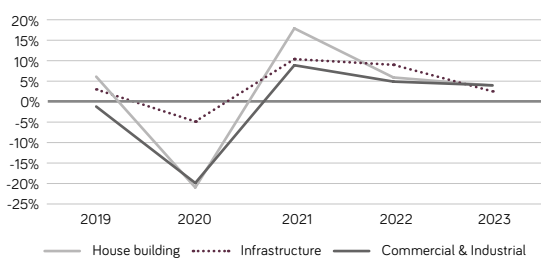


Market fundamentals are strong – showing good recovery post Covid-19

Construction output forecast: new work

Strong new build prospects based on domestic and infrastructure markets

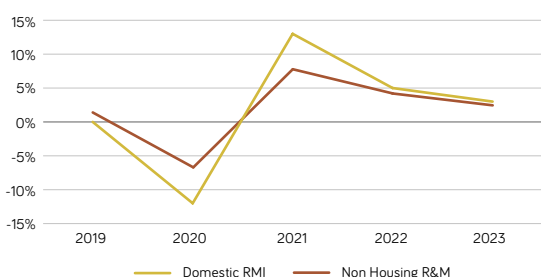
- Average age of UK housing stock is c. 70 years
- Aim to build 300,000 new homes each year
- Average annual shortfall of 90,000 homes
- Clear government intention to increase infrastructure spend



Construction output forecast: RMI

RMI markets are resilient and less cyclical

- Robust domestic Repair, Maintenance and Improvement (“RMI”) market as working patterns drive relocation
- Carbon targets mean substantial investment is required to upgrade building stock



The exposure of the Group is majority domestic and RMI

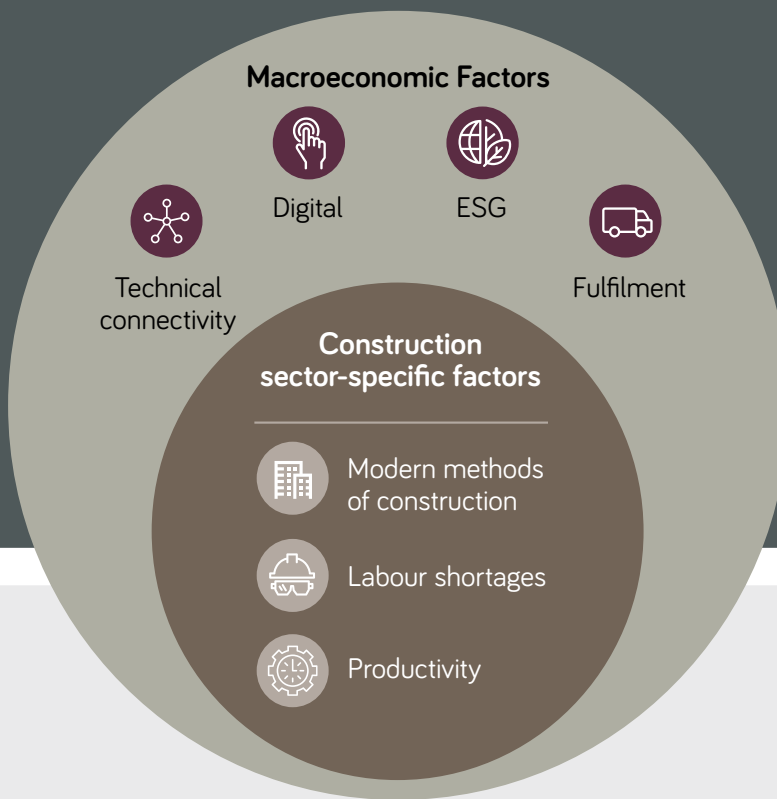
The majority of Group sales go into the domestic RMI sector. This has proven to be more resilient and less cyclical than new build and offers the potential for long-term service-based relationships.

	Group market exposure			Group	Market
	Domestic	Commercial & industrial	Infrastructure		
RMI	43%	11%	1%	55%	35%
New build	23%	18%	4%	45%	65%
Total	66%	29%	5%	100%	100%

- Dependable end-markets driven by:
 - Housing transactions
 - Consumer confidence
 - Trade resilience vs consumer
 - RMI shows lower cyclical than new build
- Infrastructure is a significant area of potential for the Group
- Public sector exposure of 23% represents an opportunity given the Group’s credentials and ambition

MARKET OVERVIEW continued

Changes to the market are causing all parties to consider the way that they work – raising expectations and creating opportunities for partners that are able to respond.



Macro factors

- **Digital and technology developments** are having significant impacts across all industries – connecting customers with products and services in a way which changes all of our lives.
- **Customer expectations are increasing**, driven by the experiences that we all enjoy as consumers. Many construction customers will still want to work using more traditional means, however needs are beginning to change rapidly.
- **ESG** is highly relevant across the construction industry to all customers and suppliers and is becoming increasingly important.

Sector-specific factors

- **Modern methods of construction** are beginning to change the industry. Both procurers and constructors are becoming increasingly interested in the benefits that can be derived from changing the way in which buildings are designed and constructed. The goal is to deliver higher quality at a lower cost by making the building process more controlled and efficient. Customers are increasingly demanding solutions which allow them to respond to these demands and access the available benefits.



- **Labour and knowledge scarcity** is driving change. The ageing of the construction industry workforce has been observed for a while, with the availability of skilled labour coming under pressure. This trend has been exacerbated by the reliance of key markets on overseas labour (35% in London and the South East) with skills being lost due to Brexit and with Covid-19 reducing international mobility. The ability to retain, curate and disseminate knowledge and information will help to mitigate this and, in addition, customers will benefit from solutions which require lower skill levels where possible.
- **The construction industry has not enjoyed the advances in productivity seen in other sectors.** All industry players are keen to enjoy the benefits of increased productivity – delivering better quality products with a lower labour content.

“

Offsite manufacture and modern methods of construction (MMC) can be defined as the design, planning, manufacture and pre-assembly of construction elements or components in a factory environment, prior to installation on site at their intended, final location.”

Kier Group

Offsite and Modern Methods of Construction, 2020

BUSINESS MODEL

Strong and lasting customer and supplier relationships, combined with the strength of Travis Perkins' network and unique culture allow value creation and growth in a self-reinforcing cycle.



Amy Millar - Keyline

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 ability to connect to customers across the country

What we do

Collaborative value chain



Underpinned by

Responsible and sustainable approach

➤ [Go to page 52 to see more](#)



Outputs

Self-reinforcing model generating growth and value for stakeholders

Requirements >

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

> Go to pages 21–25 to see more

Products and services >



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

> Go to page 72 to see more

Sound corporate governance

> Go to page 78 to see more

Robust risk management

> Go to page 40 to see more

OUR STRATEGY

Delivering on previous commitments

In 2018 the Group laid out an ambitious plan to Simplify the Group and Focus on Trade. Despite the challenges of Covid-19 and Brexit the execution of this plan was completed in 2021 leaving the Group well-placed to progress.

Simplify the Group

- > Demerged Wickes
- > Sold Plumbing & Heating business
- > Sold Tile Giant
- > Reduced annualised cost base by c.£120m
- > Reset operating model
- > Strengthened the balance sheet

Focus on the Trade

- > Improved digital enablement through Travis Perkins and Toolstation apps
- > Improved the branch network to deliver better service
- > Strengthened the core in the general merchant
- > Opened c.60 Toolstation UK branches every year
- > Acquired controlling stake in Toolstation Europe

Strengthening the Group through the pandemic

The Group developed an ambitious plan through the pandemic. In addition to keeping customers, suppliers and colleagues safe, steps were taken to improve the business. With twin goals of improving competitiveness and capability, work was undertaken to support colleagues and bring better experiences to customers.

More competitive	Competitive and accessible pricing
	Tools and support for branch empowerment
	Commercial deals simplified
More capable	Bespoke apprenticeship and colleague training increased
	Launch of customer mobile apps in Travis Perkins and Toolstation
	Larger, more capable, merchant branches opened
	Delivery management system rolled out
	Development of value-added services



Offering customers more

All the Group companies have innovative plans to win share by deepening and elevating customer relationships. As customer needs evolve over time the Group is committed to maintaining leading positions by exceeding expectations wherever possible.



Travis Perkins

Leading in general merchandising

Travis Perkins General Merchant is the leading general merchant in the UK. With over 550 branches spread across Great Britain the business offers exceptional service to all trade customers from small builders to national contractors and housebuilders. Travis Perkins General Merchant worked hard to improve services throughout the pandemic and has been rewarded with market share gains and sales growth and the business has clear plans to continue innovating and growing.



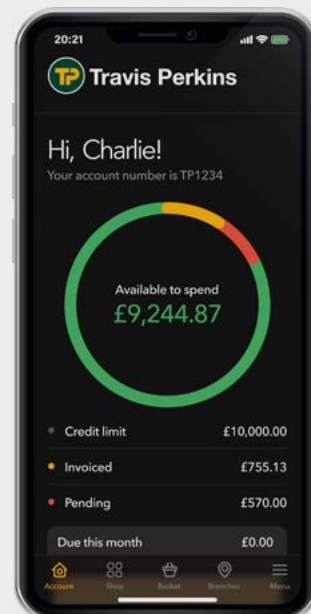
Network – The business plans to open 50 new branches and relocate and improve 50 more over the next five years. This will allow the development of newer, larger branches with improved safety, delivery, productivity and stockholding capabilities.



Digital – The Travis Perkins app has been downloaded more than 120,000 times since launch early in 2021, allowing customers to purchase products, check the status of orders and manage their accounts. Planned further developments aimed at small and large customers will support customers' expanding trial and adoption of digital services.



Value-added services – Travis Perkins will offer more value by adding services that save customers time and money. This is possible in many areas, including kitchen design, the provision of tools for hire and the development of innovative customer solutions such as within the Managed Services activity.



App downloads

>120k

Scott Percy – Travis Perkins



Offering customers more continued

Expanding the Toolstation offering

The Toolstation model is market leading, offering a combination of range, accessibility and value that has allowed consistent market outperformance in recent years. Delivering a broad range with optimised stock holding and rapid multichannel service allows Toolstation to continue to grow and take share.

25,000 products available in Toolstation UK



Fast in-store service

Nationwide coverage

Dynamic stock range

Long opening hours

Low-cost small branches

Further UK growth comes from four key areas

Network growth

- 60 new branches annually to around 650
- Potential for smaller format branches and collection points
- Blending new delivery capacity with local fulfilment

Trade focus

- Enhanced trade proposition
- Extended trade ranges
- Maximising convenience for the trade

Proposition development

- Range development to reach 50,000 products
- Enhanced delivery proposition, e.g. last mile and same day
- New value-add services

Digital acceleration

- Further app development
- Enhanced digital experience
- Loyalty programme
- Customer data

Toolstation Europe

With a well established business in the Netherlands and growing businesses in Belgium and France, the potential of the Toolstation model to appeal to overseas customers is becoming clear. Tailoring the proposition to cater for local market requirements allows all three countries to deliver growth and a route to profitability.



Growing the specialist merchants

The three specialist merchant businesses offer exceptional service to customers in a way that is uniquely tailored to their individual needs and markets. Each of the three businesses and the TF Solutions opportunity in BSS has a bright future, with a clear recipe for growth based on a combination of four elements:

Core markets + Decarbonisation + Adjacencies + Value-added services

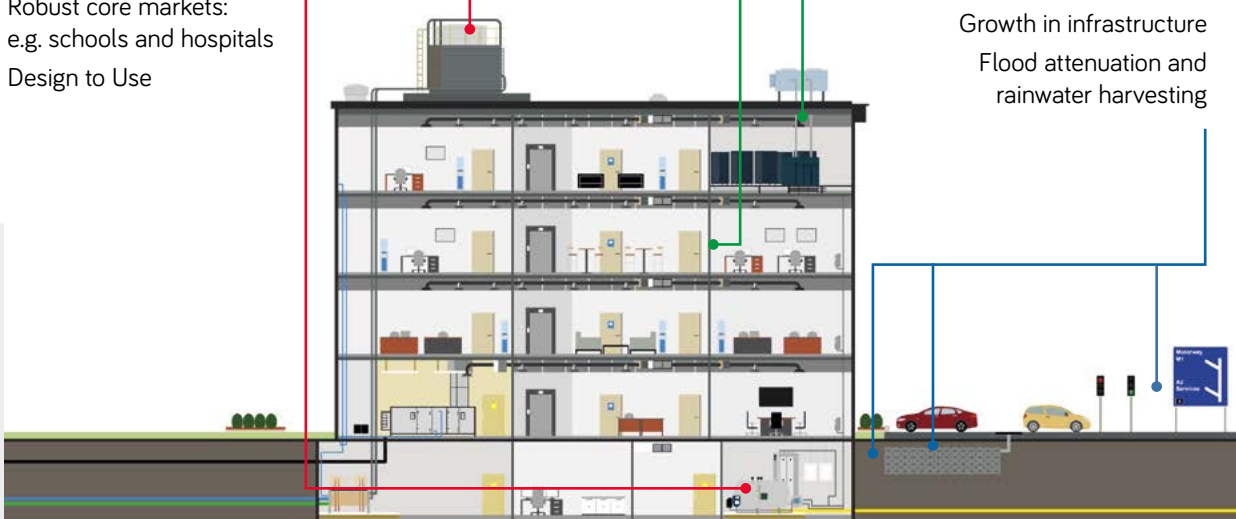
Sources of growth



Branch rollout
Refrigeration
Decarbonisation of heating



Robust core markets:
e.g. schools and hospitals
Design to Use



Robust core residential market
Insulation growth to make buildings more sustainable
Technical insulation



Robust core residential market
Growth in infrastructure
Flood attenuation and rainwater harvesting

Core markets The specialist merchants serve a variety of core markets, the majority of which are in extremely good health:

- Residential new build continues to grow as the UK addresses the shortfall in home-building versus overall demand.
- Core infrastructure such as road and rail and service-driven infrastructure such as hospitals and schools are receiving investment to help cope with demand.

Value added services The specialist businesses add value to customers in a variety of ways, working hard to help to solve problems before they arise and ensure the smooth delivery of projects. The Group is exploring ways of helping customers design and select appropriate solutions created around the supply of available products.

Decarbonisation Construction and the built environment need to decarbonise and this provides a consistent source of demand. From the insulation required for a “fabric first” approach to reducing thermal loss to products that capture and manage rainwater from changing weather patterns, the specialist businesses have a range of innovative solutions for customers.

Adjacencies The Group remains alert to the potential of using acquisitions to enhance the specialist businesses’ propositions and bring more choice to customers.

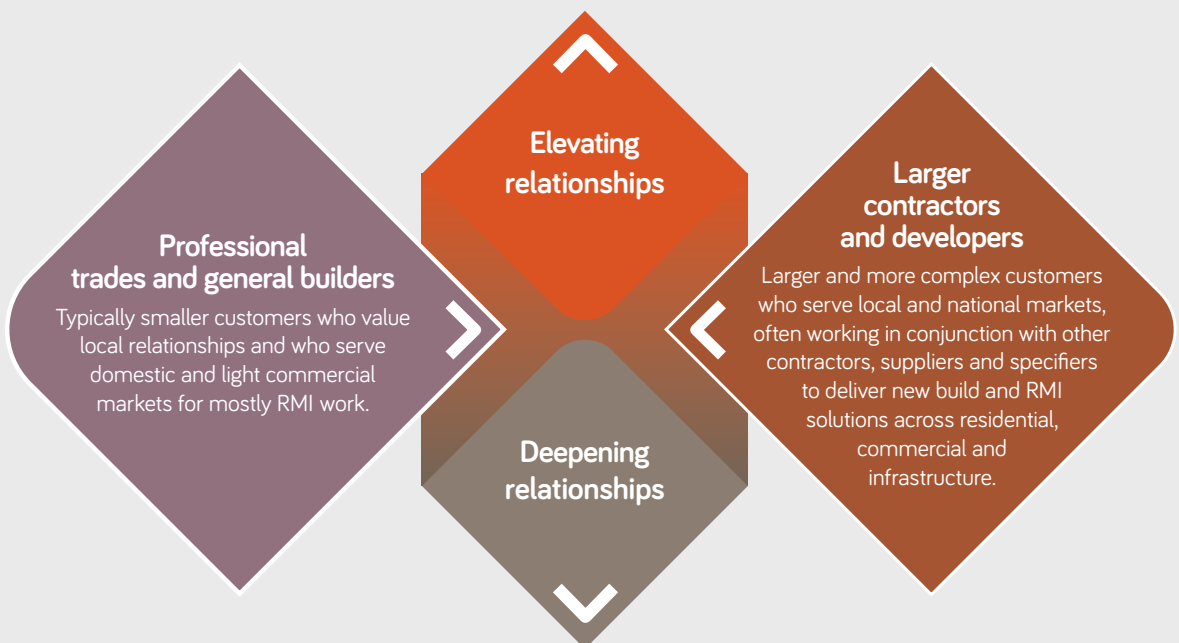
OUR STRATEGY

Working and collaborating together

On top of the Group's leading individual businesses, there is a commitment to collaborate to bring innovative and leading propositions to the Group's customers. Two major axes exist, outlining two ways of adding value to major customer segments.

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 meet them in the most effective way.



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 makes the purchasing process as smooth and integrated as possible.



“ Lease signed on 500,000 sq ft premises near Northampton for direct customer dispatch.

Offering customers the benefit of the Group

Collaboration between Travis Perkins and Toolstation to provide better and more convenient solutions for trade customers. The Group is in the early stages of exploring how best to combine the relative strengths of these businesses to offer even better service to customers. Trial activity is already underway, with Travis Perkins customers now able to buy products ranged and supplied by Toolstation from the TP website.



Travis Perkins



Innovative solutions for customers using modern methods of construction

Three main areas of activity are underway to ensure that the Group works innovatively and collaboratively with customers who are exploring new ways of working in construction.

Supply-chain solutions for modular builders

The Group is working proactively with several leading modular builders to help to deliver innovative solutions which facilitate the delivery of buildings in modular form.

Value-added design solutions for regional house-builders Working with customers in this vital segment for the UK economy, the intention is to provide access to the benefits of modern methods of construction.



STAIRCRAFT®

Completion of the acquisition of Staircraft

In October, the Group completed the acquisition of Staircraft. This offers a market leading proposition for national, offsite and regional housebuilders comprising fully integrated stair and flooring solutions. The combination of high quality timber engineering and cutting edge technology allows customers to build quickly, accurately and efficiently.

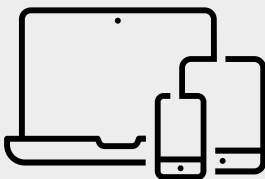


The Group is exploring different ways of elevating customer relationships by developing innovative propositions and partnerships

The goal here is to elevate relationships with key customers to provide richer value-adding services.

Managed Services

Multichannel customer access with centralised ordering and management solutions



Stand-alone managed stores and access to the wider General Merchant branch network



Remote product access solutions



On-the-road product management

Support services



Active catalogue management



Management information portal



Van stock management tools



Project tracking



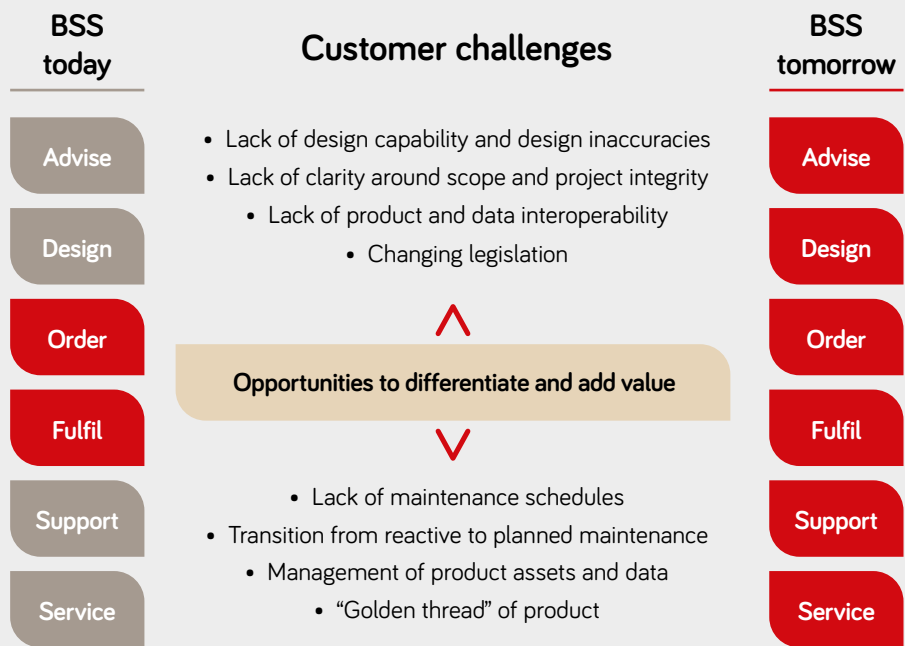
Product swaps

TP Managed Services supports key customers with long-term arrangements based around exceptional levels of service. This can involve the deployment of specific infrastructure, tailored technology solutions and dedicated personnel working with the customer over a multi-year period. The majority of customers serve the social housing market and the timely provision of materials to repair and refurbish dwellings is vital.



BSS “Design to Use” – meeting customer challenges

BSS are developing new service lines to address key customer challenges. They plan to expand up the value-chain to assist customers with the advisory and design stages and integrate this through the more traditional order and fulfilment steps and into the service layer. This will provide a joined up and end to end service to customers which will both elevate and deepen relationships to new levels.



Gary Lenearth celebrated his 30th year with BSS Exeter in 2021.

Key performance indicators (KPIs)

The Group tracks its performance using two operating KPIs, three financial KPIs and two non-financial KPIs that the Board believes are key indicators of progress against the Group's strategic and financial targets. In addition, the Group has a number of guidance measures at a Group, segmental and business level, details of which are set out in the financial performance section on pages 36 to 39.

Operational

Adjusted operating profit*

2021	£353m
2020†	£128m
2019	£442m
2018	£375m
2017	£380m

Definition (note 2a)

Profit before tax, financing charges and income, amortisation of acquired intangibles and adjusting items.

Reason

Operating profit is adjusted to exclude non-trading items, such as adjusting items and the amortisation of other intangible assets arising on the acquisition of a business, so management can monitor the Group's underlying trading performance.

Like-for-like sales growth

2021	25.4%
2020† (7.1%)	
2019	3.8%
2018	4.9%
2017	3.3%

Definition (note 1b)

Revenue growth adjusted for new branches, branch closures, business acquisitions and disposals and trading day differences. Revenue included in like-for-like is for the equivalent periods in both years under comparison. Branches are included once they have traded for more than 12 months.

Reason

Like-for-like sales help management monitor the performance trend of the underlying business and gives a good indication of the health of the business compared to competitors.

Financial

Leverage ratio*

2021	1.2x
2020†	2.0x
2019	2.5x
2018	2.7x
2017	2.7x

Definition (note 25)

The ratio of net debt to earnings before tax, interest, depreciation, amortisation and adjusting items ("EBITDA"). The figure for 2017 and 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

2021	£65m
2020†	£241m
2019	£195m
2018	£168m
2017	£154m

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*

2021	14.1%
2020†	5.3%
2019	10.1%
2018	10.5%
2017	10.7%

Definition (note 26)

Adjusted operating profit divided by the combined value of balance sheet debt and equity. The figure for 2018 and earlier 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

2021	5.6
2020†	5.4
2019†	5.4
2018†	7.8
2017†	8.2

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

2021	78
2020	79
2019	101
2018	114
2017	114

Definition

Total Scope 1 and 2 carbon emissions (kilotonnes of CO₂e). 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 our business. This KPI has replaced the previous carbon intensity (carbon emissions relative to inflation-adjusted revenue) KPI. This reflects the Group's commitment to reduce Scope 1 and 2 carbon emissions by 80% 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 older periods include these segments.

Business performance and priorities



- Completed portfolio actions with Wickes demerged and Plumbing & Heating (P&H) business sold
- Strong revenue performance driven by enhanced customer proposition and robust recovery in key market segments. Like-for-like revenue grew by 25.4% and was 14.4% ahead of 2019*.
- Adjusted operating profit of £353m including £49m of property profits, 19% ahead of 2019 (2020: £128m including property profits of £9m)
- Excellent performance in Merchenting resulting from volume growth, improved operational focus and a streamlined cost base. Another strong year for Toolstation with the UK rollout accelerated and scale building in Europe
- Total ordinary dividend of 38.0 pence per share. P&H net sale proceeds returned to shareholders in full via a 35.0 pence per share special dividend and ongoing buyback programme which has been extended to £240m.

Summary

The Group has made excellent progress during the year at a strategic and operational level. The business has been dramatically simplified and the Group has laid out its new ambition, to be the leading partner to the construction industry. The decisive actions taken in 2020 to refocus the business and improve operational capability, combined with the portfolio rationalisation in 2021, have created a platform for the Group to drive growth, generate cash and deliver enhanced shareholder returns.

2021 Performance

The Group delivered a strong performance in 2021 with revenue of £4,587m, up 24.0% versus 2020 and 10.6% ahead of 2019*. This performance reflects the extensive work undertaken to enhance the customer proposition, through investment in network capacity and technological capability, coupled with the robust recovery in both the RMI and new house building markets.

Actions taken to restructure the business and improve operational effectiveness, coupled with disciplined management of increasing inflation and product availability challenges, enabled the business to increase overall operating margin in continuing businesses by 60bps versus 2019 and deliver an adjusted operating profit of £353m, 19% ahead of 2019*.

Strategic development

During the first half of the year, the Group completed its stated portfolio actions. The demerger of Wickes was successfully completed in April, shortly followed by the sale of the Plumbing & Heating business in late May to an affiliate of H.I.G. Capital, a leading global alternative investment firm, for an enterprise value of £325m, with the proceeds returned to shareholders.

In September, the Group held a Capital Markets Update to set out its ambition to become the leading partner to the construction industry. The pace of change within the construction industry and the need for investment to address sustainability challenges in the UK's built environment are both significant which creates opportunities for the Group to use its considerable assets and capabilities to do more for its customers; providing services, equipment and expertise in addition to remaining the largest distributor of building materials to the trade.

Within the Group's portfolio of market-leading businesses, the focus is on deepening customer relationships by providing simple, convenient ways to transact through our branch or digital channels and elevating customer relationships by delivering value-added services that directly address customer challenges and remove costs and complexity.

£m (unless otherwise stated)	2021	2020
Revenue	4,587	3,698
Like-for-like revenue growth	25.4%	(10.0)%
Adjusted operating profit	353	128
Adjusted earnings per share	107.3p	21.0p
Adjusted return on capital employed ("ROCE")	14.1%	5.3%
Adjusted ROCE excluding property profits	12.1%	4.9%
Net debt / adjusted EBITDA	1.2x	2.0x
Dividend per share	38.0p	nil
Operating profit	349	27
Total profit / (loss) after tax	241	(35)
Basic earnings / (loss) per share	103.9p	(14.3)p

* Revenue and profit measures are presented for continuing businesses only. The Retail and Plumbing & Heating segments are treated as discontinued operations.

Furthermore, the Group is enhancing collaboration between its businesses to provide even more convenience to customers, while introducing new capabilities to help them navigate changes to the construction process. The acquisition of Staircraft in late 2021, a leader in technology and design-led timber engineering, is a significant step on our journey towards providing innovative solutions to remove cost and complexity from our customers' projects.

Capital structure and shareholder returns

The Group's balance sheet has been transformed by a combination of strong financial performance and portfolio actions with net debt under IFRS 16 reducing from £1,788m (2.5x adjusted EBITDA) at the end of 2019 to £605m (1.2x adjusted EBITDA) at the end of 2021, or 1.5x EBITDA on a pro-forma basis when adjusting for proceeds from the P&H disposal still to be returned via share buybacks.

These actions have enabled the Group to set a medium term leverage target (on an IFRS 16 basis) of 1.5x–2.0x net debt / adjusted EBITDA (on a rolling 12 months basis). This target range is consistent with investment grade credit metrics. Given the cash generative nature of the business, the Group's strong balance sheet provides the flexibility for the Group to invest in attractive opportunities that open up new or adjacent markets, such as the recent acquisition of Staircraft or the expansion of TF Solutions, at the same time as creating capacity to return surplus capital to shareholders when at the lower end of this target range.

The strong performance during 2021 and the strength of the Group's balance sheet enabled the Board to reinstate the ordinary dividend in August with an interim dividend of 12.0 pence per share. The Group has set out a policy of distributing between 30% and 40% of full year adjusted earnings as a regular dividend and is today proposing a final dividend of 26.0 pence per share.

Following the sale of the Plumbing and Heating business, £78m of the net proceeds was returned directly to shareholders via a 35.0 pence per share special dividend. The balance of the net proceeds are being returned to shareholders via a share buyback programme. The programme of £170m is now largely complete (31 December 2021 £70m) and today it has been extended by a further £70m to £240m, which will complete the programme.

Central costs

Central costs reduced slightly year-on-year as savings generated from the restructuring programme in 2020 offset the reinstatement of management incentives.

Property transactions

Excellent progress has been made in exiting both freehold and leasehold sites vacated as part of the restructuring programme announced in June 2020, with solutions having now been found for the vast majority of properties.

These transactions, alongside a profit of £28m on the sale of the former Tilbury distribution centre, have generated significant upside with £49m of total property profits recognised during the year and cash receipts of £78m.

Outlook

The strong performance of the Group's end markets has demonstrated the importance of the construction sector to the UK economy. The rapid recovery of demand has led to well-documented challenges, particularly with respect to inflation and product availability, and the Group's businesses have demonstrated their ability to manage these effectively.

Although macroeconomic uncertainties remain, the Group's lead indicators for the year ahead are encouraging with improved levels of housing transactions, the continued move to hybrid working arrangements and year-on-year growth in new housing developments expected to support volumes in the Group's core trade markets. Given robust end market demand and a positive start to the new year, the Group remains confident of making further progress in 2022.

Over the longer term, the requirement to expand and decarbonise the UK housing stock offers significant growth opportunities for the Group. Government policy remains supportive across all sectors, recognising the essential role that construction will play in delivering a sustainable UK economy.

Technical guidance

The Group's technical guidance for 2022 is as follows:

- Effective tax rate of 20%
- Base capital expenditure of around £140m, inclusive of £15m on the new Toolstation lightside direct fulfilment centre in Northampton (see page 34)
- Property profits of around £25m

Business performance and priorities continued



Merchandising

Revenue

£3,826m

2020: £3,065m

Total revenue growth

24.8%

2020: (17.0)%

Scott Percy – Travis Perkins
Alexandra Murariu – Travis Perkins

2022 strategic priorities



Travis Perkins

- Continued investment in larger, more capable branches focused on major conurbations
- Further development of the service offering through value-added services including tool hire, Benchmarx, Managed Services and Staircraft
- Enhancement of the customer experience through the continued development of digital channels
- Leverage the benefits of best-in-class delivery management system, with roll-out across tool hire planned for 2022

	2021	2020	Change
Total revenue	£3,826m	£3,065m	24.8%
Like-for-like growth	28.2%	(14.0)%	
Adjusted operating profit*	£320m	£152m	110.5%
Adjusted operating margin	8.4%	5.0%	340bps
ROCE	16%	7%	9ppt
Branch network	860	846	14

* Segmental adjusted operating profit figures are presented excluding property profits

The Merchandising businesses delivered an excellent performance, led by the rejuvenated Travis Perkins General Merchant and complemented by record profit delivery in both BSS and Keyline. Underpinning this strong operational delivery was the robust recovery in domestic RMI demand and new housebuilding, alongside continued investment in UK infrastructure. Overall Merchandising revenue was up 24.8% versus 2020, where trading was significantly affected by the pandemic, and 3.3% ahead of 2019. Factoring in the 2020 branch closure programme, like-for-like revenue growth was 28.2%, or 11.9% compared to 2019.

The robust sales performance, combined with solid gross margins and cost benefits from the restructuring programme, delivered an adjusted operating profit of £320m, up 13% versus 2019, and an operating margin of 8.4%, some 70bps ahead of 2019. Operating margin benefitted from around 40 bps of inflation gains in stock given the high input cost inflation experienced. These are not expected to repeat in 2022.

Price inflation accelerated through the year, with prices increasing by around 4% in H1, rising to around 13% in H2, driven by shortages of product as the pace of demand recovery outstripped the rebuilding of manufacturing capacity. The Merchandising businesses have

managed these challenges extremely well, utilising the Group's extensive supply chain expertise to maximise product availability and providing transparency on pricing to customers.

Travis Perkins General Merchant delivered a very strong performance as actions taken during the previous two years to refocus the business enabled both branch and central teams to respond quickly and effectively to the opportunities presented by the rapid recovery in demand. The changes to the business have been extensive with processes and commercial deals simplified, shelf edge pricing overhauled and decision making on pricing and range now locally driven, enabling our branch teams to meet the needs of their local customers.

The General Merchant also continues to leverage the benefits of its scale and multifaceted customer proposition. The integration of Benchmarx, the introduction of web-based ordering and bespoke sustainability training packages in Managed Services and significant investment in tool hire have all enhanced the service offering to customers. These propositional developments are being complemented by investment in the branch network with three new branches opening in the year, four more relocated to improved sites and a dedicated tool hire hub opened in London.



2022 strategic priorities



Pipeline & Heating Solutions

- Continued development of the BSS “design-to-use” proposition as a leading service offer
- Expansion of TF Solutions to grow share in air conditioning and low carbon heating markets
- Strengthening CCF’s technical services offer and extension of its insulation range
- Keyline extending its capabilities to become a true partner to the civils industry through providing new and sustainable solutions throughout the supply chain

The specialist businesses continue to trade well, with BSS in particular demonstrating the value of its best-in-class technical capabilities to lead in the commercial RMI market. BSS continues to build on its deep product expertise and long standing relationships with innovative new solutions such as “design to use” which will enable the business to provide an even greater range of services to its customers.

As outlined at the Capital Markets Update, TF Solutions represents an exciting growth opportunity in the air conditioning and refrigeration markets. Over time, the Group intends to grow the business to a network of around 30 branches and this expansion plan is well underway with 5 new branches added during the year, doubling the network capacity.

Keyline also delivered a very strong performance in 2021, being ideally placed to benefit from the UK’s infrastructure investment and the ongoing strong demand for new housebuilding. The business continues to gain advantage from its operationally efficient model whilst from a customer proposition perspective, the focus remains on Keyline extending its capabilities to become a true partner to the civils industry. These enhancements are being delivered by providing new and sustainable solutions throughout the supply chain in collaboration with suppliers and customers incorporating service offerings on logistics, technical specification and project management.

CCF saw the most significant impact in terms of product availability during the year and responded well to the situation by continuing to focus on quality of business and service proposition development, resulting in an operating margin ahead of 2019. The clear momentum now that supply challenges have eased has been reflected in the opening of three high quality new branches in Ruislip (relocation from West London), Enfield and Birmingham alongside recent investment in technical resources to broaden the offering to customers.

Across the Merchanting businesses, the Group continues to invest in new platform technologies to develop customer propositions at pace, layering these on the stable foundations of its heritage platforms. In 2021, this structured approach to development delivered new features and capabilities to the Travis Perkins General Merchant website and saw the launch of the TP App, as well as migrating CCF and Keyline onto this digital platform. The Group’s new delivery management solution has been rolled out across CCF, Keyline and all core General Merchant branches, with tool hire to follow in 2022, providing our customers with a best-in-class delivery notification service.

Business performance and priorities continued

Toolstation

Revenue

£761m

2020: £633m

Like-for-like growth

12.3%

2020: 22.2%



2022 strategic priorities



- Continued network growth with a further 100 branches planned for 2022, 60 in the UK and 40 in Europe
- Open a 500,000 ft² distribution centre in Northampton for direct customer dispatch
- Trial Toolstation implants in TP branches
- Further enhancements to the trade customer proposition through the credit offer, range extension and multichannel capability

	2021	2020	Change
Total revenue	£761m	£633m	20.2%
Like-for-like growth	12.3%	22.2%	(9.9ppt)
Adjusted operating profit*	£22m	£8m	175.0%
Adjusted operating margin	2.9%	1.3%	160bps
ROCE	5%	2%	3ppt
Branch network (UK)	530	460	70
Branch network (Europe)	123	83	40
Adjusted operating profit – UK	£42m	£24m	75.0%

* Segmental adjusted operating profit figures are presented excluding property profits

2021 was another year of great progress for Toolstation with 20.2% revenue growth demonstrating the strength of the customer proportion and representing further market share gains. Toolstation has now more than doubled its revenue in the last three years and, on the back of this sustained outperformance, the Group continues to drive the expansion of the branch network in both the UK and Europe.

In the UK, a net 70 new branches were opened during the year as the Group's more focused capital allocation strategy enabled the acceleration of planned openings. Whilst network expansion is a key enabler of future growth, the development of Toolstation's market-leading value proposition is also central to attracting new trade customers and growing the share of wallet from existing customers.

As a further enhancement of its trade customer proposition, the UK business introduced trade credit at the start of the year which has been well received by customers and driven an increase of 25% in average order value on credit sales. Toolstation has continued to drive the digital agenda with the Toolstation app launched in 2021, making it even more convenient for customers to interact.

The Toolstation app has achieved a Trustpilot rating of 4.7 to date, from over 300,000 reviews. New front-of-branch merchandising has been rolled out across the Toolstation network, providing easy access for customers to key products. This has been complemented by the addition of c. 3,600 products to the range, again primarily focused on trade customers.

The operating margin of Toolstation UK at 6.3% continues to develop in line with management expectation, reflecting the significant investment in the business over the last three years, with 195 new branches opened.

Looking forward, a further 60 branches are expected to open in 2022. The branch network will be complemented by the opening of a new 500,000 square feet lightside direct fulfilment centre in Northampton. In order to mitigate risks around future labour availability, the decision has been taken to automate the facility. While this will lead to an incremental capital investment of £15m in 2022, it will deliver future operating cost benefits. Start-up costs of approximately £5m are expected to be incurred in 2022 in relation to the distribution centre project.



The European business continues to make encouraging progress as brand awareness and scale build. Overall revenue grew by 35% in 2021 and in Benelux, where sales were up 32%, 22 more branches were opened, taking the total to 86. In France, sales grew by 61% with 18 new branches opened, taking the total to 37. The new c. 100,000 square foot distribution centre just outside Lyon is now fully operational, which will facilitate the continued expansion of Toolstation France.

Customer feedback continues to be very positive with Toolstation Netherlands achieving a Trustpilot rating of 4.5 and France at 4.7, both equivalent to a rating of “Excellent”. The “Click & Collect in 10 minutes” offer remains well ahead of the competition in terms of speed of service.

Toolstation Europe overall made a loss of £20m in 2021, in-line with management expectations, as the business continues to build scale across its territories. Losses in 2022 are expected to be of similar magnitude as the rollout continues, with 40–50 more branch openings targeted for 2022.



In 2021 Toolstation celebrated the opening of its 500th UK branch in New Malden, Surrey. The team held a brilliant launch event on Thursday 5th August to mark the opening, with customers, colleagues, suppliers and community & charity partners coming together to help mark the occasion. There was even a special guest appearance from footballer and “Homes Under The Hammer” icon, Dion Dublin!

The event was also used to launch the next Toolstation Volunteer-It-Yourself (“VIY”) project, which saw 30 young people helping to update the kitchen and cafe space at the nearby YMCA Dickerage, a busy community building in New Malden.

Financial performance

Revenue analysis

Both business segments delivered strong revenue growth in 2021, although the dynamics impacting the businesses across the year were quite different.

The Merchenting business was comparing to a period of low activity in Q2 2020 at the start of the pandemic and comparisons to 2020 are also impacted by the subsequent restructuring programme where around 15% of Merchenting branches were closed, equating to approximately a 9% reduction in revenue due to the branches being smaller, operationally challenged sites.

Taking these factors into account, the 11.9% revenue growth of like-for-like Merchant branches versus 2019 provides a much more meaningful comparison and represents a very strong performance, demonstrating both the resilience of end markets and the ability of the Merchant businesses to navigate the many challenges they have faced during the year, notably in terms of materials price increases and product availability.

After a relatively benign Q1, input cost inflation accelerated from Q2 onwards as a result of the strong recovery in construction and subsequent shortage of key materials. In Merchenting, prices are updated in line with manufacturer increases which are invariably communicated clearly to the market and all businesses have managed this well, focusing on ensuring that we can meet the needs of all of our different customer cohorts.

Volume, price and mix analysis

Total revenue	Merchenting	Toolstation	Total Group
Volume	18.9%	9.2%	17.2%
Price and mix	9.3%	3.1%	8.2%
Like-for-like revenue growth	28.2%	12.3%	25.4%
Network expansion and acquisitions / disposals	(3.0%)	7.9%	(1.1%)
Trading days	(0.4%)	-	(0.3%)
Total revenue growth	24.8%	20.2%	24.0%

Quarterly revenue analysis

	Merchenting		Toolstation*		Total Group	
	2021 vs 2020	2021 vs 2019	2021 vs 2020	2021 vs 2019	2021 vs 2020	2021 vs 2019
Like-for-like revenue						
Q1 2021	15.7%	5.8%	42.1%	47.6%	19.5%	10.2%
Q2 2021	94.1%	16.1%	19.7%	38.7%	76.9%	18.6%
Q3 2021	15.2%	11.7%	1.4%	25.2%	13.1%	13.3%
Q4 2021	11.9%	14.0%	(5.1)%	26.4%	8.8%	26.4%
H1 2021	47.3%	11.0%	29.8%	42.9%	44.1%	14.5%
H2 2021	13.7%	12.8%	(2.0)%	25.8%	11.0%	14.4%
FY 2021	28.2%	11.9%	12.3%	33.8%	25.4%	14.4%

Total revenue	Merchenting		Toolstation*		Total Group	
	2021 vs 2020	2021 vs 2019	2021 vs 2020	2021 vs 2019	2021 vs 2020	2021 vs 2019
Q1 2021	5.7%	(2.6)%	49.8%	96.4%	11.5%	7.0%
Q2 2021	87.8%	6.4%	29.0%	83.9%	74.6%	14.3%
Q3 2021	15.1%	3.0%	9.1%	63.6%	14.1%	9.2%
Q4 2021	13.6%	6.7%	1.7%	45.9%	11.4%	11.8%
H1 2021	37.5%	1.9%	38.7%	89.9%	37.7%	10.7%
H2 2021	14.4%	4.7%	5.3%	54.2%	12.8%	10.4%
FY 2021	24.8%	3.3%	20.2%	70.8%	24.0%	10.6%

*Toolstation Europe is only included in comparatives from Q4 2019 onward as it was previously not wholly owned by the Group

Toolstation delivered another year of strong growth, resulting in the market share gains across both the UK and Europe. Price increases were much lower than in the Merchant businesses, reflecting both lower input cost inflation on lightside products and also the different pricing model with Toolstation seeking to maintain its value leadership position. On a two-year basis Toolstation UK revenue up 54.2%, or 32.8% higher on a like-for-like basis.

Volumes in H1 2020 were not as significantly affected by the pandemic as Toolstation pivoted to a "dark store" format and was able to maintain a good level of trade through the first lockdown. Throughout the first 14 months of the pandemic, until the easing of Covid restrictions in late May 2021, the business saw a dramatic increase in DIY customer spend and this is reflected in the relative sales performance during H2. Management expects this to continue through H1 2022 before comparatives normalise in H2 2022 when the business will again cycle against a primarily trade customer mix.

Operating profit and margin

2020 was significantly impacted by the first national Covid-19 lockdown and hence the rebuilding of revenue, alongside good gross margin management and the benefits of the restructuring programme undertaken in 2020, resulted in significantly increased adjusted operating profit.

A more meaningful comparison is against 2019 where adjusted operating profit for the continuing businesses was £296m. The actions described above have delivered a 19% improvement against this benchmark.

£m	2021	2020	Change
Merchandising	320	152	110.5%
Toolstation	22	8	175.0%
Property	49	9	n/m
Unallocated costs	(38)	(41)	7.3%
Adjusted operating profit	353	128	175.8%
Amortisation of acquired intangible assets	(11)	(9)	
Adjusting items	7	(93)	
Operating profit	349	26	

During 2021, the Group successfully exited the leases on a number of branches closed in 2020 for less than the contractual lease liability, which has generated a net credit to adjusting items of £7m. The prior year charge primarily related to the restructuring programme undertaken in June 2020.

Finance charge

Net finance charges, shown in note 6, were £43m (2020: £47m). The key driver of the reduction was a £10m accelerated interest payment in 2020 related to bond refinancing. This was partly offset by foreign exchange movements.

Taxation

The tax charge for continuing activities for the 2021, including the effect of adjusting items, is £65m (2020: £15m).

The tax charge for the year before adjusting items is £58m (2020: £27m) giving an adjusted ETR of 19.7% (standard rate 19%, 2020 actual 20.1%). The adjusted ETR rate is higher than the standard rate due to the effect of expenses not deductible for tax purposes, such as the depreciation of property and unutilised overseas losses, partially offset by the increase in the deferred tax asset related to employee share schemes following an increase in the share price in 2021.

An adjusting deferred tax charge of £5m was recognised as a result of the increase in the UK corporation tax rate and the recognition of a deferred tax asset in respect of Toolstation Netherlands.

Earnings per share

The Group reported a total profit after tax of £279m (2020: loss of £22m), resulting in basic earnings per share of 120.3 pence (2020: loss of 9.0 pence). Excluding the £38.1m profit from discontinued operations (2020: £13.2m), basic earnings per share were 103.9 pence (2020: loss of 14.3 pence) and diluted earnings per share for continuing operations were 102.6 pence (2020: loss of 14.3 pence).

Adjusted profit after tax was £249m resulting in adjusted earnings per share (note 20) of 107.3p (2020: 21.0 pence). Diluted adjusted earnings per share were 105.9 pence (2020: 21.0 pence).

Free cash flow

£m	2021	2020
Group adjusted operating profit excluding property profits	304	119
Depreciation of PPE and other non-cash movements	98	84
Change in working capital	(152)	197
Net interest paid (excluding lease interest)	(14)	(28)
Interest on lease liabilities	(21)	(21)
Tax paid	(60)	(28)
Adjusted operating cash flow	155	323
Capital investments		
Capex excluding freehold transactions	(95)	(87)
Proceeds from disposals, excluding freehold transactions	5	5
Free cash flow	65	241

2021 saw the rebuilding of working capital as trading volumes returned to pre-pandemic levels. The increase was driven by the strong recovery of revenue in the Merchant businesses, where sales are predominantly on credit terms. While stock levels increased by £205m reflecting input cost inflation and business growth, this was fully mitigated by a corresponding increase in creditors.

Capital investment

£m	2021	2020
Growth capex	66	42
IT	9	11
Maintenance	20	34
Base capital expenditure	95	87
Freehold property	81	26
Gross capital expenditure	176	113
Disposals	(82)	(55)
Net capital expenditure	94	58

Financial performance continued

Base capital expenditure was £8m higher than the prior year, but there was a significant shift towards growth investment as the business pushed ahead with expansion plans given the strong market recovery. Strategic capex was almost exclusively focused on Toolstation (117 new branches), Travis Perkins General Merchant new branches and investment in new tool hire assets, including a new hub in London.

Maintenance capex was significantly lower than 2020 due to the redeployment of fleet assets from the 2020 restructuring programme and also the shift from tool hire replacement spend into the purchase of new assets. The level of spend is expected to normalise in 2022 to around £40–45m.

Freehold property purchases were significantly higher as the cash generated from the sale of properties vacated as part of the restructuring programme was recycled into new Merchant branches. This included Travis Perkins sites in Battersea (which was previously leased) and Watford and a new Keyline branch in Birmingham. Disposal proceeds were £27m ahead of prior year with the sale of the former distribution centre at Tilbury the key driver of this upside.

Uses of free cash flow

	2021	2020
Free cash flow (£m)	65	241
Net freehold transactions	(3)	29
Acquisitions / disposals	249	1
Dividends	(105)	-
Cash payments on adjusting items	(33)	(60)
Share buybacks	(70)	-
Capitalisation of Wickes	(130)	-
Other	(20)	86
Change in cash and cash equivalents	(47)	297

With respect to acquisitions and disposals, the key transactions during the year were the disposal of the P&H business and the acquisition of Staircraft.

Strong cash generation and actions taken to strengthen the balance sheet enabled the Group to reinstate the dividend during the year. The amounts shown above includes both the 2021 interim dividend and the special dividend paid in connection with the P&H disposal.

Net debt and funding

£m	2021	2020	Change
Covenant net debt	87	40	47
Covenant net debt / adjusted EBITDA	0.2x	0.1x	0.1x
Net debt under IFRS 16	605	1,397	(792)
Net debt excluding discontinued operations / adjusted EBITDA	1.2x	2.0x	(0.8)x

Covenant net debt increased by £47m across the year to £87m.

This movement is principally a result of cash outflows relating to the Wickes demerger being partially offset by the remaining c. £170m of net proceeds from the sale of the Plumbing & Heating business which will be returned to shareholders via the share buyback programme. The significant reduction in net debt under IFRS 16 is due to the reduction in lease liabilities associated with the demerger of Wickes and the sale of the P&H business. The Group has set a target of being in the range of 1.5 – 2.0x net debt / adjusted EBITDA and, adjusting for the remaining P&H sale proceeds mentioned above, was at the lower end of that range at the end of 2021.

Funding

As at 31 December 2021, the Group's committed funding of £950m comprised:

- £300m guaranteed notes due September 2023, listed on the London Stock Exchange
- £250m guaranteed notes due February 2026, listed on the London Stock Exchange
- A revolving credit facility of £400m, refinanced in January 2019, of which £54m matures in 2024 and the remaining £346m matures in 2025

As at 31 December 2021, the Group had undrawn committed facilities of £400m (2020: £400m) and deposited cash of £435m (2020: £455m), giving overall liquidity headroom of £835m.

The Group's credit rating, issued by Standard and Poor's, was affirmed at BB+ following a review in August 2021, with the outlook revised to stable from negative. The Group's credit rating from Fitch Ratings was affirmed at BBB- with stable outlook following a review in October 2021.

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 negotiated a new revolving credit facility with a syndicate of eight banks in January 2019. The new facility is 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.

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 no interest rate derivatives 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. It purchases forward contracts for approximately 90% of its committed requirements six months forward based on the firm placement of forward stock purchases. At 31 December 2021 the nominal value of currency forward contracts was €11.0m (2020: nil) and US\$20.5m (2020: US\$85.0m).

The Group is a substantial provider of credit to a large portfolio of small and medium-size businesses throughout the UK together with some of the country'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 2021 was approximately 0.4% (2020: 0.9%) 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 £250m 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 within comfortable margins
- The ratio of net debt to adjusted EBITDA less than 3.0x. It was 1.2x (2020: 2.0x excluding discontinued operations) 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.

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 co-operative 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 18 to 39 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 2022, the month-end date closest to the approval of the 2021 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 of potential further Covid-19 restrictions, as well as the effects 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 and uncertainties

Risk management is a key factor in the successful delivery of the Group's strategic objectives, which will protect and create shareholder value.

The risks and uncertainties that the Group faces continue to evolve. Against a backdrop of continued pandemic-related disruption and wider economic change, we have continued to take a proactive approach to risk management to identify and pursue opportunities, deliver our strategic priorities, and, most importantly, prioritise the safety and wellbeing of the Group's colleagues and customers.

Risk management framework

We operate in an industry and markets which, by their nature, are subject to a number of inherent risks. In common with most large organisations we are also subject to general commercial, political and economic risks. We are able to mitigate those risks by adopting different strategies and by maintaining a strong system of internal control which is routinely tested and assured.

Our risk management framework has three pillars:

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

The output from each pillar informs the process to determine our principal risks.

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. During the year the Board reviewed and reconfirmed its approach against the latest FRC guidance and good practice examples. Further details on risk management responsibilities and oversight are given in the corporate governance report on page 83.

Risk appetite

The Board accepts that, in order to achieve its strategic objectives and generate suitable returns for shareholders, it must accept and 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 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 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.

Risk assessment and reporting

Our 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.

Our 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. Whilst Covid-19 has continued to influence risk activities in 2021, there has also been a focus on risk management in the context of the new strategy and on embedding regular assessment into key strategic work streams and performance reviews. This has driven an increased focus on risk and opportunity management at key decision points. We have continued to develop the risk assessments that underpin the Group's suite of minimum standards for ESG focus areas, which include a risk and opportunity register for climate change.

Risk assurance

We operate 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 and operational management <i>Branches and distribution centres</i>	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 <i>Includes Safety, Fleet, Legal, Finance, IT and HR</i>	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 <i>Includes internal audit, external audit and other third parties</i>	Independent assurance: Internal audit activities, third party 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

Principal risks

The principal risks that we consider 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 to us, 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		Inherent risk
			2021	2020	
External	1. Long-term market trends	ABCD	↔	↑	High
	2. Pandemic		↔	N	Medium
	3. Macroeconomic volatility	AE	N		Medium
	4. Supply chain resilience	BC	↑	↑	High
Strategic	5. Managing change	ABCDE	↔	↔	Medium
	6. Climate change and carbon reduction	D	N		High
Technological	7. Cyber threat and data security	D	↑	↔	High
Operational	8. Health, safety and wellbeing	D	↔	↔	Medium
	9. Legal compliance	D	↔	↑	Medium
	10. Critical asset failure	BCD	N		Medium

Key

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

The Board and Group Leadership Team robustly assess the Group's principal and emerging risks at least twice a year. During 2021 the Board has considered principal risks at four 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. Whilst several principal risks, particularly long-term market trends, include elements that can be considered disruptive in nature, they are categorised here according to the primary driver of the risk for the Group.

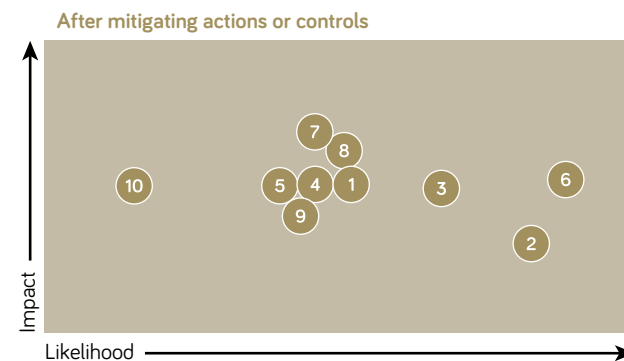
Key changes in the year

The risk environment in which we operate does not remain static and the Board has made a number of changes to the principal risk set in 2021:

- Following the successful completion of the Wickes and P&H transactions, the Board no longer considers Portfolio Management to represent a principal risk.
- Risks in relation to Market Conditions and the Changing Customer and Competitor Landscape have been combined within the Long Term Market Trends, which present both risks and opportunities for the Group as it executes its new strategy.
- In light of availability challenges and inflation during 2021, a shorter-term Macroeconomic Volatility risk has been introduced, whilst the Group actively manages these developments.
- The existing risk in relation to suppliers has been re-focused on Supply Chain Resilience, which remains an area of focus post-Brexit and in light of ongoing pandemic-related impacts. Longer-term, our ESG commitments, which place additional requirements on the supply chain, may impact sourcing decisions.
- The Managing Change risk brings together elements of the former People, Change Management and IT Systems and Infrastructure principal risks to recognise the risks and opportunities associated with delivering strategic and technology-enabled change.

- We are committed to responding to climate change impacts in our own business and helping the construction industry to decarbonise. Given our ambitions and commitment to industry-leading net zero carbon targets, we have recognised Climate Change and Carbon Reduction as a principal risk for the Group.
- Whilst the pandemic in 2020 tested and confirmed our ability to respond to operational disruption, our risk profile is changing as we add new fulfilment channels and services, so we have included a new principal risk in relation to Critical Asset Failure.

Principal risks heat map:



Emerging risks

As part of the overall risk assessment process, and in line with the requirements of the UK Corporate Governance Code, we capture and monitor areas of uncertainty that do not currently present a significant risk but which have the potential to adversely impact the Group in the future. These emerging risks are identified from regular reviews of risk research and other publications, alongside perspectives on emerging risks collated from assessments made by the business unit and functional leadership teams and the results of assurance activities. The emerging risks considered by the Board during 2021 included consideration of data and digital technologies, the proposed reforms to corporate governance in the UK and renewed calls for a referendum on Scottish Independence.

Statement of principal risks and uncertainties continued

Long-term market trends

Inherent risk: High	Change in risk level: ↔	Relevance: Industry-wide
<p>Description</p> <p>The construction sector is changing, driven by both macro and sector-specific factors. The fundamental long-term market drivers are robust and a number of industry trends present both opportunities and risks for the Group:</p> <ul style="list-style-type: none"> • Traditional ways of working in the industry will change, driven by technology and an increasing move to modern methods of construction. • There is a need to address a growing productivity challenge in the construction sector alongside an increasing scarcity of technical knowledge and general labour shortage. • Customers want digitally-enabled solutions. Our ability to deliver platforms that meet customer demand and keep pace with competitor developments will impact longer-term growth and delivery of our strategy. • Our ability to provide innovative fulfilment solutions combined with digital models will be a key differentiator. This could draw new entrants into the market, operating business models which differ significantly from the traditional merchanting and online formats. • Increased digitisation and the development of fulfilment capabilities may also increase the risk that manufacturers of the materials and products that we sell look to sell directly to end customers in the future, diminishing our role as a distributor. • ESG factors are becoming more fundamental to long-term success. • Central UK government policy drives a need to manage changing building standards and the future framework for heat in buildings through the products and services that we offer. 	<p>Mitigation</p> <p>We are well positioned to adapt quickly to these trends and changing conditions and are choosing to be an active leader as the market changes. Our businesses all hold #1 or #2 positions in their markets, which facilitates the addition of services that deepen relationships to earn a greater share of spend. The Group also has a balanced portfolio of businesses giving insight into different business models.</p> <p>We are establishing a number of partnerships to work with companies involved in modern methods of construction.</p> <p>We continue to make progress in digitising key customer journeys and building tools that complement our existing operations and enable customers to transact through different channels that best suit their needs. We are also trialling new fulfilment services to give customers further flexibility and choice.</p> <p>We maintain a comprehensive tracking system for lead indicators that influence the market for the consumption of building materials in the UK.</p> <p>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.</p>	

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

Pandemic

Inherent risk: Medium	Change in risk level: ↔	Relevance: Industry-wide
<p>Description</p> <p>A prolonged global health threat and associated government restrictions could adversely impact our operations and colleagues' health. The Group remains exposed to the impact of the Covid-19 pandemic in its UK and European operations and across the territories in which its suppliers are based.</p> <p>Whilst the Group has successfully managed Covid-19 impacts and restrictions to date, it remains exposed to a risk of new variants and/or diseases, which may present different challenges from those navigated so far and require governments to introduce further measures to mitigate the associated health, economic and societal impacts.</p> <p>Central UK government, and the devolved authorities in other parts of the UK, deemed the Group to be an essential provider to ensure critical national infrastructure remains operational and homes remain warm and dry. Any change to this status would significantly impact our operations and results in the event of another lockdown.</p> <p>The pandemic remains a factor influencing wider market conditions and uncertainty. This may weaken consumer confidence and adversely impact demand for our products and services.</p>	<p>Mitigation</p> <p>The safety and wellbeing of colleagues and customers remains the overriding priority in our continued response to the pandemic.</p> <p>Tiered crisis response teams were mobilised before the first UK lockdown to coordinate activity. These teams continue to monitor the situation closely, with regular oversight from the Board, and update measures, advice and communications as required.</p> <p>We have procedures in place that protect both colleagues and customers whilst continuing to trade. These are assessed regularly to ensure continued alignment with the latest government guidance.</p> <p>We maintain strict, enhanced hygiene routines across the Group's estate. New properties and refurbishments, including our newly created office "Hubs" for support colleagues, incorporate air circulation and other protections that significantly reduce the risk of infection transmission.</p> <p>We have introduced hybrid working for those colleagues who are able to work from both home and a Group location, which provides greater flexibility for colleagues and, in the event of a surge in infections, can be flexed to support remote working.</p>	

Impact: Detrimental impact to health and wellbeing, operational disruption arising from colleague absence, stock availability issues due to supply chain disruption

Macroeconomic volatility

Inherent risk: Medium	Change in risk level: NEW	Relevance: Industry-wide
<p>Description</p> <p>Our end markets in construction are cyclical in nature and our performance is affected by general economic conditions and a number of specific drivers of construction, repairs, maintenance and improvement and DIY activity. In the last year, our lead indicators, which include the volume of housing transactions, house price inflation, and consumer confidence, have shown considerable volatility and growth has been more erratic.</p> <p>This is influenced by the pandemic, which has driven rapid moves to higher levels of inflation globally. In the UK, this has been exacerbated by certain Brexit-related developments that have particularly contributed to labour shortages, notably commercial drivers, with resultant salary cost pressure. Driver availability is critical to the operation of our fleet to meet customer delivery expectations.</p> <p>Our 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 us to wider economic and political uncertainty.</p> <p>The Group, and the wider construction sector, has faced interruptions to supply across certain product categories during 2021, greater instances of allocation and rapid price rises. Whilst the Group has navigated these challenges well to date, and there are signs that things are improving, some uncertainty remains, including the threat of further inflation or even deflationary pressures.</p>	<p>Mitigation</p> <p>We have taken steps to reduce the Group's exposure to retail markets and our strategy is to develop value-added services, both leaving the Group less closely correlated to the economic cycle which should reduce future volatility.</p> <p>We undertake constant product price and availability monitoring across our businesses. The market positions of our businesses and strong relationships with our suppliers, as set out opposite, have been leveraged during this uncertain period to ensure that wherever possible the Group maintains adequate stocks to meet demand during an extended period of disruption. Where availability is less challenged, buffer stocks are held.</p> <p>Pricing strategies across the Group are regularly reviewed and we have been successful in 2021 in working with our customers to pass through higher input costs in the most transparent and fair way possible.</p> <p>Policy and legislative changes that may impact our 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.</p> <p>We regularly benchmark salaries and other benefits to ensure that the Group offering remains competitive.</p> <p>Our strong cash position allows us to build depth of stocks and ensure that supply is adequate and we are well positioned to manage supply chain volatility.</p> <p>We have a conservative hedging policy to reduce our exposure to currency fluctuations.</p>	

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

Supply chain resilience

Inherent risk: High	Change in risk level: ↑	Relevance: Industry-wide
<p>Description</p> <p>A resilient supply chain is a critical factor in serving our customers and achieving our strategic objectives.</p> <p>There is both breadth and depth to our 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.</p> <p>In certain product categories, we face risk in relation to key supplier dependencies, where there are limited alternative options. We are the largest customer to a number of our suppliers and, in some cases, those suppliers are material enough to cause us significant difficulties and disruption if they are unable to meet their supply obligations. Alternative sourcing may be available, but the volumes required and the time it may take those suppliers to increase production could result in availability issues.</p> <p>The pandemic has tested our supply chain's ability to ensure continued supply and respond quickly to changes in demand. Further disruption as a result of this pandemic, or other global crises, could further challenge the resilience of our supply base, and impact the Group.</p> <p>ESG matters are increasingly important to us and our customers. This places additional requirements on the supply chain, which are likely to increase over time. This helps in the assessment of resilience but, with responsible sourcing a leading commitment for the Group, this could further restrict supplier options if they do not meet our standards.</p>	<p>Mitigation</p> <p>We maintain strong relationships with our key suppliers and work closely with them to agree contracts that are mutually beneficial, conduct due diligence in line with our commitment to responsible sourcing, and ensure a continuous supply of quality materials.</p> <p>Where possible, contracts exist with more than one supplier for key products, to reduce the risks of dependency on a sole supplier.</p> <p>Since we began preparing for Brexit, we have increased our supplier liaison and review activities. This has further strengthened relationships with suppliers and helped us to understand specific risks and take targeted mitigating action.</p> <p>We keep stock levels under constant review and, helped by the market position of the Group, have managed recent availability issues well in conjunction with our suppliers.</p> <p>We have made a significant investment in our TP Asia office to support direct sourcing. This allows the development of own brand products, thereby reducing the reliance on branded suppliers.</p> <p>We have published Supplier Commitments that articulate our 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.</p>	

Impact: Adverse effect on ranging, customer prices, customer service and financial results

Statement of principal risks and uncertainties continued

Managing change

Inherent risk: Medium	Change in risk level: ↔	Relevance: Company specific
<p>Description Embracing and effectively navigating change is fundamental to our future success.</p> <p><i>Strategic change</i> Our strategy to deliver growth and added value is built upon innovation and the delivery of new business models and ways of working. This will demand some capabilities that are different from our traditional merchanting skill set. We will need to build new services, digitise our businesses and adapt to new ways of working within the industry, all whilst maintaining a high level of service to our more traditional customers for whom change will come more slowly. Our ability to attract and retain colleagues, and add capability through targeted acquisitions, is central to ensuring that we have the skills and experience to deliver the strategic initiatives set out on pages 20–27.</p> <p><i>Technology-enabled business change</i> We have embarked on a number of major technology projects to underpin our operations, enable our future growth plans and meet customers' changing needs. Delivering the systems and associated change required is key to successful execution of the strategy.</p> <p>In adopting a more agile, incremental approach to business change, enabled by technology, we will need to manage an extended period of transition where old and new technologies must successfully co-exist. There is significant risk associated with IT-enabled business change programmes including risks in relation to prioritisation and sequencing, resource allocation, cost and time overruns, testing and business acceptance. These risks, alone or in combination, could impact our short-term performance and achievement of our longer-term strategy.</p>	<p>Mitigation All potentially significant projects are subject to detailed investigation, assessment and approval prior to commencement.</p> <p>We create dedicated teams to deliver major programmes with external expertise added to support when necessary. Our strategic initiatives consider the related capability requirements and, as demonstrated in taking full control of Staircraft this year, we will make bolt-on acquisitions when needed to deliver an opportunity that is strategically significant.</p> <p>All major programmes are ultimately governed by the Group Programme Review, overseen by the CEO, CFO and COO and managed by a dedicated PMO with regular reporting to the Board. This review considers the portfolio of programmes in terms of progress, milestones, interaction, key decisions, risks and requirements. If projects do not deliver against expectations, we undertake exercises to capture the “lessons learned” which are fed into future programmes.</p> <p>The Group considers people development and diversity and inclusion to be among its leading commitments and has plans in place to deliver the pillars of its People agenda: attract, belong, deliver, learn and grow.</p>	
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: NEW	Relevance: Industry-wide
<p>Description Climate change has the potential to significantly impact the construction sector during the transition to a low carbon environment. Change is virtually certain but the nature, extent and scale of change remains unclear. We are 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 not only promotes a sustainable and value-generating business model, underpinning our ambition to be the leading partner to the construction industry, but more fundamentally aligns with our purpose to help build better communities and enrich lives, fulfilling our responsibility to take action now and influence the wider industry, to mitigate the significant threats posed by climate change.</p> <p>We assess our top climate-related risks to relate to:</p> <ul style="list-style-type: none"> • The move to a low-carbon fleet, given we have one of the largest UK vehicle fleets • Increasing costs of goods due to producer country carbon pricing mechanisms • The ability to transition to new lower-carbon product categories • Product obsolescence for higher-carbon product categories <p>We have set industry-leading carbon reduction targets, approved by the Science Based Targets initiative. Delivering these targets will be challenging. It requires significant investment and engagement with the wider construction products industry to reduce supply chain and product carbon.</p> <p>Environmental matters are increasingly important to our colleagues, customers, suppliers, investors and government, driving changes to demand, expectations and information requirements, which we must identify and effectively respond to.</p>	<p>Mitigation We regularly identify our most material climate-related responsibilities and challenges in order to target investment and manage them well.</p> <p>The Board's role in climate change governance is well established. During the year the Board has undertaken climate-awareness sessions and received regular reports on the most material related risks and opportunities for the Group, the actions being taken and the progress made.</p> <p>Scenario analysis has been developed this year to consider how the Group might perform under different future pathways, the results from which underpin our carbon reduction plans and support our reporting under TCFD.</p> <p>We allocate capital to meet our stated commitments. This year we continued to invest in our built estate to improve energy efficiency, using low carbon, renewable energy systems where possible, such as LED light installations, air source heat pumps and solar panels. We also added our first fully electric HGV in CCF and started the trial of hydrotreated vegetable oil (HVO), a low carbon alternative to diesel which can reduce emissions by up to 90%.</p> <p>We have a plan of engagement with our supply chain, both upstream and downstream, to encourage the reduction of their emissions and the embodied carbon in products as part of our commitment to tackle our Scope 3 emissions.</p> <p>Further information on progress made during the year can be found in the Sustainability report on pages 52 to 71.</p>	
Impact: Adverse effect on reputation, financial and operational performance, competitive disadvantage, less attractive as an investment stock		

Cyber threats and data security

Inherent risk: High	Change in risk level: ↑	Relevance: Industry-wide
<p>Description</p> <p>Incidents of sophisticated cyber-crime represent a significant and increasing threat to all businesses including the Group. As we seek to meet our 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. There is therefore a balance to be struck between increased digitisation and availability of data against the risks that such activities introduce.</p> <p>Incidents impacting the confidentiality, integrity and availability of our 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 our IT services, any of which may have serious consequential impacts on our reputation, ability to trade and compliance with regulations including GDPR.</p> <p>We assess our 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 we have seen a continued increase in the volume, frequency and sophistication of attempted cyber-attacks. Our strategy to modernise and digitise capabilities also presents a further dimension to cyber and data security risk.</p> <p>Using personal data in a non-compliant manner (whether deliberately or inadvertently) may exacerbate the impact of security incidents.</p>	<p>Mitigation</p> <p>We take our 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.</p> <p>Our growing Information Security team aligns our approach to the National Institute of Standards and the Technology Cybersecurity Framework. Alongside user awareness and education, 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 continually test and measure our security posture and address any vulnerabilities.</p> <p>All changes to technology solutions require Information Security review and approval.</p> <p>Our 24/7 security operations centre, designed to monitor for suspicious activity and behaviours and work with resolver teams, has been further optimised since its introduction in 2020.</p> <p>Our cyber-incident response protocol is regularly updated with lessons learned from responses to attempted attacks and external cases. Third party forensic capability is in place, if needed, to support our response capability.</p> <p>We continue to prioritise a number of initiatives to further minimise the risk profile, including programmes focused on the optimisation of security technology, increasing user awareness and maintaining GDPR compliance, which is crucial to reduce both the likelihood and impact of cyber threat and data security risk.</p>	
<p>Impact: Operational disruption, adverse effect on reputation, potential legal action, fines and penalties</p>		

Health, safety and wellbeing

Inherent risk: Medium	Change in risk level: ↔	Relevance: Industry-wide
<p>Description</p> <p>Keeping our colleagues, customers, suppliers and the public safe is a cornerstone of the business and central to how we operate. A workforce that is safe and physically and mentally healthy, is the foundation of everything that we do.</p> <p>We expect everyone to go home safe and well, every single day.</p> <p>We operate a large estate, with many sites running complex and busy yards. We also operate one of the largest vehicle fleets in the UK, distributing heavy and bulky materials. Certain products that we sell pose health and safety risks. Poorly implemented safety practices on site, on the road and at delivery locations could result in significant harm to our colleagues, customers and the wider community.</p> <p>The Covid-19 pandemic remains a threat to the health and wellbeing of our colleagues and the safe operation of our businesses. The tactical steps we have taken to respond to the challenges of the pandemic are set out in the separate Pandemic risk.</p>	<p>Mitigation</p> <p>Health, safety and wellbeing is one of our fundamental values. We continue to challenge our thinking and approach to de-risk our operations and improve safety performance through our established "Stay Safe" brand. We strive to foster 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.</p> <p>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. In these forums we also monitor the achievement of transport compliance requirements. The Fleet team has focused this year on the delivery of improvements against its roadmap.</p> <p>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.</p> <p>Our support for mental health and wellbeing has increased this year, with a significant expansion of our Mental Health First Aider population, the introduction of Stay Well Ambassadors and investment in a range of resources, accessed through the Stay Well Hub.</p> <p>Further information on progress made during the year can be found in the Health and Safety report on pages 56 to 57.</p>	
<p>Impact: Harm to our colleagues, customers or the public, potential legal action, fines and penalties, adverse effect on reputation</p>		

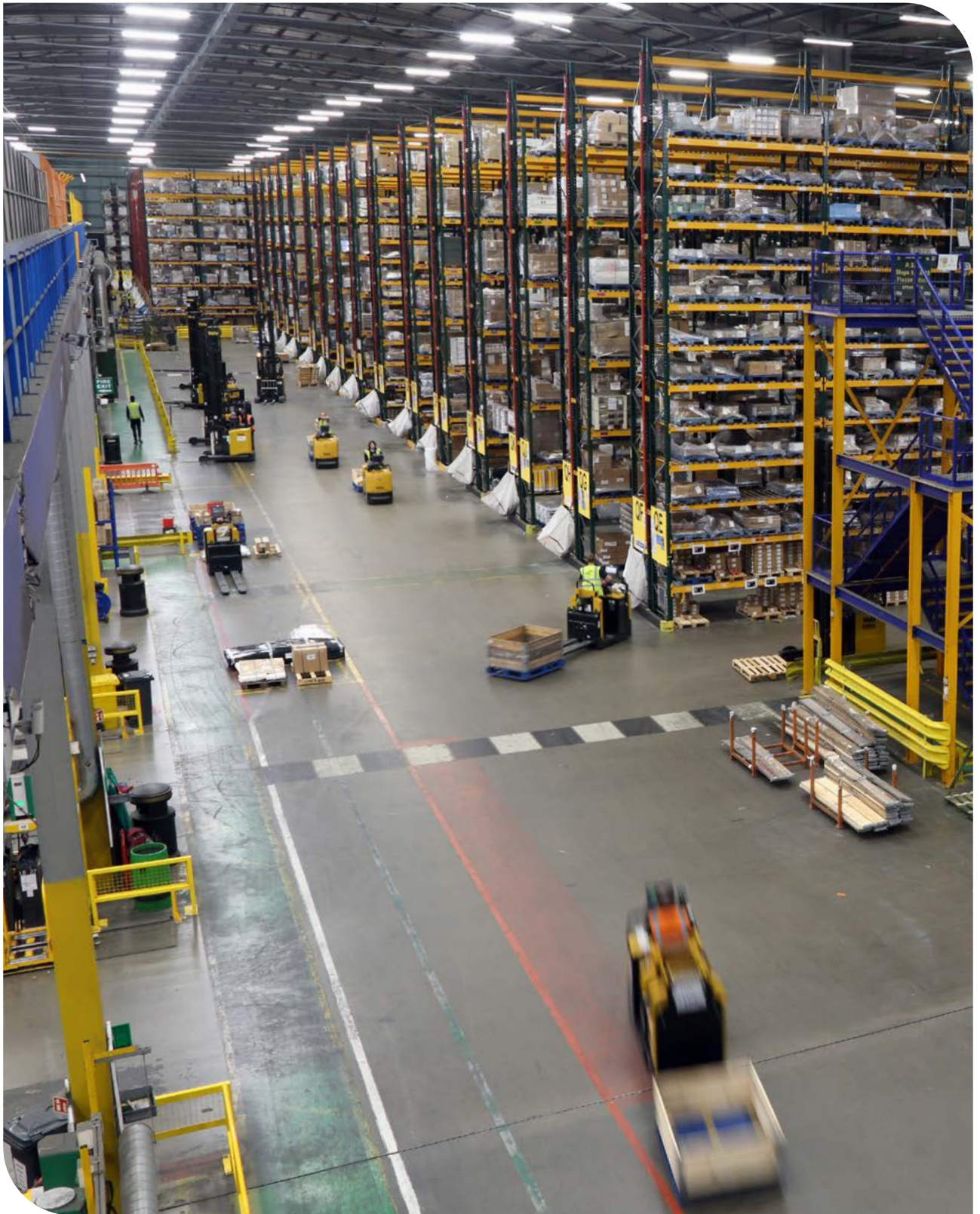
Statement of principal risks and uncertainties continued

Legal compliance

Inherent risk: Medium	Change in risk level: ↔	Relevance: Industry-wide
<p>Description</p> <p>We are 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 we operate and give rise to significant compliance costs, potential legal liability exposure for non-compliance and potential limitations on the development of our operations and strategy.</p> <p>Should we fail to deliver against our legal and regulatory obligations, as well as broader responsibility commitments, this could significantly undermine our reputation, result in legal exposure and adversely impact our operations.</p> <p>Regulatory change driven by the Grenfell disaster will drive new requirements in terms of product chain of custody. The potential introduction of an attestation of internal controls in the UK, similar in nature to the US Sarbanes-Oxley legislation, and the replacement of the Financial Reporting Council with a new regulatory body, will also require the Group to assess current processes, reporting and assurance requirements.</p>	<p>Mitigation</p> <p>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.</p> <p>A Code of Conduct, supported by minimum standards and detailed policies, sets out our requirements on all colleagues to do business in the right way. This is underpinned by a comprehensive framework of policies.</p> <p>We share Supplier Commitments with our suppliers to articulate our expectations and higher risk suppliers are assessed against these requirements using an Online Risk Assessment.</p> <p>We provide online training in key areas of legal and regulatory compliance, including mandatory modules that are revisited by colleagues to a set cadence.</p> <p>We encourage colleagues to speak up whenever they see or suspect activity that contravenes our values and policies. We relaunched the Speak Up! hotline, provided through an independent third party, this year. All reported cases are investigated.</p> <p>We continued to develop and improve the existing compliance and assurance framework in 2021. Significant progress has been made in implementing a suite of Minimum Standards that set clear expectations to support policy adherence.</p>	
<p>Impact: Adverse effect on reputation, financial and operational performance; potential legal action, fines and penalties; diversion of management attention</p>		

Critical asset failure

Inherent risk: Medium	Change in risk level: NEW	Relevance: Company specific
<p>Description</p> <p>Disruption of a critical Group asset, whether a primary distribution location, or a key system failure or outage, could significantly interrupt our operations. More generally, if we are 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.</p> <p><i>Distribution Centres</i></p> <p>We operate a small number of distribution centres with significant stockholdings and an increasing volume of deliveries are now 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.</p> <p><i>IT Systems</i></p> <p>In our day-to-day operations we are dependent on a wide range of IT systems and supporting infrastructure. Our 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. Our IT modernisation plans will lead to the replacement of a number of legacy systems.</p>	<p>Mitigation</p> <p><i>Business continuity management</i></p> <p>We take 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.</p> <p>Our size and scale helps to mitigate stock issues in the event of disruption. We carry a level of buffer stock in the network that would be sufficient to cover a short-term disruptive event. We have 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.</p> <p><i>Crisis management</i></p> <p>The Covid-19 pandemic confirmed our crisis response capability was effective. Tiered crisis response teams were mobilised before the first UK lockdown to coordinate activity and provide ongoing monitoring, decision support and communications. A lessons learned exercise informs the refreshed crisis management framework, which we will roll out to the business in 2022.</p> <p><i>IT Disaster Recovery</i></p> <p>Our IT disaster recovery plans are regularly tested and the results assessed to drive further improvements. Our 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 and are designed to minimise the operational and customer impact.</p>	
<p>Impact: Adverse effect on performance: financial, operational, customer service; diversion of management attention</p>		



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

Governance

Scope and sphere of influence.

The market for construction materials is over £76bn with £60bn coming through distribution channels. The Group has a 7.5% 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 £4.6bn and a fleet of over 5,500 owned or leased commercial vehicles or plant.

Leadership role

Decarbonisation of our own business and our supply chain is one of the Group's purpose goals, as shown below.



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 60.

The Group's targets are SBTi-approved as being in line with a 1.5 degree pathway. By 2035 Travis Perkins will have reduced absolute Scope 1 and 2 GHG emissions by 80% and Scope 3 emissions by 63% from a 2020 baseline.

Advocates for change

The Group's CEO chaired the Construction Leadership Council's debate at COP26 in Glasgow in November 2021. The Group is a CO₂nstructZero Business Champion, taking a leading role in delivering against the performance metrics determined by the Construction Leadership Council for the sector to achieve Net Zero by 2050. Suppliers attending the 2021 Group Supplier Conference were asked to calculate and reduce their carbon.

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

Accountabilities

Climate change is a boardroom 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 and owned by the Group's businesses. The management reporting cycle on carbon is at least quarterly, with 11 sessions with the Group Leadership Team or plc Board during 2021. 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, see the climate change principal risk on page 44.

Alignment of incentives to carbon commitments

The 2021 bonus targets for the Group Leadership Team included a Scope 2 carbon reduction target and strategic performance in carbon reduction (see page 92). In addition, the new restricted stock scheme includes a climate-related performance underpin.

Strategy

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.

Our 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>).

Key activities include:

Reducing the embodied and in-use carbon of products sold (Scope 3 represents 99% of the Group's footprint)

- 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 between now and 2025.

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 from 2021, scaling up over 5 years. The first 30 HGVs were moved to HVO in 2021.
- 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 two electric vans.
- Improving the energy efficiency of buildings. In 2021 the Group moved to a 100% renewable energy tariff for all UK sites.
- 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 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 p44. 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. 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. Details on 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 impacts are considered via scenario analysis.

In 2021, the Group carried out a climate-related risks and opportunities assessment and engaged with specialists at PwC to support in developing its scenario analysis. An internal team of key stakeholders, including the Group's Chief Financial Officer, then identified key business and strategic impacts to ensure that these are adequately considered.

Scenarios and modelling process

The Group selected three scenarios outlining possible physical and transitional impacts out to 2050: no additional action, early action and late action. The scenarios used are from the Network for Greening the Financial System 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.

Scenarios

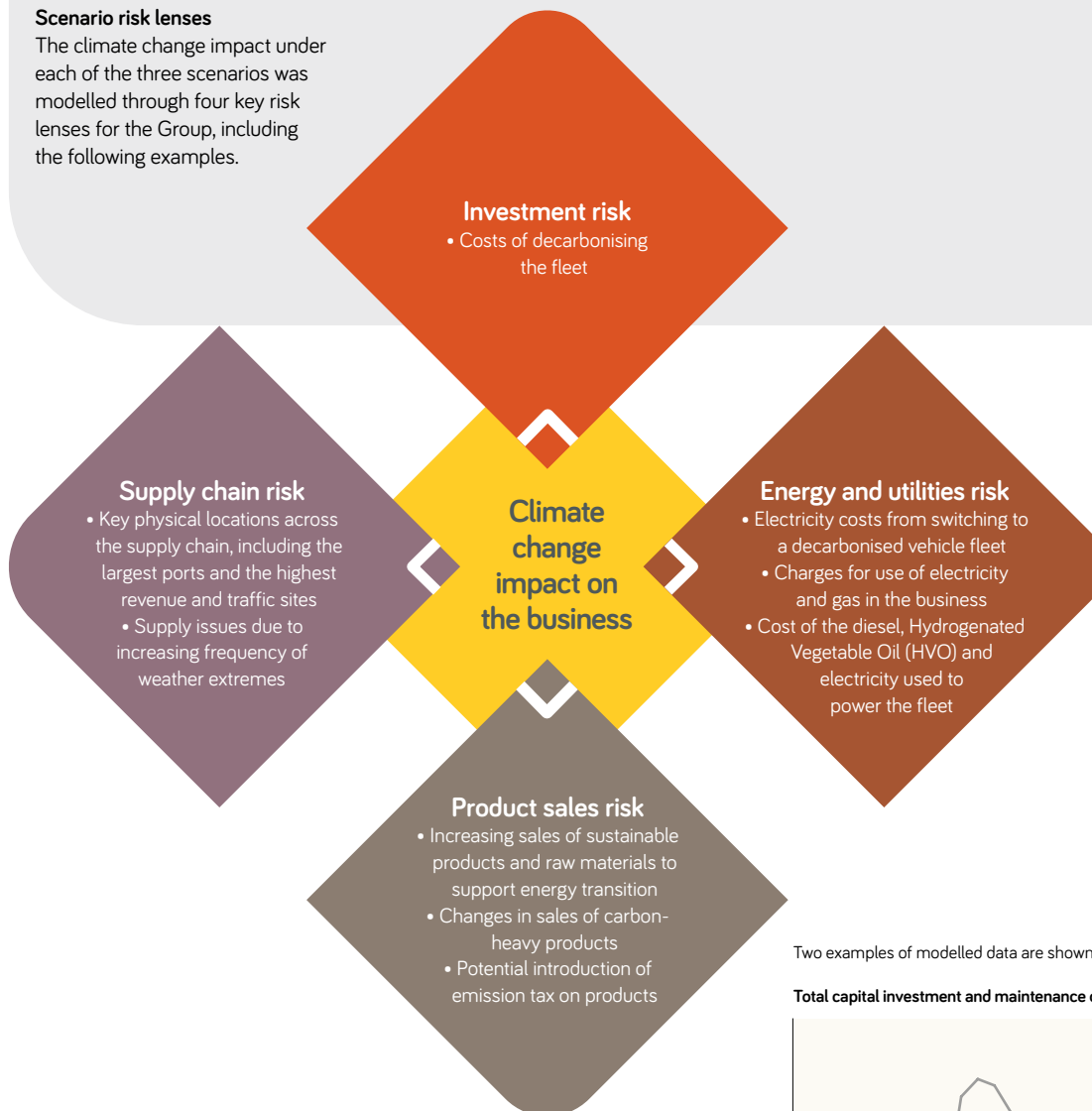
Early action	Late action	No additional action
Action taken early and effectively. Net zero CO ₂ emissions are achieved by 2050, limiting temperature rise to 1.8°C. Physical and transition risks are both low.	Action is delayed until 2031 and is more sudden and disorderly. Global warming limited to 1.8°C with sharper emissions reductions. 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 leading to +3°C of Global warming and severe physical risks. Transition risks are low.

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

continued

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.



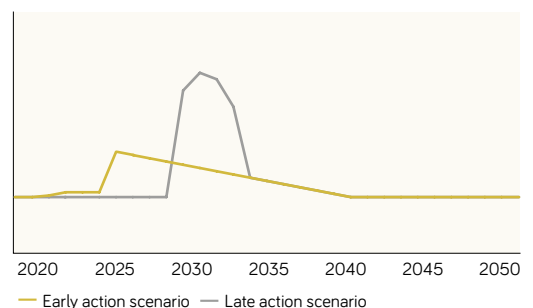
Scenario assumptions

The Group had to make assumptions to be able to model impacts under different scenarios. These included:

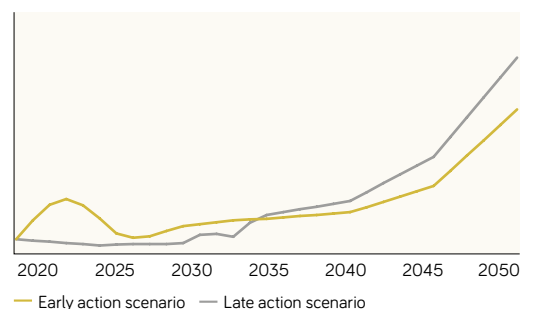
- The retention of current market share in all categories where the Group is active
- Full international implementation of country-level commitments on climate change action
- The use of a blended construction and manufacturing gross value added (“GVA”) to project revenue. This assumes the sector moves from unsustainable manufacturing processes to new, as yet unknown, processes and materials
- Price parity for non-fossil fuel delivery will not be achieved before 2040
- The expected no. of days of business interruption from physical climate change impact are modelled with the Gumbel distribution to best represent extreme events

Two examples of modelled data are shown below:

Total capital investment and maintenance cost for fleet



Energy and utilities fuel cost, including vehicle electricity





Scenario results

The Group's exposure to stress from physical climate change or transitional climate change impacts is low and can be successfully mitigated by following the adopted strategy and roadmaps outlined above. 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 early adoption pathway 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 path.

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 2021 £2m was invested in lighting improvements and is forecast to reduce the energy costs of refitted sites by up to 46%.

The scenario analysis for physical risks (flooding, tidal rises, wind and fire) identified increased risk and impact on the Group's estate and supply chain over the next 30 years compared to 2021.

However the modelled risk and impact is small enough that, even with increasing frequency and magnitude of physical events, the business interruption is forecast to remain low. This is partly due to the locations of the Group's sites, which are predominantly in less exposed areas of the UK with a small number of locations in France, Belgium and the Netherlands, and partly due to the Group's ability to adapt to new global supply routes and suppliers.

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.

Next steps

The approach to scenario analysis will evolve and be refined over forthcoming years. The next steps on carbon reduction can be seen on page 60.

Metrics

KPIs

The Group sets out performance against a number of environmental KPIs on pages 60–61, including absolute carbon reduction and performance against targets and additional detail on energy consumption. SECR-compliant disclosures on carbon and energy can be seen on pages 61 and 174–175.

During 2022 the Group will establish additional KPIs measuring its transitioning vehicle fleet and product mix. In setting and reporting on these KPIs, the Group will be led by the roadmaps to its 2035 targets and its understanding and testing of what is material to stakeholders.

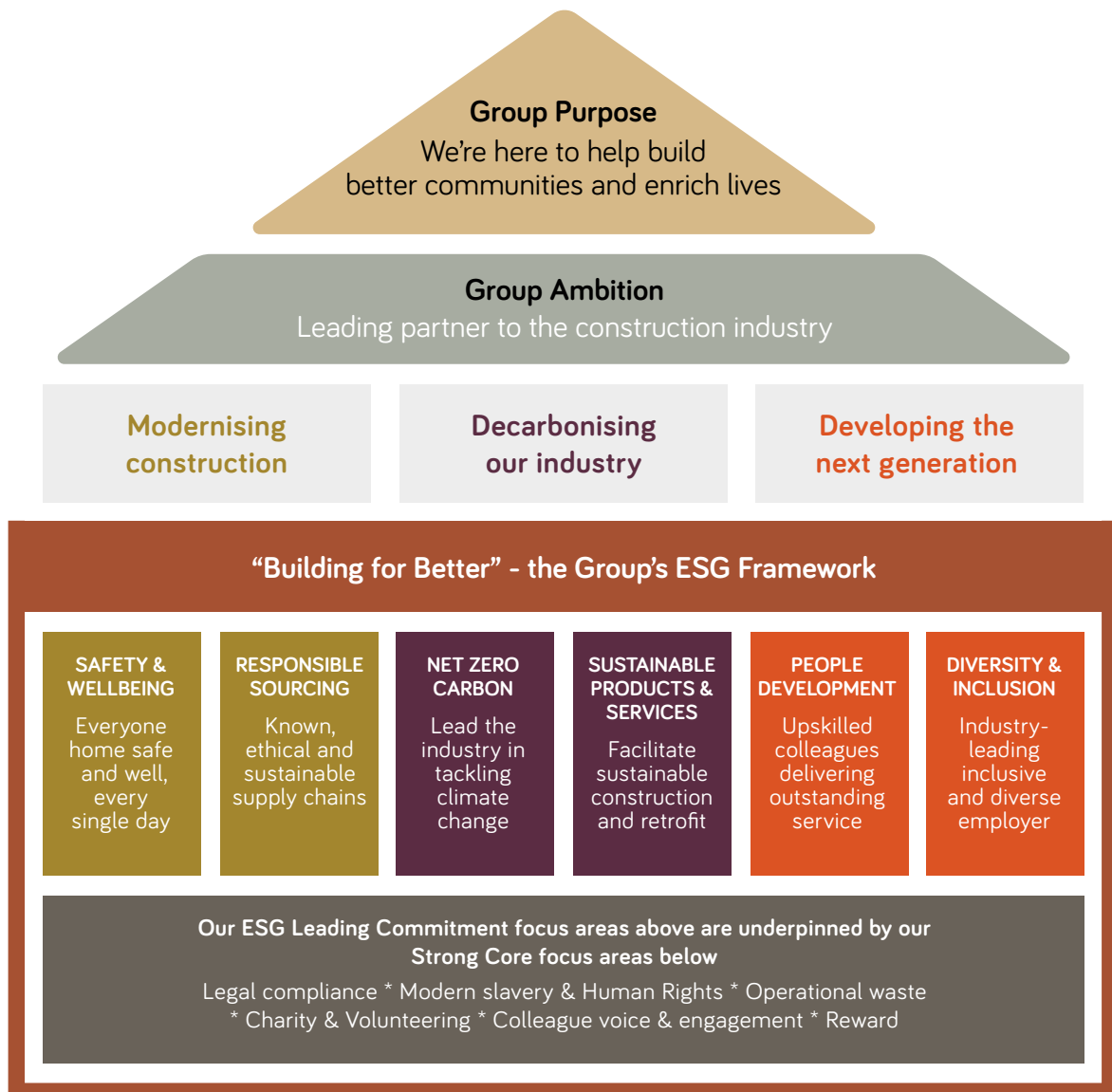
BUILDING FOR BETTER

Building better communities is at the heart of the Group's new strategy and delivery against the Group's Environmental, Social and Governance ("ESG") agenda is key to achieving the strategic goals.

The Group's market-leading businesses along with its position in the supply chain, connecting thousands of suppliers and thousands of customers, means that the Group is well positioned to influence and lead the sustainability changes the construction industry needs.

Consistent ESG focus areas, reframed to demonstrate alignment to the new Group Purpose

Within the Group's new strategy, the six ESG leading commitment focus areas have been reframed to reflect how they support the Group's strategic goals and how they are supported by the six strong core focus areas.



Taking action to lead: 2021 highlights

SBTi-approved carbon targets

1.5°C
aligned

Kickstart colleagues under-25

409

Apprenticeships delivered

902

In 2021 the Group has delivered positive change across the whole agenda, setting industry-leading standards in a number of key areas.

2021 highlights:

- A Scope 3 supply-chain carbon target was set and both the Scope 1 & 2 and new Scope 3 targets were approved by the Science-Based Target initiative ("SBTi") as being in line with a 1.5°C pathway.
- Recruited 409 under-25 colleagues via the Kickstart scheme and delivered 902 apprenticeships, of which 340 were with new starters.
- The Group's diversity networks and Advisory Board have driven significant change through the business, upgrading family policies and creating strong engagement and awareness.

Progress in all other focus areas is reported in the following pages. The Group's commitments for 2022 are shown below.

Long-term targets are in place for carbon and will be developed during 2022 for other leading commitment focus areas.

Leading commitments

2022 key commitments

Safety and wellbeing	Responsible sourcing	Carbon	Sustainable products and services	People development	Diversity and inclusion
Continue to drive a culture of "Calling It Out", taking time to "Stop, Step Back, Think. Then Act" by ensuring daily 751,606 team briefings take place at all locations	Evolve the Group's due diligence approach to bring into scope remaining product suppliers and "goods-not-for-resale" suppliers, on a risk-basis	Increase engagement with stakeholders, with particular focus on suppliers, to reduce Scope 3 carbon emissions	Develop a retrofit proposition to support social landlords with the decarbonisation of their properties	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	Create a Diversity, Inclusion and Equality policy that reflects the Group's vision "You be you, it's what makes us, us." Engage with the business to educate and to implement the policy effectively

A strong core

2022 key commitments

Legal compliance	Modern slavery and human rights	Waste	Charity and volunteering	Colleague voice and engagement	Reward
Refresh of mandatory, Group-wide baseline training covering key legal compliance areas, improving awareness of reporting channels and completeness monitoring	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	Reduce the amount of plastic waste the Group produces by engaging with suppliers and seeking alternative, sustainable packaging solutions	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	Engage all colleagues in the Group's purpose, values and strategy, with focus on what this means at a local business level	Further develop financial wellbeing support to colleagues by launching new services with the Group's partner "Wagestream"

Sustainability report continued

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, 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. A separate Stay Safe Committee of the Board oversees performance in health and safety. Objectives or 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 12 years, including a financial assessment of climate-related risks and opportunities. The Group has completed its first full disclosure against the Task Force for Climate-related Financial Disclosure ("TCFD") recommendations on pages 48-51. During 2021 the Group further enhanced its climate risk and opportunity assessment methodologies and engaged PwC to support in developing climate scenarios and assessing their relative impacts on the Group.

Alignment with the UN Sustainable Development Goals

By doing the right thing, the Group is supporting a number of the UN Sustainable Development Goals ("SDGs"). Of the 17 UN SDGs, seven align most directly with the Group's sustainability programme. In 2022 the Group's leading commitments will be explicitly aligned to the SDGs to show how they are delivering against these goals.



Defining the material focus areas

The material focus areas of the Group's sustainability programme were determined through in-depth consultation with a wide group of stakeholders, taking into account key risks and opportunities. An ESG materiality assessment was completed during 2019 and revisited in 2020, involving colleagues, the Group Leadership Team and a range of different customers, suppliers and investors. In 2021 the Group conducted a desktop materiality assessment researching the key focus areas and targets of competitors, suppliers and customers. The Group also consulted with suppliers, customers, investors and other stakeholders, as shown in the Stakeholder engagement map. As an outcome of this research, nature and biodiversity is now reflected in our Responsible Sourcing leading commitment area. The impact of new policies and regulation in the sector across construction, retrofit, carbon and packaging were also highlighted and have been taken into account within the framework and associated programmes of work. The Group will complete a full materiality assessment in 2022 to ensure that the most important topics for the business and its stakeholders are within scope. A materiality map will be published in the 2022 Annual Report.

Engaging with stakeholders

The Group actively engages with stakeholders to share progress, inform plans, listen to feedback and seek views. The key stakeholder groups, their key ESG concerns and our engagements with them in 2021 are detailed in the table below. The Group has a proactive approach to sharing key ESG progress through business and trade media publications as well as sharing updates on social media channels with the purpose of engaging multiple stakeholder audiences.

Reporting in line with SASB

The Group reports ESG data and information in line with SASB requirements. This information can be found in the table on pages 174 to 175.

Stakeholder group	Key ESG concerns	Engagements in 2021
Customers	Carbon Waste Nature and biodiversity Diversity and inclusion Skills development	Direct conversations with key customers to understand their sustainability priorities and how the Group can support. In-depth customer insight project including interviews with 49 customers and a survey to 300 homeowners on sustainability, to understand their needs and how the Group can help. RMI survey with 888 customers on sustainability in October.
Colleagues	Safety and wellbeing Diversity Development Carbon	Group-wide engagement survey issued in 2021, including detailed questions around people, safety and ESG. ESG-live week in July to raise awareness on ESG overall and the six lead commitment areas – 3,895 colleagues joined.
Suppliers	Safety and wellbeing Carbon Waste Nature and biodiversity Modern slavery	Supplier conference in October updated the Group's top 329 suppliers on the Group's strategy, people plan, safety and wellbeing, sustainability and data. Business supplier conference in TP, which covered sustainability topics, was attended by 224 suppliers.
Investors	Carbon Diversity and inclusion Responsible sourcing Executive remuneration	10 ESG-specific investor updates. Half year and full year results incorporated ESG key messages. Annual General Meeting. Capital Markets Update in October covering the new strategy, purpose, ambition and purpose goals.
Communities	Charity and volunteering Education on sustainability	Extended partnership with VIY (Volunteer It Yourself). Engagement with the Group's 11 charity partners. Partnership with Northampton University continued, including support of their COP26 week.
Government	Carbon	CEO chaired a panel discussion as part of the Construction Leadership Council's forum at COP26 and the Group participated in a follow up Ministerial briefing to input into the CLC's CO ₂ nstructZero work plan for 2022. Participated in an industry group exercise with the Council for Sustainable Business to develop a briefing paper on the systemic barriers and recommended government support to achieve net zero carbon.
Trade bodies	Carbon	Travis Perkins Group COO, Frank Elkins, joined the Board of the Builders Merchant Federation. Nick Roberts, Chief Executive, Frank Elkins, COO, Megan Adlen, Group Sustainability Director, and James Vance, Group Head of Environment, presented at three Builders Merchant Federation events on sustainability, to support industry-wide improvements. The Group signed up to CO ₂ nstructZero, the Construction Leadership Council's framework for Net Zero in the construction industry, as a Business Champion, submitting information into the consultation to define performance metrics for the framework. Richard Byrne, Group HSE & Fleet Director, joined Logistics UK's Strategic Council exploring how industry and Government needs to react to the driver shortage crisis as well as to inform on fleet decarbonisation.
NGOs	Peat Reforestation	The Group responded to WWF's request for information around the limited use of peat in its product range and eliminated peat completely from central sourcing in 2021. The Woodland Trust engaged with the Group on reforestation opportunities. The options are under consideration.
Professional bodies	ESG overall Environment Health and safety	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 supported the Institute of Corporate Responsibility and Sustainability ("ICRS") Northampton Hub, joining a "Build back better" forum in June alongside other large businesses from Northamptonshire to share best practices. In June, Richard Byrne, Group HSE and Fleet Director, joined a number of other prominent Health and Safety Leaders from Siemens Mobility and Heathrow Airport for a panel discussion discussing the impact of Covid-19 within their organisations, along with their predictions for the next 12 months. In October, Richard also took part in NEBOSH's Conference on Resilience in Health and Safety. He was a member of a panel of senior health and safety figures from a cross section of British industry exploring the role of risk management in supporting businesses to improve colleague safety and wellbeing both during the current pandemic and beyond.

Safety and wellbeing

2021 objectives

The Group committed to:

- Robustly manage the changing risks arising from Covid-19
- Drive a culture of “Calling It Out” across all parts of the business
- Expand the Group’s network of mental-health first aiders and implement business-led wellbeing plans

How does this support the Group purpose?

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. Without our colleagues, we don’t have a business.

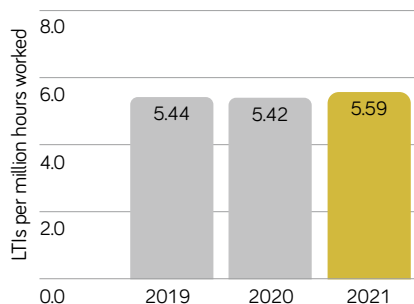
2021 progress

The Group’s safety performance continued to be adversely affected by the ongoing impact of COVID-19, through the anxiety and colleague shortages created by self-isolation requirements. These were compounded by product supplier issues and continued customer demand. The business evolved its operating model in response:

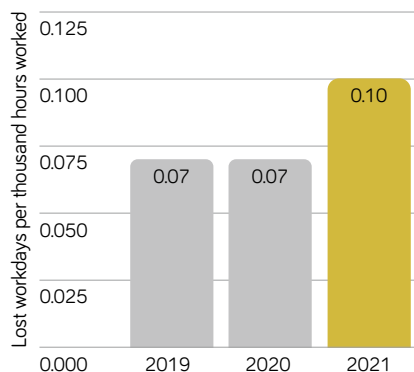
- Reducing the number of initiatives that branches had to implement during the summer, acknowledging the obvious holiday pressure point and allowing them to focus their resources on servicing customers safely.
- Easing social distancing restrictions in accordance with Government advice and introducing hybrid working.

On a like-for-like basis the Lost Time Incident (LTI) Frequency Rate was 5.59 LTIs per million hours worked (2020: 5.42; 2019: 5.44) and the Severity Rate 0.10 lost work days per thousand hours worked (2020: 0.07; 2019: 0.07).

Lost time incident frequency rate



Severity rate



Considering the Group’s safety culture more broadly, the picture is more positive:

- Results from the Group’s colleague engagement survey (Your Voice, Our Future) showed a high number of colleagues recognise that everyone has responsibility for safety (2021: 92%).
- The overall score for 2nd line of defence safety assurance reviews improved (Group average 2021: 6.7; 2019: 6.2) - noting the programme was changed for 2020 due to the Pandemic.
- Feedback from colleagues shows that they are engaged with “Calling It Out” if something does not look safe.

2021 Improvement Activities

Each business continued to implement their Safety and Wellbeing Improvement Plans which recognise their specific risk profiles as well as their own unique challenges and opportunities. Across the Group improvement programmes included:

- Launching “Colleague Safety Voice” which provides feedback to the Group Leadership Team and the Board’s Stay Safe Committee on where the Group’s safety culture is against the output measures in the Group’s safety and wellbeing strategy.
- Introduced 189 mental-health first-aiders across the Group and provided a way for colleagues in crisis to reach out to them for immediate support. The Group continued to promote wellness via Mental Health Awareness Week and a Wellbeing Month covering the topics of Financial Health, Mental Fitness and the various support programmes in place for colleagues.
- Revised two of the Group’s property safety policies, “Control of contractors” and “How we refurbish or build new sites safely”, introducing new procedures which create a step change for how safety in contracted works is managed in the business and the wider industry sector.
- Continued the focus in Travis Perkins on load security and safety at the delivery point, as well introducing an improvement programme across the Group to reduce risks from interactions between pedestrians and forklift trucks.
- Undertook “deep dives” into forklift truck activities and lone working.

LTI frequency rate (per million hours worked)

5.59

Case study:

Getting people talking about mental health

The Group provided two Branch Managers the opportunity to undertake a secondment to be “Stay Well Ambassadors”. Operating across the Group their role was to find out what colleagues really want from the Group to help improve their wellbeing as well as be influencers to raise awareness of mental health issues in the colleague base.

Travis Perkins Regional Director Rob Kuzemko invited one of the Ambassadors, Natalie Ashcroft, to attend his team meeting, explaining: “This was the first meeting that we have had face-to-face and many of the Branch Managers had never even met each other before. Following Nat’s intro I couldn’t quite believe the way in which all of the Branch Managers then went on to tell their own stories... It was absolutely unbelievable and extremely humbling to just sit back and listen to what they had to say... and I have no doubt that without Nat’s valuable contribution we wouldn’t have been privileged to be part of something that will remain with me for a very long time.”

What’s next?

Continue to drive a culture of “Calling It Out”, taking time to “Stop, Step Back, Think. Then Act” by ensuring daily team briefing take place at all locations.

Severity rate (per thousand hours worked)

0.10

Case study:

Stand Downs prove how serious we are about safety

Introduced last year, each of the businesses have continued to use Stand Downs proactively to help “reset the business” or promote a specific safety message. Their importance was recognised in the Group’s Colleague Safety Voice work as Emily Egleton HSE & Fleet Communications Lead explains: “Whilst colleagues said the content of Stand Downs was important, they often valued the fact the business gave them “time out” to come together as a team to openly discuss areas for safety improvement and how they would tackle them collectively.”



This year has been particularly challenging for the businesses from a safety perspective as they continue to feel the effects of the Covid-19 pandemic. That said, I am impressed with the way they have navigated their way through this and continue to deliver good cultural improvements for both colleague safety and wellbeing.”

Jora Gill

Chair, Stay Safe Committee
NED

Responsible sourcing

2021 objectives

The Group committed to:

- Reduce risk in the supply chain and protect supply chain workers through the improved supplier assessment and site auditing approach
- Launch a new online risk assessment specifically for “goods-not-for-resale” suppliers
- Work with manufacturing sites and branded suppliers to meet the regulation changes triggered by Brexit

How does this support the Group purpose?

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. Improved data and traceability of products will bring more accountability and effective decision-making to the construction sector.

2021 progress

During the year 667 centrally managed suppliers submitted online risk assessments and 101 factory audits were completed. Corrective action plans are being used to resolve all identified issues.

A due diligence approach for locally sourced suppliers is under development and will be launched in 2022. The new online risk assessment for “goods-not-for-resale” and service providers will be launched in 2022 and supplements the existing higher-risk assessments for labour agencies, freight companies and facilities management contractors. The new tool will help reduce risk in the supply chain by increasing the number of suppliers covered by the assessments and making them more consistent.

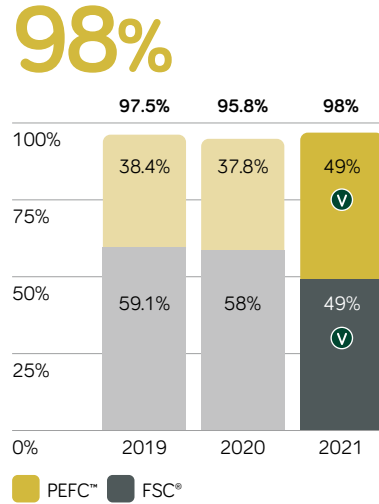
All businesses in the Group worked internally and with key suppliers to ensure full compliance with the technical and regulatory requirement implications of Brexit. For example, the transition from EU Timber Regulations to UK Timber Regulations has meant that more supply chains are in scope for a full supply chain assessment by the Group’s timber legality assessment partner.

A “Restricted Sales” strategic workstream focused on compliance with age-restricted sales regulations for knives, poisons and explosive precursors and has strengthened controls over these products, introducing product flags, till prompts, awareness posters and delivery checks. Specific requirements are made of suppliers to ensure chemical hazards are managed within the supply chain and are included in the Group’s Supplier Commitments.

What’s next?

Evolve the Group’s due diligence approach to bring into scope remaining product suppliers and “goods-not-for-resale” suppliers, on a risk-basis.

FSC® or PEFC™ certified timber purchased in 2021



Case study:

Trialling solutions for product traceability

A strategic workstream on “Product Provenance” launched in 2020 and continued to evolve in 2021. The focus is understanding how the Group improves the “golden thread” of data, all the way from raw material extraction, through manufacturing, via the Group’s own operations and into customer projects; facilitating asset mapping and predictive maintenance. A pilot project was undertaken to trace a fire door through the supply chain and the results are informing future plans for traceability. With increasing customer needs around product data, Building Information Modelling (“BIM”) objects, asset management and supply chain transparency, the Group’s value-add service proposals will help to change data flows in construction.

Case study:

Advocating for change in the industry

Colleagues across the Group met with 329 suppliers at the Group Supplier Conference in October and shared the new Group strategy and people, safety and sustainability plans. One commitment for next year is to launch Supplier Forums for best practice sharing and upskilling across the industry on a broad range of sustainability topics.



The mark of responsible forestry



PEFC/16-37-008

“V” indicates that the data point has been assured. Please see page 67 for more information.

Sustainable products and services

2021 objectives

The Group committed to:

- Develop a suite of ESG value-add services for customers, supporting their needs and helping them to win through sustainability
- Establish supplier and customer forums to share best practices and collaborate on solutions to the Industry's shared challenges
- Develop a sustainability support package for Managed Services customers

How does this support the Group purpose?

To help to change construction and to decarbonise the construction industry, the Group needs to provide the right products, data and services to customers. Innovation is essential. Enabling sustainable construction and retrofit will support the living standards and comfort of all.

2021 progress

We conducted a customer insight exercise early in 2021 across all customer segments in order to inform which value-add services each segment may need to help them to win through sustainability. The findings showed that all customers need support on sustainable operations and sustainable construction, but in different ways. Our large customers are leading the charge and want new sustainability information on products, new innovative solutions and value-add services. Our smaller customers want support to understand and adapt to the changes ahead. This research has underpinned our priorities in this space, all of which are now underway:

1. Helping customers to identify and select more sustainable products in our ranges and reduce the environmental and social impacts of products and packaging.
 - We have developed a new information request to suppliers around product sustainability, for example embodied carbon and percentage recycled content.
2. Helping colleagues and customers to understand changing regulation and key sustainability focus areas.
 - We have begun training sessions for key internal teams and are developing broader plans to enhance our training solutions in 2022.
3. Helping customers to adapt to new products or construction methods or enhance their sustainability performance through value-add services.
 - We have launched the first of our value-add services to aid sustainable construction and retrofit; Design to use (see page 27).

What's next?

Develop a retrofit proposition to support social landlords with the decarbonisation of their properties.



We engaged with two initial customer forums to collaborate on sustainability solutions; the existing regional builder forum and a new sub-contractor forum. Both forums have informed our thinking and plans in this space.

A suite of ESG case studies have been shared at <https://www.travisperkinsplc.co.uk> to share best practices, as well as a stand alone sustainability report. These have proven to be particularly useful for our Managed Services business in the tender process for public sector contracts.

We calculated the percentage of our revenues which are from products with an environmental certification. To begin with this only includes our FSC® and PEFC™ certified timber and we will expand the scope of products included in this metric during 2022.

Case study:

Readying the business for change

Businesses across the Group are readying themselves to provide the new products, data and value-add services that are needed to support customers on their sustainability journey. This includes a team within the BSS business to deliver new Design-to-use services and new Retrofit experts within the Travis Perkins Managed Services team. The commercial teams are also upskilling to adopt new product categories, encourage innovation and to better profile products and help customers to identify the more sustainable products within each range. A Steering Committee was set up for Sustainable Products and Services including the Group COO, business MDs and other key stakeholders across our Group to assess the changing market and customer needs, navigate new regulation and policies and support the businesses to evolve, aligning the businesses on resources and projects where it makes sense to do so.

For further data please refer to the ESG data table on pages 174 to 175.

Carbon

2021 objectives

The Group committed to:

- **Begin implementation of its Net Zero Carbon plan, including:**
 - Trials of alternative fuels in vehicles
 - Continued LED replacement programme
 - Branch incentive programme
- **Full recalculation of Scope 3 footprint and setting of targets**
- **Formal accreditation of all carbon targets (Scopes 1, 2 and 3) using science-based methodologies**
- **Development of case studies to showcase to stakeholders**
- **Promotion of low carbon sustainable products**

How does this support the Group purpose?

One of the Group's purpose goals is to "Decarbonise the Industry". The Group's carbon agenda is focused on exactly that: decarbonising not only the Group's own operations but also supporting suppliers and enabling customers to decarbonise their businesses and the built environment.

2021 progress

The Group made progress on carbon reduction during 2021. Scope 1 and 2 carbon reduced in absolute terms by 1.7% from the 2020 baseline. Scope 3 carbon increased by 4% in that time-frame but importantly reduced by 14% per £m revenue, showing the first signs of decoupling Scope 3 carbon from revenue growth.

The specialist consultancy, South Pole, was commissioned to conduct a Scope 3 carbon assessment. The assessment revealed that supply chain emissions account for 99% of the Group's total carbon footprint. The target to reduce Scope 3 emissions by 63% by 2035 was approved by the Board in summer 2021.

In November 2021, the Science-Based Target initiative (SBTi) confirmed that the Group's targets would keep global warming in line with a 1.5 degree pathway. Achieving this endorsement provides credibility and confidence to stakeholders that the Group is serious about reducing its carbon footprint and taking a leading position in the sector.

Operational carbon (Scope 1 and 2 emissions) was reduced:

Estate: The electricity supply for all UK sites was switched to a 100% renewable electricity tariff. The LED roll-out programme continued, with the 13,500 LED lights installed helping each branch reduce average electricity consumption by 46% and achieve a 2-year payback period.

Case study:

Realising the branch of the future

As part of the Group's Net Zero Carbon plans, a "branch of the future" specification has been developed and implementation has begun on the Group's existing sites such as Travis Perkins, Martlesham Heath. Opened in April 2021, the branch has an 11kW photovoltaic solar panel system providing electricity, air source heat pumps for heating, an LED lighting system, electric forklift trucks and an EV charging point for colleague cars. It's being referenced as the benchmark for all future sites.

“(V)” indicates that the data point has been assured. Please see page 67 for more information.

The Group installed air source heat pumps, EV charging points and PV solar panels at key locations such as Travis Perkins Martlesham Heath.

Fleet: The CCF Harmondsworth branch launched the UK's first, fully electric curtainside 27 tonne HGV. With a range of 120 miles, it provides customers with a zero-carbon delivery service. In October 2021 the Group started a trial of hydro-treated vegetable oil ("HVO"); a low carbon alternative to diesel which can be used in existing vehicles without any engine adaptations. Produced from waste oils (not virgin crops), the fuel can reduce carbon emissions by up to 90% and, if successful, this trial will be expanded across the Group's entire vehicle fleet as an interim solution whilst electric and hydrogen options become more viable.

To ensure colleagues are fully engaged in the carbon reduction plans and know how they can contribute, a "Carbon" training module was launched, enabling everyone to learn about carbon management, its impact on the environment and how the Group is reducing emissions.

A suite of sustainability case studies were developed to share with customers.

A tool for profiling sustainable products was developed in 2021 ready for launch in 2022. To read more see page 59.

Case study:

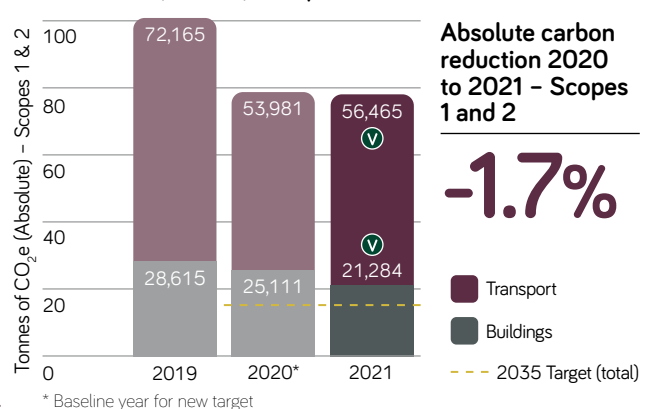
UK's first 27 tonne electric HGV added to our fleet

CCF, has worked in collaboration with Electra, to launch the UK's first 27 tonne curtainside Battery Electric Vehicle ("BEV"), with 287kWh traction batteries. The new vehicle represents CCF's commitment to drive innovation across its customer operations in support of a low-carbon future.

The brand-new 27 tonne BEV, which is the first of its size and type in the UK, is the product of three years of development driven forward by CCF. The BEV has been manufactured and supplied through Electra, in order to complete zero emission customer deliveries, from CCF's Harmondsworth branch, across West and Central London.

With a charge time of up to seven hours, the BEV has the capacity to cover up to 120 miles on a full charge. The CCF vehicle has been fitted with a sensor system to alert the driver to the presence of vulnerable road users, an audible vehicle manoeuvring alarm, and a five-way camera monitoring system. Onboard weighing scales, telematics and vehicle tracking will also be used to monitor the BEV's energy use in real time.

Tonnes of CO₂e (Absolute) – Scopes 1 & 2



Absolute carbon reduction 2020 to 2021 – Scopes 1 and 2

-1.7%

■ Transport
■ Buildings

--- 2035 Target (total)

Scope 3 absolute emissions (from 2020)

+4%

The increase in Scope 3 carbon in 2021 shows the scale of the challenge we face, but it's one we're absolutely committed to."

Megan Adlen

Group Sustainability Director

Scope 3 relative to £m revenue (from 2020)

-14%

What's next?

Increase engagement with stakeholders, with particular focus on suppliers, to reduce Scope 3 carbon emissions.

		2021			2020			Variance
		UK	Non-UK	Total	UK	Non-UK	Total	%
Energy kWh								
kWh energy	Ongoing business	358,494,358	6,332,618	364,826,976	334,383,277	5,332,957	339,716,234	7.39%
Annual energy use relating to gas, purchased electricity and transport fuel	Including sold and demerged businesses	448,032,536	6,332,618	454,365,154	530,860,542	5,332,957	536,193,499	-15.26%
Carbon Dioxide Equivalent (CO₂e) Tonnes								
Scope 1	Ongoing business	63,285	814	64,099	60,656	641	61,297	4.57%
Direct emissions from burning gas and solid fuel for heating and from road fuel use for distribution ²	Including sold and demerged businesses	77,531	814	78,345	88,372	641	89,013	-11.98%
Scope 2	Ongoing business	13,121	530	13,651	17,333	461	17,794	-23.28%
Indirect emissions from our use of electricity	Including sold and demerged businesses	17,865	530	18,395	32,380	461	32,841	-43.99%
Scope 1 & 2 Absolute	Ongoing business	76,406	1,344	77,750	77,989	1,102	79,091	-1.70%
	Including sold and demerged businesses	95,396	1,344	96,740	120,752	1,101	121,853	-20.61%
Scope 1 & 2 Intensity³	Ongoing business	16.9	0.3	17.2	20.9	0.3	21.2	-18.87%
Emissions from Scope 1 and 2 sources per £m of inflation adjusted sales	Including sold and demerged businesses	21.2	0.3	21.5	21.52	0.2	21.72	-1.01%
Scope 3 Absolute	Ongoing business		14,772,991			14,205,277		4.00%
Indirect emissions from the supply chain. Including all Scope 3 categories			14,772,991			14,205,277		4.00%
Scope 3 Intensity³	Ongoing business		3,284			3,814		-13.90%
Emissions from Scope 3 sources per £m of inflation adjusted sales			3,284			3,814		-13.90%

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 table¹

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 UK Government Conversion Factors for Company Reporting 2021 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 67.

1. The kWh and Scope 1&2 numbers reported include data for companies where Travis Perkins plc has operational control.
2. Fugitive emissions from domestic refrigeration, vehicles and building air conditioning are excluded as 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 2021 Office of National Statistics inflation data.

Development

2021 objectives

(i) Apprenticeships

The Group committed to:

- **Grow its apprenticeship offering in 2021, adding an additional six new programmes to ensure that there are appropriate programmes for all colleagues**
- **Recruit 500 new apprentices in 2021 and develop 500 existing colleagues to enable them to progress to a new role through the “Branch Counter to Boardroom” career pathways**

(ii) Management and leadership development

The Group committed to:

- **Focus on its leadership culture, with coaching for senior leaders so they can have better performance conversations and enable their managers to do the same**
- **Support managers in recruiting people from different backgrounds and increase the diversity of thought in the Group’s workforce**

(iii) Talent and succession

The Group committed to:

- **Invest in developing talent across the Group by setting out clearer paths to senior leadership roles**
- **Use the Group’s apprenticeship programmes to ensure all colleagues can access outstanding career development support**
- **Focus on encouraging, coaching and supporting our most talented individuals to drive their own career development**

Case study:

Industry leading training and development opportunities

Jordan started his career at CCF by completing an Apprenticeship, and he’s now a successful Branch Manager in Scunthorpe: “I have only been in the industry for just over 5 years, but CCF has made my rapid progression possible. They have, and continue to, provide industry leading training and development opportunities for each and every step of my journey.

I joined CCF on their 2-year apprentice program and as an apprentice I attended numerous training courses and took every opportunity to network with colleagues and suppliers. The apprenticeship was a fantastic gateway into the industry, and I would recommend it to anyone seeking a progressive career.”
Jordan Berry – Branch Manager, CCF Scunthorpe.

How does this support the Group purpose?

To build 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. Delegates give us feedback about how these programmes enrich their lives.

New colleagues are being introduced to the merchanting sector and often bring enhanced digital capability. The Group is helping colleagues develop their digital skills and 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.

Case study:

Kickstarting careers with Travis Perkins

Christie joined Travis Perkins via the Kickstart scheme in May 2021. Her willingness to learn and apply herself within her job role quickly got her recognised by the branch team and she secured a permanent role on an Apprenticeship in August, just 3 months after the start of her programme. Christie will now complete the Certificate in Merchanting, a Level 2 Trade Supplier Apprenticeship which will arm her with the skills, knowledge and behaviours to continue to grow a valuable career with the business.

“Without the kickstart scheme I would have never even thought about a job in the construction industry, but I am glad that I was given the opportunity and am now in a job that I enjoy and look forward to every day.”

Christie Rose – Branch Apprentice, Travis Perkins Grantown on Spey.

What’s next?

Deliver a broad Group-wide development curriculum, offering career development opportunities to all colleagues that enable the development of the next-generation workforce and help to change construction.

2021 progress

Apprenticeships

The Group expanded its apprenticeship offering by launching six new programmes that support operations and data capability:

- Work Winning Sales
- BSS Hire It
- BMX Certificate in Customer Service
- Business Admin
- Data Literacy
- Data Apprenticeship

Progress was made against apprenticeship targets:

- 902 apprentices started in 2021: 562 existing colleagues and 340 external recruits
- 200 have already graduated from the programme, 95% of whom achieved a distinction or merit
- 409 under-25s were recruited on the Kickstart programme, with 144 already having secured permanent employment with the Group and 67 enrolled onto an apprenticeship
- The Group started working with Eastleigh college to deliver 300 traineeships as a pre-employment programme
- The Group supported the relaunch of the Institute of Builders Merchant by signing up 700 apprentices to student membership

Supporting industry-wide improvement:

The Builders Merchant Federation appointed LEAP, the Group's Early Careers and Apprenticeship provider, allowing a far broader scope of access to apprenticeships across the industry.

Apprenticeships are reducing labour turnover:

Labour turnover - All ages

29% All colleagues **22%** Apprentices

Labour turnover - 18-24 year olds

56% All colleagues **28%** Apprentices

Management and leadership development

Enrolled 240 managers onto L3-L5 management apprenticeship programmes and 12 senior managers onto degree-level apprenticeships in leadership.

Launched a recruitment campaign offering more flexible contracts, including part-time, flex up choose your hours. 60% of hires were from outside of the industry which supported the Group to bring more diversity into the organisation.

Colleagues enrolled onto apprenticeship programmes

783

Graduates passing with "distinction" in 2020

93%

Talent and succession

Supporting colleague's desire to develop, the apprenticeship self-nomination process allows all colleagues to sign themselves up to a programme. The "Branch Counter to Boardroom" apprenticeship brand shows colleagues how it can progress their career and 30% are promoted following an apprenticeship.

For further data please refer to the ESG data table on pages 174 to 175.

Diversity and inclusion

2021 objectives

The Group committed to:

- Establish a diversity and inclusion advisory board that includes all the Group's networks, with each area sponsored by a GLT member. The advisory board will work with the GLT to set targets and contribute to the GLT's agenda
- Create a diversity and inclusion action plan in each business

How does this support the Group purpose?

To enrich colleagues' lives, to create a sense of belonging and to build better communities it's essential the Group attracts and retains a diverse pipeline of colleagues; supports and enables a high-performance culture; develops inclusive leaders; and positively impacts a generation of young people.

2021 progress

The Group launched a revised and industry leading Family Friendly policy which was designed by Travis Perkins' colleagues.

TP Inc, the Group's Gender Balance employee-led network, was fully established and further networks were created: Pride (LGBTQ+), ACE (Awareness of Cultures & Ethnicities), Ability and Youth. Each of the networks has a GLT sponsor and these sponsors meet regularly to review activity and share best practice. The networks used a number of events such as Women in Construction week, Pride month and Black History month for significant engagement and awareness building activities across the Group. Additionally, a Diversity and Inclusion Advisory Board was confirmed with representatives from all networks and businesses to support D&I action planning and to provide advice to the GLT.

The broad range of apprenticeships offered by the Group have proven successful in attracting more diverse candidates to the organisation. This includes the BSS Fast Track Management apprenticeship scheme which is one of the schemes helping to ensure that we increase diversity in senior roles.

Different methods and providers of inclusive leadership training were trialled during the year, including TLC Lions and The Human Library, to inform Group wide learning and capability interventions planned for 2022/23.

What's next?

Create a Diversity, Inclusion and Equality policy that reflects the Group's vision "You be you, it's what makes us, us".

Engage with the Group's business to educate and to implement the policy effectively.



Adriane Kisamba, BSS

BSS Fast Track Management apprenticeship scheme

1st cohort

90% female

2nd cohort

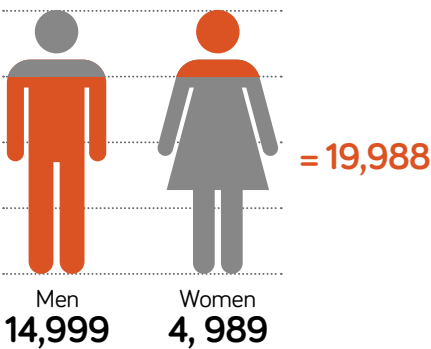
46% BAME

30% female

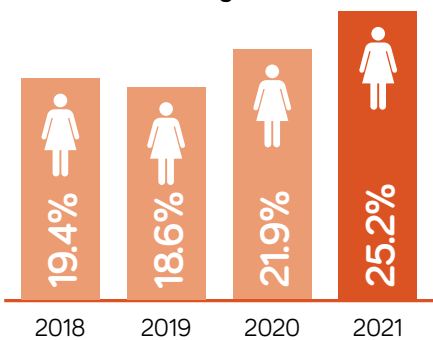


Gender diversity	Female	%	Male	%	Total	%
Director	3	38%	5	62%	8	100%
Manager	66	25%	200	75%	266	100%
Colleague	4,920	25%	14,794	75%	19,714	100%
Total	4,989	25%	14,999	75%	19,988	100%
	Female	%	Male	%	Total	%
Central Services	423	48%	456	52%	879	100%
Toolstation	2,486	38%	4,008	62%	6,494	100%
Merchandising	2,080	16%	10,535	84%	12,615	100%
Total	4,989	25%	14,999	75%	19,988	100%

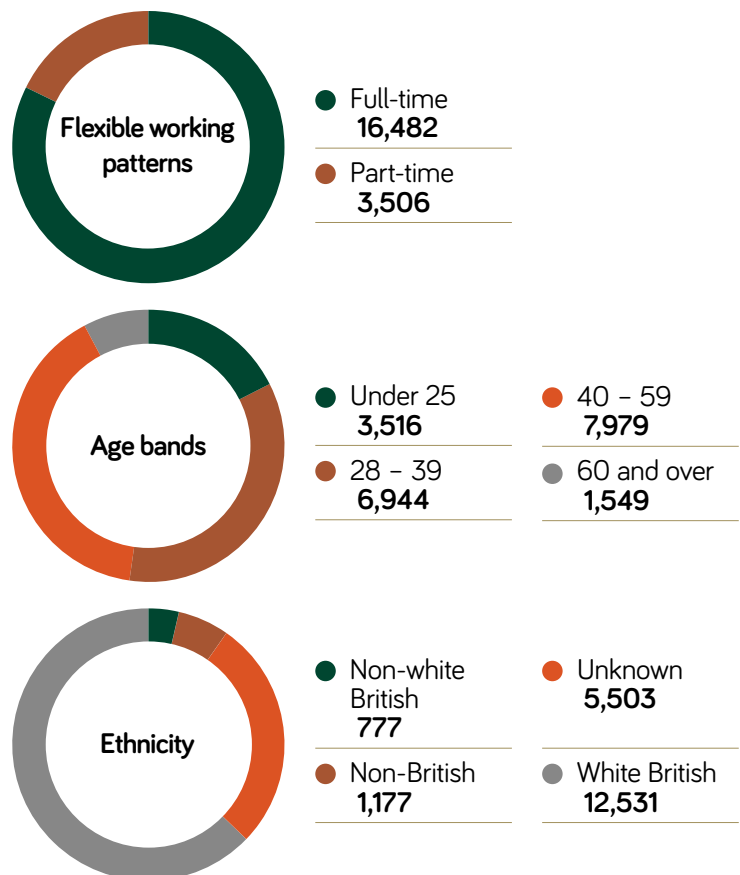
Group head count



Women in senior management*



* Senior management is defined as Directors and managers per the statutory reporting of gender diversity



For further data please refer to the ESG data table on pages 174 to 175.

Modern slavery and human rights

2021 objectives

The Group committed to:

- Continue to roll out due diligence controls for suppliers identified as more exposed to the risk of slavery and improve the understanding of slavery risks across the supplier base
- Monitor completion of modern slavery training modules
- Promote the “Speak Up” line to help colleagues raise concerns about modern slavery and share this line with suppliers so that workers in our supply chain can raise concerns

How does this support the Group purpose?

The construction industry is one of the most exposed industries to modern slavery. The Group’s work in this space will help to change construction and ensure the fair treatment and protection of rights of all workers.

2021 progress

The Group’s policies and procedures to tackle modern slavery are described in the Modern Slavery Statement <https://www.travisperkinsplc.co.uk>. It describes how the Group assesses risk and carries out due diligence, along with policies on employee recruitment and human rights.

To manage upstream risk, the Group continued to roll out its supplier assessments during 2021 (see page 58). To manage in-house risk, the Group established a new project looking to extend the work already completed on higher-risk, high-volume agencies of manual labour. The project team is reviewing the tail of labour agencies used for both head office and branches and in 2022 will work to establish controls to reduce risk in this area.

The Group continued to roll out training for key colleagues and for the general workforce. The new training module for modern slavery which launched in 2020 has now been delivered to 267 colleagues, representing 92% of the total population of higher-risk colleagues. Training was delivered via video conference either by the Group Sustainability Director or by the Responsible Sourcing Lead or HR Lead for each business. Remaining higher-risk colleagues will be trained during the first half of 2022.

For the general workforce, refresher messaging was sent to UK colleagues in all merchant businesses to remind them of the red flags to look out for and how to escalate concerns. Toolstation UK issued the Code of Conduct to all colleagues, including a page on Modern Slavery with a list of the red flags to look out for.

The Group’s Speak Up line was relaunched to colleagues in Q1 via the Group’s internal newsletter, The Measure, and it features in the Code of Conduct. In addition, support was leveraged from HR business partners to ensure colleagues have access to the line and know when to use it. The Speak Up details were also shared with suppliers at the Group’s Supplier Conference in October and have been shared on the plc website so that our suppliers and other external stakeholders can flag concerns to us. The importance of tackling modern slavery together was highlighted at the Group’s Supplier Conference, directing suppliers to the Stronger Together website resources.

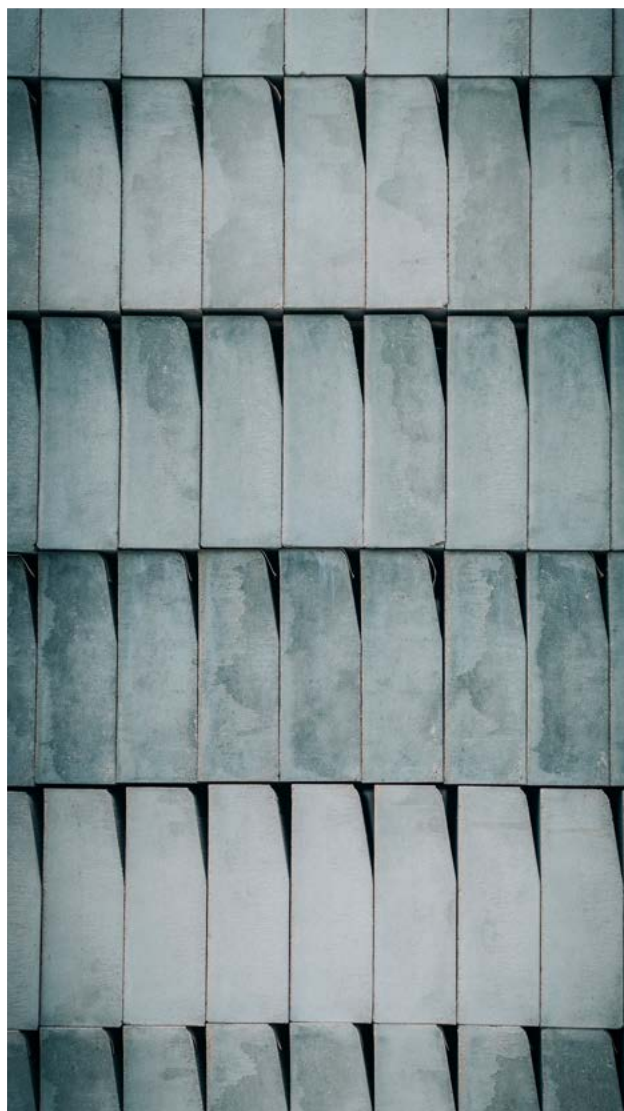
Case study:

Readiness to respond

The Group engaged with the Slave-Free Alliance (SFA) in 2021 to kick-off a project supporting key internal stakeholders to understand how to respond if any slavery issues are identified in the Group’s own businesses or its supply chain. It is critical to take a victim-first approach, ensuring the safety and wellbeing of all workers. The SFA ran a six stage process with a number of key stakeholders, supported the enhancement of the existing Issue Response plan and gave the team increased confidence in the Group’s ability to respond in the right way if a red flag is raised. This aligns with the Group’s values in putting people first and protecting the wellbeing of all workers.

What’s next?

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.



Waste

2021 objectives

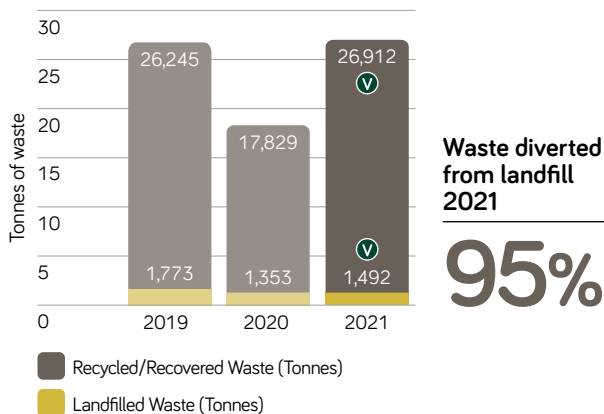
The Group committed to:

- Launch a “Waste & Circular Economy” action plan
- Work closely with suppliers to embed circular economy concepts into their products and explore reuse opportunities from surplus building products with reuse organisations.
- Work with suppliers to include at least 30% recycled content in packaging
- Continue to work towards diverting 100% of waste from landfill
- Expand the Group’s backhaul recycling operation to enable “WEEE” recycling from branches and trial customer take-backs for bulk bags and other products

How does this support the Group purpose?

The construction sector accounts for approximately 120 million tonnes of waste in the UK. The Group has a significant role to play in removing waste from construction by offering reusable, repairable products and sustainable packaging.

Total tonnes of waste



2021 progress

The Group continued its engagement with suppliers to review product packaging to reduce unnecessary packaging and single use plastic. This forms a crucial part of the Group’s waste strategy to ensure the target to eliminate single use plastic by 2025 is met and to prepare the Group for new EPR legislation. In addition, we communicated with our suppliers on the Plastic Tax which comes into force in April 2022, requesting that if plastic is supplied it must contain a minimum of 30% recycled content.

The Group continued to operate its waste backhaul service for materials such as cardboard, plastic wrap, paper and wood, processing over 3,000 tonnes of material for onward recycling.

Discussions are underway with The Pallet Loop who are targeting a circular model for pallets in the industry to avoid waste. A working group has been established with other stakeholders in the sector to review the practicalities and discuss implementation.

The Group worked with Biffa to continue to increase the volume of waste diverted from landfill. The average diversion is now 95%.

The Waste Management Guide was relaunched to all branches, highlighting the best ways to reduce and manage waste on site. The number of sites that offer waste solutions for our customers also increased.

What’s next?

Reduce the amount of plastic waste the Group produces by engaging with suppliers and seeking alternative, sustainable packaging solutions.

For further data please refer to the ESG data table on pages 174-175.

Environment incidents V

In 2021 the Group recorded 28 environmental incidents with 11 classed as “reportable” and 17 “non-reportable”. Of the 11 reportable incidents, 10 were spillages of either paint, diesel or hydraulic oil and one incident related to a third-party issue regarding a blocked drain outside the Group’s site boundary.

Assurance V

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 <https://www.travisperkinsplc.co.uk>.

Sustainability report continued

Charities and volunteering

2021 objectives

The Group committed to:

- Complete and implement a new framework for community and charitable engagement work that will include more cross-brand and multi-discipline projects
- Expand its support for Volunteer-It-Yourself (“VIY”). Nearly 20 branches have pledged support for some of the 150 VIY projects that are in the pipeline for next year

How does this support the Group purpose?

With a business based on strong relationships, 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.

2021 progress

Charity and community is about supporting others and making positive change happen, both locally and nationally.

Following extensive consultation with over 2,000 colleagues, through a survey, focus groups and interviews, the Group developed an action plan to branch out from fundraising, and make sure the Group’s charity partnerships have a clear purpose and create value all around.

The Group maintained its fundraising initiatives with a number of cancer charities, and in addition further built its partnership with social enterprise “VIY”, through volunteering and mentoring.

New partnerships with The Lighthouse Club and Youthbuild UK were established.

The 20 year partnership with The Northampton Saints Rugby Club, one of the longest running in British sport, was also extended and the Group became the Club’s Headline Community Partner from 2022. This will help Saints to make the game of rugby more accessible to all, and use the power of sport to positively impact a wide range of groups and individuals in the Northampton area.

Colleagues continued to show great creativity, with charity challenges that included cake baking, cycling, walking and running challenges, as well as market stalls and abseiling to help raise valuable funds for the Group’s charities.

Charity	Business area
Macmillan Cancer Support – £751,606	Travis Perkins and Toolstation
VIY material contributions – £76,000	
Mind – £35,000	BSS
Payroll-giving and other group initiatives – £49,000	Group
Prostate Cancer UK – £30,000	Keyline
Whizz-Kidz – £52,000	Transport



Case study:

New Social Enterprise Partnership

Volunteer It Yourself (VIY) is a social enterprise which helps young people aged 14–24 gain trade skills through the renovation of local community premises. In 2021 the Group supported over 545 young people across 35 VIY projects nationwide. Nearly 400 of the participants achieved City & Guilds accreditation. 35 Travis Perkins and Toolstation branches donated products and materials to a value of £127k and over 130 colleagues provided mentoring and other practical on-the-ground support to these VIY projects, which included youth centres, local sports facilities, theatres and other community venues in need of repair and refurbishment. In 2022 the Group plans to build on this engagement with work placements and recruitment opportunities.

“I really enjoyed getting involved and was glad we could help! It’s great to hear the young people enjoyed the sessions and have taken some good knowledge away with them.”

Matt Hulls, Assistant Branch Manager, Blackpool South

“This partnership is one of great mutual benefit, where we get to tap into your skills and expertise, and gratefully receive materials and equipment, but this is also a great way to engage your colleagues and for your business to help directly develop a new diverse generation of tradespeople whilst improving local community spaces and supporting young people with construction skills and employment opportunities.”

Tim Reading, CEO, VIY



What’s next?

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.



Everyone at the Club is looking forward to what the next phase of our enduring partnership with Travis Perkins will bring.

Mark Darbon

CEO, Northampton Saints

Case study:

Toolstation Pennies Pilot

Following a successful trial of the “pennies” initiative, Toolstation rolled out Pennies’ micro-donation service across the business. This gives the opportunity to raise funds for charities at the point of payment, when the customer is invited to add a flat donation, or round up to the nearest pound on an order amount, which then goes to charity. The trial showed that there is potential to raise substantial funds for charity using this method. There are now plans to add it to the Toolstation website, and expand it to other businesses within the Group in 2022.

“We are thrilled and overwhelmed by the support from Toolstation, stepping forward to unlock even faster growth of this fantastic movement that has raised over £30m for 750+ charities – which for us is really just the start. Our success so far belongs to the millions of people who have generously given their digital spare change when shopping across a growing number of retail and hospitality brands.”

Alison Hutchinson CBE, CEO, Pennies

Colleague voice and engagement

2021 objectives

The Group committed to:

- Maintain the Group's ability to "take the pulse" of colleagues and respond to what matters to them, finding ways to give real-time insight and bring colleague engagement data to life
- Undertake colleague engagement surveys in the first half of 2021

How does this support the Group purpose?

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 colleague's needs.

2021 progress

During 2021 the first Group-wide shared colleague engagement survey was completed, which has enabled progress to be compared and insights to be shared across all businesses and support functions in the Group.

The Group has continued to engage and listen to the voice of colleagues. For example:

- Keyline invited colleagues representing a wide range of views and perspectives to participate in their strategy development and ensure their voices were heard
- The Group's new core business values were developed with input from colleagues representing all businesses, all levels and all functions
- As the Group embeds its purpose, values and strategy, the voices of colleagues are being heard through focus groups, surveys and broad participation in working groups

Case study:

Colleagues shaping our future

65 colleagues joined the leadership team to kick off the strategy development process to demonstrate the importance of colleagues' voices in shaping the future direction of the business. The business benefited from a diverse range of perspectives, experience and expertise on the Group's strengths, challenges and opportunities. The virtual meetings enabled the development of a video representing the insight gained which, along with customer, supplier and industry feedback, enabled the leadership team, regional leadership team, representatives from the functions and Branch Manager representatives to have access to a broad and detailed set of insight to work from.

What's next?

Engage and connect all colleagues in our Group Purpose, Values and Strategy with a lens as to what this means at a local business level giving colleague's an opportunity to connect with what this means from a personal contribution point of view.

For further information please refer to the Section 172 statement on pages 72 to 74.

Legal compliance

2021 objectives

The Group committed to:

- Embed the recently launched Code of Conduct
- Continue the roll-out of the minimum standards framework and develop business-specific action plans to close gaps
- Continue roll-out and monitoring of updated legal compliance training across:
 - Anti-bribery and corruption
 - Insider trading
 - Competition law
 - Money laundering
 - Conflicts of interest
 - Corporate criminal offences

How does this support the Group purpose?

Establishment of the 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".

2021 progress

The Group further embedded the Code of Conduct and the expectation of "doing the right thing". A series of refreshed policies were launched covering key areas including Anti-Bribery and Corruption, Money Laundering, Competition Law and Corporate Criminal Offence. These policies provide a readily accessible way for colleagues to understand the key principles through clear summaries of what "doing the right thing" entails. They also provide worked examples to bring the guidance to life.

New Minimum Standards Frameworks were rolled out across a number of key areas of legal compliance. Expectations of the controls and processes required to be compliant with the Group's policies are clearly defined and a mechanism for assurance is established. Refreshed training on Anti-Bribery and Corruption and Competition Law was made available in the Group's Learning Management System.

The GDPR Programme executed workstreams of activity to increase the level of control in data protection compliance. This included the deployment of refreshed processes to manage activity which must be carried out effectively to achieve legal compliance, such as the maintenance of records of processing activity, the response to data subject access requests and the conduct of data protection impact assessments.

What's next?

Refresh of mandatory, Group-wide baseline training covering key Legal Compliance areas, improving reporting channel awareness and completeness monitoring.

For further data please refer to the ESG data table on pages 174 to 175.

Reward

2021 objectives

The Group committed to:

- Full deployment of the simplified and refocused incentive and bonus approach
- Simplification and realignment of all colleague bonuses
- Continued focus on colleague wellbeing, particularly financial wellbeing, with a review of the employee pension provision and levels of colleague engagement

How does this support the Group purpose?

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.

2021 progress

At the end of 2020 the Group consulted widely on the proposed implementation of a Restricted Share Plan to replace the existing Performance Share Plan and Co-Investment Scheme. The first awards under the new RSP were made mid-2021 and the plan's greater simplicity and clearer, more focused alignment to strategy was well received by participants. The Group also introduced a simplified bonus framework, halving the number of sets of scheme rules, making the plans easier for colleagues to understand and increasing alignment across the Group.

The Group migrated its defined contribution plan (the Travis Perkins Retirement Savings Plan) from Standard Life to Scottish Widows. This resulted in a significant reduction in investment charges for colleagues which will make a meaningful difference to their retirement savings in the long-term. The Group signed up to the Green Pensions Charter, "Make My Money Matter", to support colleagues in making positive investment choices and in support of the Group's commitment to tackling climate change.

What's next?

Further develop financial wellbeing support to colleagues by launching new services with the Group's partner "Wagestream".

For further data please refer to the ESG data table on pages 174 to 175.

Case study:

Supporting financial awareness and wellbeing through a series of webinars

During the year the Group hosted three webinars to support the financial awareness and wellbeing of colleagues:

- Gender pension gap – Women often make up a greater share of part-time workers and often have breaks in employment history to raise children, meaning pension savings can be lower than needed. This webinar covered the specific challenges for women regarding the gender pension gap and what this means for retirement planning.
- Financial wellbeing – This webinar covered a wide range of areas of financial health and how to improve financial fitness.
- Change of pension provider – This webinar explained the transition, how it would effect colleagues and the benefits of the move, as well as reinforcing pension engagement.

The webinars were viewed by over two thousand colleagues. With exceptional feedback:

"In all honesty it was probably the clearest presentation I have attended on Pensions (a subject which I find complicated)."

"I found the session useful with great information. And for me, this method is more informative than an information pack you would need to read."

"I wish that I had had access to this information when I was in my 20s."

"Very informative and helpful. This has brought to my attention how important it is to maintain my lifestyle once retired and how I can achieve this."

"More of the same please. It was informative and covered a lot of issues that I didn't know how to address."

Section 172 statement

Engaging with stakeholders

Building positive relationships through strong engagement, collaboration and dialogue with stakeholders that 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. The Group held a Capital Markets Update in 2021 to set out its ambition to become the leading partner to the construction industry and to set out how the Group intends to grow total shareholder return.

It was necessary to consider the potential impact of Covid-19 restrictions when planning the 2021 AGM and with regret we had to insist that shareholders did not attend the AGM venue. The 2021 AGM was, therefore, undertaken via a webcast, through which shareholders could see and hear the Directors; and could ask questions and vote in real-time at the meeting.

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 2021 was sent to 16,559 colleagues with a completion rate of 67%, representing the views of approximately 11,000 colleagues. The engagement survey included detailed questions around people, safety and ESG.

Group diversity and inclusion networks with GLT sponsorship and diversity and inclusion forums established within the individual businesses, aiming 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 was the designated workforce engagement Non-executive Director in 2021 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 the meetings in the first half of 2021, six key themes emerged: safety, resources, Covid-19, diversity & culture, mental health and IT. Feedback from colleagues was broadly supportive of the businesses' direction and changes being made, however some concern was expressed at the pace of change and resources. In response, taking account of the on-going additional pressures caused by the pandemic, deliberate steps were taken to slow the pace of some change activity over the summer to allow colleagues additional time to catch up. Key themes emerging from listening sessions in the second half of 2021 focused on workload and the communication of change, rather than change itself. The themes from earlier in the year did not emerge in the same way. The change in emphasis and topics in the feedback during the second half suggested that the deliberate slowing of some activity over the summer had worked and that engagement with colleagues via the listening sessions had made a difference.

Further information on how the Group engages with colleagues can be found under "Colleague voice and engagement" on page 70.

Customers

Our ambition is to be the leading partner to the construction industry by delivering an exceptional, innovative service to customers. We build quality relationships with our customers and spend considerable time with them to understand their needs and views and listen to how we can improve our offer and elevate and deepen the relationship.

Our most significant customers and customer groups are fundamental to our success and they are monitored closely so that we can identify their needs and bring them innovative solutions that help resolve the pain-points in the most effective way. We use this knowledge to inform our decision-making as customer needs evolve over time, including tailoring our digital propositions to suit customer demands. E.g. launching the Travis Perkins app in order to offer more flexibility in accessing products and account management.

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. In particular, colleagues across the Group met with 329 suppliers at the Group Supplier Conference in October 2021. Key areas of focus included innovation, product development, health and safety and ESG. 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. We have maintained regular contact with our suppliers safely throughout the Covid-19 pandemic.

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 partner with local charities and organisations at a site level to raise awareness and funds. The key issues and themes across local

communities are reported back to the Board. The Group's impact on the environment is a key focus for the Board. During 2021 carbon targets were set to support the Group's leading ambitions on ESG. Further information is available in the Sustainability report on pages 52 to 71 and decision-making in practice regarding the carbon targets is set out below.

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 are compliance with laws and regulations, health and safety and product safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

Decision-making in practice

One of the major decisions made by the Group this year was to commit to and publish new industry-leading, SBTi-approved carbon targets, including Scope 3 carbon, in line with a 1.5°C pathway. This was to meet increasing stakeholder expectations around carbon 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. Carbon is a material issue for the Group and investors expect credible action. SBTi approval of the Group's 1.5°C-aligned carbon targets gives endorsement and credibility to the work the Group will lead to decarbonise the industry.
Colleagues	Our colleagues want the Group to take its responsibilities around sustainability seriously. For both current and future colleagues, sustainability 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 latest employee engagement survey asked colleagues whether environmental, community and charitable responsibility was important to them, with a large majority confirming it was. External research suggests that workers are prepared to leave their jobs if their organisations aren't serious about addressing ESG related issues.
Customers	Our customers want propositions that work for them and this is increasingly influenced by carbon requirements. For example, larger customers ask for new: <ul style="list-style-type: none"> • data: corporate carbon, product embodied carbon and delivery carbon • products: low-carbon alternate materials or fossil-fuel free heating and energy-related products • services: supporting modular construction or providing other value-add solutions 	The Group maintains regular communication with its customers, consulting regularly with them on their changing needs. For large customers, carbon is core to their own strategies and they need the Group to support them. For smaller customers, changes to building regulations and carbon-related product taxes require them to adapt and they are looking to their materials suppliers to provide guidance and training. Carbon performance forms part of most customer tenders (sometimes now being considered over price) and the Group's commitment to and progress in carbon reduction will retain existing and attract new customers.
Suppliers	Our suppliers want to understand the impact of the carbon targets on their businesses. They also want to have confidence that the business will continue to trade with them in the long-term.	The business engaged with key suppliers through the process of determining new targets. Suppliers in hard-to-decarbonise product categories (i.e. cement-based products) are reliant on carbon capture and storage solutions being established and have some uncertainty about the pace of change that is viable. However they are setting and working towards reduction targets and recognise how vital this is for future success. Many suppliers are keen to better promote their existing low-no carbon solutions to the market.

Section 172 statement continued

Decision-making in practice continued

Stakeholder	Stakeholder views	Conclusions
Communities	Our communities want our continued support with local causes and issues.	335 UK councils have announced climate emergencies. Nationally, locally and at a project level, carbon targets are increasingly being set and local communities expect large companies to play a leading role in addressing climate change. The Group is responding to this challenge by operating a low carbon estate and fleet within those communities, and providing the products, data and services which communities need to decarbonise the built environment and construction.
Government and regulators	The government and regulators want us to operate in an environmentally sustainable way and comply with laws and regulations.	The government launched a new Procurement Policy Note (PPN) in 2021 requiring carbon reduction plans to be taken into account in the procurement of major government contracts. New building regulations will prevent gas boiler installations into new buildings from 2025 and into existing buildings from 2035. Energy Performance Certificate requirements are under review and, if passed, will see many residential and commercial rentals requiring upgrade in the next ten years. Credible carbon commitments and action are expected by government and regulators.

Non-financial information statement

The information below is intended to help users of these accounts understand our 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 18–19
		KPIs – Accident frequency rate	Page 29
		Safety and wellbeing	Page 56–57
	Managing change	Development	Page 62–63
		Modern slavery and human rights	Page 66
		Diversity and inclusion	Page 64–65
		Colleague voice and engagement	Page 70
		Reward	Page 71
		Directors' remuneration report	Page 91–93
		Directors' report – Employees	Page 105
Environment	Climate change and carbon reduction	Business model	Page 18–19
		KPIs – Carbon emissions	Page 60–61
		Climate-related financial disclosure	Page 48–51
		Sustainability report	Page 52–71
		Carbon	Page 60–61
		Waste	Page 67
Human rights, anti-bribery and anti-corruption	Legal compliance	Sustainable products and services	Page 59
		Human rights and modern slavery	Page 66
		Legal compliance	Page 70
		Chair's introduction – Culture	Page 79
Social and community	Managing change	Directors' report – Modern slavery	Page 106
		Business model	Page 18–19
		Charities and volunteering	Page 68–69
		Responsible sourcing	Page 58

A description of the Group's business model and how it creates sustainable value can be found on pages 18 to 19.

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 and 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 1 to 74 was approved by the Board of Directors and signed on its behalf by:

Nick Roberts

Chief Executive

28 February 2022

Alan Williams

Chief Financial Officer

28 February 2022

Corporate governance report

Governance

- 76 Board of Directors
- 78 Corporate governance report
- 84 Nominations Committee report
- 86 Audit Committee report
- 84 Nominations Committee report
- 86 Audit Committee report
- 91 Directors' remuneration report
- 94 Annual remuneration report
- 105 Directors' report
- 108 Statement of Directors' Responsibilities

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 from a number of large public companies. These include BT Group plc, where she chaired the Digital Impact and Sustainability Committee, Standard Chartered plc, Compagnie Financière Richemont SA and WPP plc, where she remains a non-executive director.

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.



Nick Roberts

Chief Executive Officer

Nationality

British

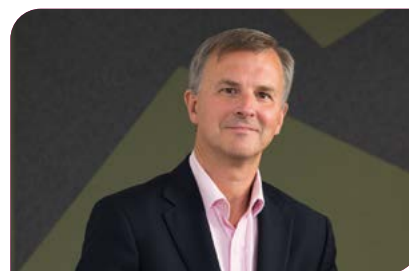
Appointment date

July 2019

Committee membership: (S)

Skills and experience

Nick previously led international design, engineering and project management consultancy Atkins and has spent nearly 30 years in the international engineering and construction industry. A geologist by profession, he is an Honorary Fellow of the Institution of Civil Engineers. He is the Deputy Chair, a Trustee and Director 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.

Committee membership key:

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



Pete Redfern

Senior Independent Non-Executive Director

Nationality

British

Appointment date

1 November 2014

(A) (N) (R) (S)

Committee membership:

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. Since 2007, Pete has held the position of CEO at Taylor Wimpey. 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. She holds an MBA from Harvard Business School where she was a Baker Scholar.



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 Electrocomponents 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, The British Quality Foundation and EDS Corporation Inc.



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. He also serves as a non-executive director of the Care Quality Commission, a role he has held since 2016.

Corporate governance report



Jasmine Whitbread
Chair
28 February 2022



I am pleased, on behalf of the Board, to present the corporate governance report for the year ended 31 December 2021

We had all hoped that by the time we came to write this Annual Report, the Covid-19 pandemic would be behind us. Unfortunately that is not the case and during 2021, just as in the prior year, we have had to operate the Group in the face of ongoing restrictions and cope with the challenges which running a large business during a pandemic has presented to us.

It is in such times of adversity and uncertainty that the strength of an organisation's governance framework is particularly tested. I am pleased to be able to report that, although tested, the governance framework and processes of the Group have withstood the challenges presented by the pandemic. I am confident that the Group has a strong governance framework in place with a robust system of controls and effective processes for the identification, mitigation and management of risk.

In the early part of 2021 the Board continued to prioritise adjusting the Group's businesses in order to successfully navigate the uncertainty caused by Covid-19. As 2021 progressed, with the demerger of Wickes and the sale of the Plumbing & Heating business successfully concluded and the Group demonstrating consistently strong performance and disciplined capital management, the Board took the decision to reinstate dividend payments. The Board also focused on the Group's new strategy and the communication of the strategy to shareholders and other stakeholders. The strength of the Group's governance framework was an essential underpin helping to enable the successful delivery of all of these things.

The Board remains confident in the Group's ability to navigate near-term uncertainty and in the Group's position for the long-term. We are clear that the Group's strategy, underpinned by robust and efficient governance structures, will deliver sustainable long-term value for shareholders and other stakeholders, whatever the external environment. We remain firmly of the view that good corporate governance will contribute to a sustainable business over the long-term.

UK Corporate Governance Code

Throughout the year ended 31 December 2021, 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, which is available at www.frc.org.uk, but for two exceptions.

Provision 21 of the Code requires FTSE 350 companies to have an externally facilitated board evaluation every three years. Being the third year since the Company last undertook an externally facilitated evaluation, ordinarily, the Board would have done so in 2021. However, given the Chair's succession in March and the other changes to the membership of the Board which occurred during the year, it was decided that it would be better to defer an externally facilitated evaluation until 2022 to give the new Chair and Directors the opportunity to settle into their roles and to allow new working relationships to develop. Accordingly, the Company will undertake an externally facilitated board evaluation in 2022.

Further, 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”. As a result this non-compliance with the code will end on 1 January 2023.

Leadership

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 principal risks of the business are set out in more detail on pages 40 to 46. The Board discusses strategic matters at every meeting and in June 2021 held an off-site strategy day to consider the Group’s strategic direction and the opportunities and risks faced by the Group. The Group’s strategy and business model are set out on pages 18 to 27.

The Board has a schedule of matters reserved to it which is reviewed annually. The Board’s review in December 2021 resulted in some minor proposed changes to the schedule of matters reserved to the Board and these were approved in February 2022. The latest approved schedule of matters reserved can be found on the Group’s website.

In line with the Corporate Governance Code, the Board has a number of Committees to which it delegates certain responsibilities.

There are four Committees: 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 important role it plays in assessing and monitoring the Group’s culture to ensure that policy, practices and behaviour throughout the Group are aligned with its 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 the Colleague Voice Panel, the Group-wide colleague engagement survey and a number of listening groups and colleague communities.

During the year significant work was undertaken on the Company’s purpose, values and strategy. The Board was closely involved throughout and at its meeting in December, the Board approved the Group’s new values, an evolution of the “Cornerstones” which were the previous articulation of the Group’s values, having approved the new articulation of the Group’s purpose earlier in the year prior to the Capital Markets Update in September. The Group’s purpose, values and strategy are intrinsically linked and further information on them and their development during the year can be found on pages 6 to 27.

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. Stakeholder groups such as shareholders, customers, suppliers and colleagues were engaged with 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 72 to 74.

Pete Redfern is the Colleague Voice Representative on the Board. Details of his activities in this capacity intended to help bring the employee voice into the boardroom can be found in the “Colleague voice and engagement” section of the Sustainability report in the Strategic report on page 70.

Annual General Meeting

Shareholders receive more than 20 working days’ notice of the Annual General Meeting (“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.

In 2020 we had to respond to the fast evolving Covid-19 pandemic and found ourselves in uncharted territory with a national lockdown imposed preventing physical attendance at the meeting. For the first time ever we conducted a remote meeting and we recognised that the hastily implemented arrangements for our 2020 AGM were not ideal. We undertook to do better in 2021 and to make our AGM as participative as possible for shareholders. As we planned the 2021 AGM we did not know whether people would be allowed to attend the AGM in person. We were guided in the planning process by two overarching principles: firstly that we should take the most conservative approach possible to the safety and wellbeing of colleagues, shareholders and other participants in the AGM; and secondly that the AGM must be as accessible and participative for shareholders as possible.

We conscientiously followed the Government’s “roadmap” out of the Covid-19 restrictions in place in Spring 2021. By the time of the AGM in April 2021, indoor gatherings continued to be restricted and people were required to work from home where possible. Consequently, we had to insist that shareholders did not attend the AGM venue.

Having taken careful note of developments in hybrid meetings and feedback from shareholders and the wider governance community on how meetings might be better arranged, the 2021 AGM was undertaken via a webcast through which shareholders could see and hear the Directors, could ask questions and could vote in real-time at the meeting. We provided the most interactive possible alternative to a physical meeting, ensuring shareholders remained enfranchised.

Should we be able to admit shareholders to the 2022 AGM in person, we will do so, but we will also webcast the meeting so that shareholders who are unable to attend in person can participate in the AGM as if they were physically present. If restrictions on gatherings indoors are in place in April 2022 and we have to conduct a remote AGM, we will once again conduct the AGM on the most inclusive basis possible using a webcast which enables shareholders to attend remotely but see and hear from the Directors, ask questions and vote in real-time.

At our 2021 AGM we received strong support from shareholders for the resolutions put to the meeting with an average of 96% of votes in favour. 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.

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 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 2021 we continued to embed the principle of "calling it out" across the Group with the reinforcement of the Code of Conduct and the availability of the Speak Up line. The Audit Committee, on behalf of the Board, received quarterly reports on issues raised through the Speak Up line and subsequent action taken, and the Board reviewed the effectiveness of the Speak Up line at its meeting in December. During 2022 we intend to continue to emphasise the importance of the Code of Conduct and the Speak Up line, which 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.

Division of responsibilities

Chair and Chief Executive

The Chair leads the Board and ensures its effectiveness. Stuart Chambers who was Chair until the end of March was independent on appointment as was Jasmine Whitbread who succeeded him. 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.

At the time of her appointment, Jasmine Whitbread and John Rogers held cross-directorships at WPP plc where John is Chief Financial Officer and Jasmine is a non-executive director. As part of Jasmine's appointment process the Board gave careful consideration to whether it could consider her independent in light of that cross-directorship. The Board concluded that as Jasmine was a Non-executive Director and John an Executive Director and there was no reporting line relationship between them; they had never worked together in any executive capacity or in any other organisation; and they had no links other than the cross-directorship at WPP plc; there was no impediment to the Board considering Jasmine to be independent on appointment and continuing to consider John to be an independent Non-executive Director.

The roles of the Chair and Chief Executive are split and the Board has approved a written statement of the division of key responsibilities between the Chair and Chief Executive which is reviewed annually 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 continually reviews any relationships or circumstances which are likely to affect their independence. There were a number of changes to the Non-executive Directors during the year, with the appointment of Heath Drewett in May and Jora Gill in August, and with John Rogers stepping down in October and Blair Illingworth in November. In November 2021 Blair was appointed Chief Executive Officer of Aggreko Ltd where Heath Drewett is Chief Financial Officer. Following Blair's appointment at Aggreko, Heath reports to him in an executive capacity. As a result Blair stood down from our Board in order to preserve Heath's independence. We were sorry to lose Blair so soon in his service with the Company, however, his decision to stand down was the right course of action.

A more detailed examination of the changes to the Board during 2021 and the work of the Nominations Committee is set out in the report on pages 84–85. 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

At the beginning of the year, restrictions associated with Covid-19 meant the Board and its Committees continued to meet remotely by video conference. With the lifting of restrictions in June 2021 the Board was able to meet in person for the first time since February 2020. Since its June meeting the Board has met in person for each of its meetings. Some of the Committee meetings have been held using video conference.

The Board held eight scheduled meetings in 2021. Regular items on the agenda included detailed updates on health and safety, progress against strategic objectives, financial results and performance against KPIs, and strategic reviews of the Group's businesses. Other areas of consideration included funding, capital expenditure, investor feedback,

risk and governance. During 2021 the Board focused especially on bringing to fruition the strategy of "simplifying the Group" and "focusing on the trade" through the demerger of the Wickes business and the sale of the Plumbing & Heating business; the Group's revised strategy, details of which are set out in the Strategic Review on pages 20 to 27; the Group's purpose, values and culture; and diversity and inclusion.

Ordinarily the Board makes two operational site visits a year, however ongoing Covid-19 restrictions hampered the Board's ability to undertake operational visits during the first half of 2021 and during the second half of the year the Board decided not to add to the burden of colleagues who were still managing the under the additional strain of Covid-19 related pressures by making operational visits. It is hoped that during 2022, the Board will be able to resume operational visits but it is mindful, at least during the early part of the year, of ongoing Covid-19 related pressures which colleagues are having to manage, especially the effects of the Omicron variant. As a result the Board is unlikely to undertake operational visits until the second half of 2022 at the earliest.

The General Counsel & Company Secretary manages the process of setting the agenda for each Board meeting which is agreed between the Chair, the Chief Executive and the Chief Financial Officer. 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 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 Board	Audit Committee	Stay Safe Committee	Nominations Committee	Remuneration Committee	Overall attendance (%)
Number of meetings	8	5	3	6	3	
Attendance:						
S. Chambers ⁱ	2/2	n/a	n/a	1/2	3/3	85
M. Culver	8/8	n/a	n/a	6/6	3/3	100
H. Drewett ⁱⁱ	5/5	3/3	n/a	3/3	n/a	100
J. Gill ⁱⁱⁱ	2/2	n/a	n/a	n/a	n/a	100
B. Illingworth ^{iv}	7/7	n/a	3/3	6/6	n/a	100
C. McConville	8/8	5/5	n/a	6/6	3/3	100
P. Redfern	8/8	5/5	3/3	6/6	3/3	100
N. Roberts	8/8	n/a	3/3	n/a	n/a	100
C. Rogers ^v	3/3	n/a	n/a	3/3	2/2	100
J. Rogers ^{vi}	7/7	4/4	n/a	5/5	n/a	100
J. Whitbread ^{vii}	6/6	n/a	3/3	5/5	1/1	100
A. Williams	8/8	n/a	n/a	n/a	n/a	100

ⁱ Stuart Chambers stood down from the Board & Committees on 31 March 2021

ⁱⁱ Heath Drewett joined the Board, Audit Committee & Nominations Committee on 11 May 2021

ⁱⁱⁱ Jora Gill joined the Board on 4 August 2021

^{iv} Blair Illingworth stood down from the Board on 29 November 2021

^v Chris Rogers stood down from the Board and its Committees on 27 April 2021

^{vi} John Rogers stood down from the Board its Committees on 6 October 2021

^{vii} Jasmine Whitbread joined the Board on 31 March 2021

Corporate governance report continued

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 Group Leadership Team which comprises key business and functional leaders.

Other colleagues are invited to attend Group Leadership Team meetings from time to time in relation to specific matters. The main purpose of the Group Leadership Team 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.

Composition, succession and evaluation

Board composition

As at 31 December 2021 the Board comprised six Non-executive Directors and two Executive Directors. The biographies of the Board are listed on pages 76 and 77.

Appointments

Appointments of new Directors are made by the Board on the recommendation of the Nominations Committee. The Nominations Committee undertakes a rigorous and comprehensive search and selection process for new Directors, normally with the assistance of a professional search firm. Were the Nominations Committee unable to use the services of a search firm, it would place advertisements when conducting a search for new Directors. The Nominations Committee's responsibilities and a description of its work can be found in the Nominations Committee report on pages 84 and 85.

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 2022 AGM.

Board effectiveness review

A rigorous evaluation of the performance of the Board and its Committees is carried out annually in order to identify efficiencies, maximise strengths and highlight areas for further development. Consistent with the requirements of the UK Corporate Governance Code. The effectiveness review is ordinarily facilitated by an independent external facilitator every three years. An external review was last conducted in 2018 and for the reasons explained at the start of this corporate governance report, although 2021 would have been the third anniversary of that review, no externally-facilitated review of Board effectiveness was undertaken during the year. An externally-facilitated review will be undertaken in 2022.

During 2021 the Board undertook an internally-facilitated effectiveness review which identified the following key focus areas for 2022:

- Management of change
- Key metrics
- Stakeholders
- Board skills and experience
- Non-executive Director succession planning
- Risk management
- Culture and diversity and inclusion

The SID undertook an evaluation of the Chair's performance with input from the Executive and Non-executive Directors and the Non-executive Directors reviewed the performance of the Chief Executive and Chief Financial Officer. The performance of all Directors was judged satisfactory.

The Board concluded that each Director brings considerable expertise and experience to Board discussions. The Board is satisfied that each Director continues to contribute effectively to Board debate and guides and challenges management's strategic plans and their implementation.

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 30 to 39. 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 108.

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
- 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 40 to 46 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 Chief Executive and the Chief Financial Officer, 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 108.

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 Remuneration Committee report on pages 91 to 104.

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 86 to 90.

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 Group Leadership Team 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 Group Leadership Team 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 Group Leadership Team 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 39, the Board considered the principal risks and uncertainties and mitigating factors set out on pages 40 to 46.

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.

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

Jasmine Whitbread

Chair
28 February 2022

Nominations Committee report



Jasmine Whitread
Chair, Nominations Committee
28 February 2022

2021 focus areas

- Appointment of Jasmine Whitbread as Chair
- Committee chair and Non-executive Director appointments
- Succession planning for senior management roles
- Board and executive diversity

Number of scheduled meetings during 2021

6

Dear Shareholder,

I am pleased to present the Nominations Committee report for the year ended 31 December 2021.

I took over as Chair of the Nominations Committee on my appointment as Chair of the Board when I succeeded Stuart Chambers at the end of March 2021. I would like to take this opportunity to thank Stuart for his leadership of the Committee as it set the strong foundations on which we were able to build during the year.

Focus in 2021

The work of the Nominations Committee is primarily focused on succession planning. As the Committee continued with that remit in 2021 we kept in mind the evolving strategy and needs of the Group, as well as the skills and experience required on the Board to help shape that strategy and bring relevant experience to guide, advise and challenge the execution of that strategy. Diversity under-pinned the Committee's activity when searching for new Board members in 2021.

Activities in 2021

My own appointment aside, the constituency of the Board changed a great deal in 2021. When the demerger of Wickes was concluded, Chris Rogers stood down from the Board to be the Chairman of Wickes Group plc. Chris' departure in April was followed by the appointment of Heath Drewett in May. Heath's appointment was part of a planned succession process for John Rogers who in 2020, prior to my appointment as Chair, had indicated a desire to step down from the Board during 2021. Russell Reynolds assisted in the search for John's successor. Heath succeeded John as Chair of the Audit Committee in August. John stood down from the Board in October and I'd like to thank John for his dedicated and valued service as Chair of the Audit Committee, and as a Non-executive Director for seven years.

Given the Code requirement to have a Committee member with recent and relevant financial experience, the search for an Audit Committee Chair had specific pre-requisites. We tasked Russell Reynolds with looking for additional potential candidates with data and technology experience as they searched for an Audit Committee Chair, having identified that gap in the Board's experience which needed to be filled. Part of the Group's strategy involves the digitalisation of customer interactions, improvements in how we exploit our data and consequential investment in our technology infrastructure. Furthermore, a key project for the coming years is the implementation of a new finance system across the Group.

The Committee believed that all of the foregoing would benefit from greater depth of experience of data and technology among the Non-executive Directors. Accordingly, we were delighted when our search activity resulted in the appointment of Jora Gill as a Non-executive Director in August. Jora has excellent digital, data and technology experience and capabilities and is already changing the nature of the Board's conversation on those subject areas with his insight.

The final Board change of the year came about as a result of circumstances. Blair Illingworth, who joined our Board in 2019, was given the opportunity to take on the role of Chief Executive at Aggreko Ltd. Unfortunately, Blair's executive opportunity collided with his non-executive role with the Company as Heath Drewett is Chief Financial Officer at Aggreko. Having two of our Non-executive Directors in a direct reporting line relationship in executive roles was not tenable as the independence of both of them would have been compromised. Accordingly, Blair stood down from the Board in order to preserve Heath's independence. We are sorry that, as a result of a coincidence, Blair had to step down from our Board so early in his service.

During the year the Committee used the services of Egon Zehnder and Russell Reynolds. Other than the use of their services in search assignments, the Company's Directors have no connection with those organisations.

Succession pipeline and diversity

Consistent with its remit under Provision 17 of the Code, during 2021 the Committee also focused on the succession pipeline for the Group Leadership Team ("GLT") with particular emphasis on diversity. Diversity in the GLT and its succession pipeline needs to be improved. At 31 December 2021, 27% of the GLT was female and 21% of the pipeline for the GLT roles was female. That same pipeline comprised only 3% from minority ethnic backgrounds. Ensuring diversity in the future pipeline starts with laying foundations for diversity in recruitment at all levels of our Group and taking steps to ensure we are attractive to all applicants, whether that's how we write our recruitment adverts or the media we use to advertise roles. We want to attract the best people irrespective of gender, ethnicity, age, sexuality, socio-economic background or any other characteristic.

Building a culture and an environment where all colleagues can be themselves and are treated fairly and with equality is core to ensuring diversity. The executive team is committed to achieving such a culture and environment. The Committee is equally committed to ensuring that the executive team retains focus on this, as we believe that just talking about it is not enough to succeed: tangible, demonstrable progress is required. In October 2021 the Board was joined by Pavita Cooper, a leading talent and diversity expert who is a passionate advocate of diversity in the C-suite and committed to accelerating the progression of "hidden" talent including women, ethnic minorities and leaders with atypical backgrounds. Pavita led a workshop with the Board to help develop a shared view on its role regarding diversity and inclusion. During the workshop the Board looked at the current diversity and inclusion landscape, explored those things which get in the way of progress and those things which aid progress. The Committee and Board will continue to focus on diversity and inclusion.

Focus for 2022

Looking forward, the Committee's focus remains on succession planning for the Board, ensuring a robust, diverse pipeline is built for succession to the Group Leadership Team and that progress on diversity and inclusion at all levels across the Group continues to improve. In just over two years Pete Redfern and Coline McConville will have completed nine years' service. The Committee is conscious that with the amount of change the Board has recently undergone, there is no reason to hasten the loss of the deep experience and knowledge of the Group and its businesses which Pete and Coline have. Nonetheless, as it can take a long time to find the right candidates for the Board with the right experience and who will help to further broaden our diversity, the Committee has already started to search for Pete and Coline's successors.

In that search we are keeping in mind not only the skills and characteristics which will be lost when they leave the Board, but also the sector experience lost with Blair's departure.

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 Nominations Committee and the Board recognise the advantages diversity brings to the Group. The Hampton Alexander Review and the Parker Review both reflect broader societal concern over issues of gender and ethnic diversity and Travis Perkins supports their recommendations. As at 31 December 2021 37.5% of the Company's Directors were female, including the Chair and the Company had one Director from a minority ethnic group, in compliance with both Reviews. 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 pages 64 to 65.

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 pages 64 to 65 provide an explanation of the Company's diversity policy for the purposes of the Disclosure and Transparency Rules.

Jasmine Whitbread

Chair
28 February 2022

Audit Committee report



Heath Drewett
Chair, Audit Committee
28 February 2022

2021 focus areas

- Internal audit and risk management progress
- Demerger of Wickes and sale of the Plumbing & Heating business
- Information security and physical security risks

Number of scheduled meetings during 2021

5

Dear Shareholder,

I am pleased to present the Audit Committee's report for the year ended 31 December 2021, having been appointed as Chair of the Committee on 4 August 2021. The report sets out the Committee's work in relation to financial reporting, internal audit, risk management and oversight of the external audit process.

During the year the Committee has monitored the execution of the internal audit plan and development of the risk management framework, against which notable progress has been made, and reviewed financial reporting judgements relating to the demerger of Wickes and the sale of the Plumbing & Heating business. The 2022 internal audit and risk management plans were approved by the Committee at its meeting in November 2021 and aim to build on the progress made in these areas.

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

Committee membership and attendance

On 4 August 2021 John Rogers stepped down from his role as Chairman of the Audit Committee and Heath Drewett was appointed as his successor. John stepped down from the Board of the Company and the Committee at the conclusion of the Board's meeting on 6 October 2021. On behalf of the Company, I would like to thank John for his service as both a member and the Chairman of the Committee. The members of the Committee for the year ended 31 December 2021 have been:

- Heath Drewett (4 August 2021–31 December 2021)
- Coline McConville
- Pete Redfern
- John Rogers (1 January 2021–6 October 2021)

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 76 to 77).

The Group Head of Corporate and Commercial Legal Services is the Secretary to the Committee, as nominee of the Company Secretary.

The Committee held five formal meetings in 2021. The Chair of the Board, Chief Executive, Chief Financial Officer, General Counsel & Company Secretary, Director of Group Finance, Director of Internal Audit & Risk, Director of Financial Accounting & Control and the Group's external auditor also attended the Committee's meetings. The Committee held separate meetings with the Director of Internal Audit & Risk and external auditors without the presence of management and held separate meetings with management without the external auditors.

Attendance of members at the Committee's meetings during the year can be found in the Corporate Governance report on page 81.

Role of the Audit Committee

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

- To monitor 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.
- To review the effectiveness of the Company's internal financial controls and internal control and risk management systems.
- To monitor and review the effectiveness of the Company's internal audit function.
- To maintain an appropriate relationship with the Company's external auditors and to review and monitor its independence, objectivity and effectiveness in carrying out the audit process, taking into account relevant UK professional and regulatory requirements.

Work of the Committee

The Committee functions around an annual work plan. This work plan is regularly reviewed by the Committee to ensure that it reflects the priorities of the business and continues to include all matters for which consideration must be given in order to meet the Committee's corporate governance responsibilities.

The Committee considers the content of the Annual Report and Accounts, the results announcements prepared by management and the associated press releases issued at the half-year and year-end. In discharging its financial reporting responsibilities, the Committee reviewed 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 interim and annual accounts.

In addition, during the year, the Committee reviewed:

- The Group's systems of controls, the effectiveness of controls and management's continuing controls improvement initiatives
- The Group's approach to risk, key risks and the effectiveness of the risk management framework
- Progress reports on information security initiatives and other security matters
- The external audit plan and findings
- The internal audit plan and strategy for the further development of internal audit activities
- Financial reporting judgements relating to the demerger of Wickes and the sale of the Plumbing & Heating business
- The effectiveness and independence of internal audit and the external auditors
- The activity of the Operational Compliance Support teams within the Group's businesses
- Reports regarding matters disclosed to the Group's Speak Up! hotline

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

- Internal audit reports
- Progress on implementing recommendations arising from internal audit work
- Non-audit fees

The Committee places reliance on regular reports from management, internal audit and the external auditors in order to carry out the activities set out above. The Committee is satisfied that it received sufficient, timely and reliable information to enable it to fulfil its responsibilities during the year.

At each meeting of the Committee, an opportunity is provided for the Committee to meet with members of the internal and external audit teams without management present. The Board is updated on key matters and recommendations following each Audit Committee meeting.

In the final quarter of 2021, the Board undertook a review of Board and Committee effectiveness, including the Audit Committee. The review was conducted through an internally-managed questionnaire-based process, culminating in a review and discussion of feedback on the performance and effectiveness of the Committee. At the Board the review concluded that the Committee was operating effectively, scoring an average of 4.4 out of 5 in the responses to the questionnaire.

Audit Committee report continued

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 for the year ended 31 December 2021 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 Committee believes are the most significant.

In reaching its conclusions, set out in more detail in the table, the 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 Committee also received a report from the external auditor on the work undertaken to arrive at the conclusions set out in the audit report on pages 110 to 117, discussing all relevant matters in depth.

Area	Issue and nature of judgement	Factors considered and conclusions reached
Accounting for inventory and inventory valuation	<p>To meet customer expectations, the Group carries a wide range of inventory in around 1,500 locations.</p> <p>Inventory should be included in the balance sheet at the lower of cost or net realisable value. At 31 December 2021 the Group's inventory was valued at £724m.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Further information is given in the notes to the financial statements (note 12 – inventories and note 13 – supplier income).</p>
Defined benefit pension accounting	<p>At 31 December 2021 the Group's balance sheet included a net asset position of £276m in respect of its defined benefit pension schemes, which reflects a gross pension asset of £1,742m and pension liability of £1,466m.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Further information is given in the financial statements (note 18 – pension arrangements).</p>

Risk management and internal controls

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.

Significant time was spent in 2021 considering the changes to the risk and opportunity landscape for the Group arising from the new strategy, as well as the ongoing risk impacts of the Covid-19 pandemic, macroeconomic factors and long-term market trends. Detailed reports were regularly provided to the Board and Group Leadership Team to review and challenge this risk assessment and associated mitigation strategies.

The Group adopts a continuous improvement approach to risk management. The risk management framework was refined during 2021 and this will continue in 2022. There was a particular focus in 2021 on further developing the climate change risk and opportunity assessment, which informs our carbon reduction activities and underpins the TCFD information set out on pages 48 to 51.

The Audit Committee recently approved a plan for an independent review of the Group's risk management framework in the coming year that will test plans and ambition in continuing to develop this area. The principal risks and uncertainties are set out on pages 40 to 46, together with information on how those risks are mitigated and how emerging risks are assessed.

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 assurance" on page 40). The Committee has received regular updates on the status of these activities and, where applicable, the impact of pandemic-related restrictions on assurance provision, particularly during the lockdown period in early 2021. The majority of assurance activities continued without interruption throughout the year.

The Committee conducted a review of the effectiveness of the Company's risk management and internal controls, concluding that 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 a new finance system, that will enhance and improve the Group's control framework and lead to greater consistency and automation of controls. The Audit Committee will monitor the progress of these programmes through 2022 and reviewing the system transformation programmes will remain an area of focus for internal audit.

Internal audit

The delivery of the Internal Audit Plan, which is structured to align with the Group's strategic priorities and principal risks, is a key source of internal assurance for the Group. The in-house Internal Audit team develops the 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 annual plan of activity and reviews results and progress against the Plan at each Committee meeting. The Audit Plan is reviewed periodically throughout the year and is updated as business priorities and risks change, to ensure that it remains relevant.

Internal Audit undertook assurance activities throughout 2021. While many audits were delivered remotely during periods of Covid-related restrictions, the team has developed a hybrid working model that utilises the Group's digital tools to collaborate and access data remotely alongside periods of on-site fieldwork to assess processes and controls in situ. The audits delivered during 2021 covered a broad range of operational, financial, legal, regulatory, IT and transformation activities. Core financial control areas are audited regularly. In 2021 this included reviews of cash and banking protocols, fixed assets and the year-end statements from the Group's businesses on their compliance with key internal financial controls.

All audit findings and agreed management actions are communicated to the Audit Committee and tracked through to completion. The 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.

Internal Audit has a continuous improvement strategy, with initiatives set annually and progress regularly reported to the Committee. Initiatives continued during 2021, with a particular focus on capturing stakeholder feedback, building IT capability within the function and expanding the use of data in audits. The use of data and analytics remains a key focus for 2022 as a means to increase the depth of assurance and insight provided by each audit, underpinned by structured development programmes in data analytics for a number of the team members.

During the year the Committee reviewed the effectiveness of Internal Audit both in relation to delivery against its plans, stakeholder feedback and against recognised attributes of a high-performing internal audit function. Based on the progress made, the Committee was satisfied with the overall effectiveness of the function throughout 2021 and, in accordance with best practice, is planning to undertake an external assessment of the function in 2022.

Audit Committee report continued

External auditor

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 Anthony Sykes, appointed in May 2019. 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 Committee's assessment of the effectiveness of the audit, the Committee considers a tender for the 2025 audit to be in the best interests of the Company's shareholders.

Audit scope and effectiveness

The scope of the external audit of the 2021 Annual Report and Accounts was presented by the external auditor to the Committee in October 2021 to enable the Committee to discuss and challenge the audit plan and understand the key elements.

The 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 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 2021 the Committee monitored the Group's engagement with external stakeholders relevant to the Committee's areas of oversight, including the Financial Reporting Council (the "FRC"). In particular, during the year the Group was made aware that the FRC's Audit Quality Review Team ("AQRT") would be reviewing KPMG's audit of the Group's 2020 financial statements as part of its annual inspection of audit firms. The Committee received and reviewed the final report from the FRC in December 2021 and discussed the findings with the audit partner. The Committee was satisfied that the matters raised by the AQRT were appropriately incorporated into the 2021 audit plan.

Independence and objectivity

One of the 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 Committee to safeguard the objectivity and independence of the auditor. The 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 demerger of the Wickes business. This service was pre-approved by the Committee. KPMG was considered the most appropriate firm to carry out the reporting accountant work for the Wickes demerger 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 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 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 £1,820,000 (2020: £1,657,000) for audit-related work and £770,000 (2020: £600,000) for non-audit work. Non-audit work related to the review of the Group's interim financial statements and the Wickes demerger. Fees for non-audit work were 42% (2020: 38%) of fees for audit-related work. The total fees paid by the Group to KPMG LLP in 2021 represent 0.1% of KPMG's UK fee income. In addition, £1.9m (2020: £1.0m) 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 Committee was satisfied with the independence, objectivity and effectiveness of the external auditor and recommended to the Board that it recommend that KPMG LLP be reappointed by shareholders at the Annual General Meeting on 29 April 2022.

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

Heath Drewett

Audit Committee Chair
28 February 2022

Directors' remuneration report



Coline McConville
Remuneration Committee Chair
28 February 2022

2021 focus areas

- Remuneration impacts of the demerger of Wickes and sale of the P&H business
- Implementation of the Restricted Share Plan
- Approval at the 2021 AGM of the remuneration policy

Number of scheduled meetings during 2021

3

Dear Shareholders,

As Chair of the Remuneration Committee, I am pleased to introduce the 2021 Directors' Remuneration report.

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, it submitted a new remuneration policy to the 2021 Annual General Meeting which was approved by 89% of shareholders. The Policy sought to simplify and refocus 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 our performance-based Performance Share and Co-Investment Plans with our new Restricted Share Plan. The Committee believes the Policy remains the right approach to ensure delivery of these objectives, and so no changes are proposed to the Policy or the approach to implementation (including quantum and metrics) this year.

Link Between pay and performance

The Group's previously stated ambition to deliver long term sustainable value to shareholders, remains at the heart of the Committee's approach to executive remuneration. A fundamental aspect of this is the link between the Group's strategy and remuneration with each part of the remuneration package playing a role in driving performance beyond the short and medium terms to deliver the long-term ambition and improve shareholder returns.

Directors' remuneration report continued

The Committee believes that there is good alignment between the Group's incentive payouts and performance and the value created for shareholders. In the Quick View of remuneration set out on page 93 the link between the Group's strategic ambition and corresponding incentive KPIs is detailed.

Salary review

The Executives took a voluntary salary reduction in 2020 and received no increase to salary during 2021. The Remuneration Committee reviewed Executive salaries and, taking into account current market conditions, determined that their salaries would be increased by 3% from 1 April 2022. This is in-line with increases awarded to other managers and colleagues in the business. Non-executive Directors' fees were not increased during the year and will next be reviewed in April 2022.

Adjustment to LTIP targets

During the year the Remuneration Committee approved revised 2019 LTIP award targets, to exclude both Wickes and P&H from 1st January 2021 to align with the actual results reported. The Committee is satisfied that the revised targets are not materially less or more difficult to achieve than the original targets. Further details are set out in the "Explaining the Single Figure Table" section.

2021 remuneration outcomes

The generation of cash was critical during 2020 and the Group excelled in cash management during that period as revenues were impacted by the pandemic. To cement this performance, cash flow generation became a fundamental measure in our incentive plans in 2021. The Group took no Government support in relation to the Covid-19 pandemic during 2021.

The hard work of 2020 set a strong foundation to drive excellent recovery of financial performance in 2021. This out-performance of expectations is reflected across all incentive measures both in bonus (adjusted operating profit and cash flow) and long term incentives (cash return on capital employed, earnings per share growth, aggregate cash generation and total shareholder return). Performance against key financial objectives is as follows:

- Adjusted operating profit of £353m (target £227m)
- Adjusted operating cash flow of £155m (target £89m)

2021 bonus payout: 97% of maximum

Bonuses for Executive Directors are based on adjusted operating profit (50%), free cash flow (20%) and strategic performance (30%). The Group adjusted operating profit achievement of £353m resulted in a payout of 100% of maximum bonus potential for this element and an adjusted operating cash flow performance of £155m similarly led to a 100% payment reflecting strong cash control throughout the year.

2021 delivery against strategic measures has been very strong, with delivery over and above the Strategic Milestones. We have seen strong delivery against the strategic plan for the Travis Perkins General Merchant and against the growth agenda for our UK and European Toolstation businesses. The demerger of Wickes completed in April 2021 and the simplification of the Group was completed earlier than envisaged with the sale of the Plumbing & Heating business in September 2021. Significant progress was made against our IT Modernisation milestones. Whilst we made important cultural advances in Stay Safe performance, the targeted reduction in accident frequency and severity rates was not fully delivered and therefore no payment is made against this measure.

We had great success with our apprenticeship scheme, which is one of our fundamental diversity pipelines, along with the kickstart programme. On average during 2021 we had 886 apprenticeships against a target of 700-840. We achieved our Scope 2 carbon reduction target of 10% against a 2019 baseline.

On this basis the Committee determined that 90% of the bonus element aligned to strategic performance (including ESG measures) had been earned. In total this means a bonus equal to 174.6% of salary was earned by the CEO and CFO (97% of maximum). The Committee believes the level of bonus earned is reflective of the strong performance of the Group in 2021 and the Committee did not exercise any discretion.

Long-term incentives: 96.4% of maximum

Long-term incentive awards granted in 2019 were based on our previous Policy before the introduction of the RSP and therefore vest based on performance to 31 December 2021. Awards under the 2019 Co-Investment Plan vested in full and awards under the 2019 Performance Share Plan vested at 94%.

2019 Co-Investment Awards

These awards were subject to CROCE performance. Performance over the three-year period was 13.4% reflecting continued strong cash generation underpinned by a focus on liquidity and working capital management through a fundamental review and streamlining of our stock management, purchasing and rebate processes. This performance resulted in the award vesting in full.

2019 PSP vesting

PSP awards granted in 2019 were subject to Adjusted EPS (40%), TSR (20%) and cash flow (40%) performance. The Adjusted EPS annual growth rate was 13.5% meaning this element vested in full. Aggregate cash flow over the three-year period was £1,054m resulting in 88% of this element vesting. TSR performance was at the 74th percentile resulting in 95% of this element vesting. Overall 94% of PSP awards granted in 2019 vested. The Committee considered that the level of vesting under the Performance Share and Co-Investment plans in respect of 2021 to be an appropriate reflection of performance over the last three years and in particular the work management have undertaken to continue to deliver exceptionally strong cash performance. No discretion was exercised by the Committee.

Elsewhere in the Group

All our colleagues are eligible to earn a bonus and we are pleased that, after a difficult 2020 where our colleagues worked hard to ensure we served our customers throughout the pandemic, we are able to reward them with strong bonuses reflecting the strong performance of our businesses in 2021. We also aim to maintain our position as a Real Living Wage employer across our merchant businesses when we conduct our annual salary review in April 2022.

Following the approval of our new Restricted Share Plan by shareholders at the last Annual General Meeting, I am pleased to advise this was deployed during the year and has been very well received amongst the management team. The RSP will be cascaded to further key roles in 2022. The Committee will be submitting its remuneration report to the 2022 AGM 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
28 February 2022

Quick view – Remuneration in 2021

Measuring performance

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 so that we 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	–	100% (as awards are made in shares)

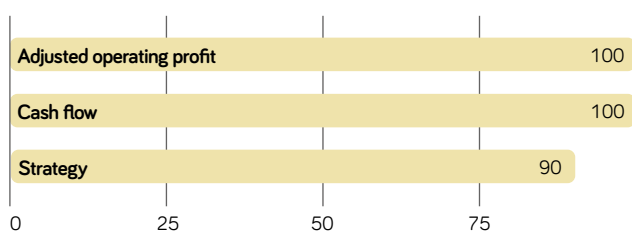
2021 Outcomes

Element	Nick Roberts	Alan Williams
Base Salary (annualised)	£636,300	£517,650
Annual bonus (% of Max)	97.0%	97.0%
LTIP (% of Max) ¹	96.4%	96.4%

1. Combined vesting across the PSP and Co-Investment plans awarded in 2019, based on the performance period 2019-2021.

Annual bonus outcome for 2021

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



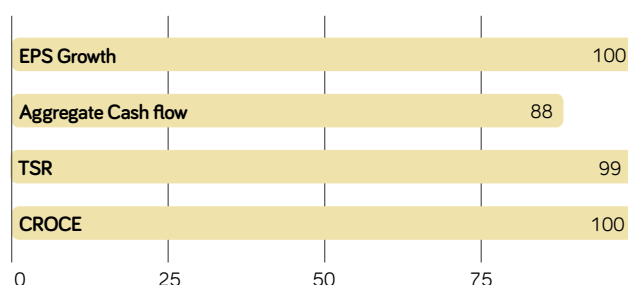
All bonus and LTIP outcomes are subject to malus and clawback. Performance weighting and measures are unchanged from the previous year.

Share ownership guidelines

Executive Directors are required to hold shares valued at two times annual salary within 5 years of appointment. They will also be expected to maintain this level of shareholding (or their actual shareholding if lower) for a period of two years following stepping down from the Board.

LTIP outcome for 2021

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



Policy report

The Group's Directors' Remuneration Policy (the "Policy") was approved by 89% of shareholders at the AGM held on 27 April 2021. The policy can be found on pages 94 to 104 of the Annual Report & Accounts 2020, available on the company website. A summary of the policy is also provided below under the "Statement of Implementation of Remuneration Policy in 2021" section.

Annual remuneration report

The following sets out the Group's Annual Remuneration report for 2021 which includes details of how its policy was implemented in 2021 and how it intends to implement its policy in 2022. This report is subject to an advisory shareholder vote at the 2022 Annual General Meeting.

Statement of Implementation of the Remuneration Policy in 2022

Executive Directors:

The following provides a summary of the Group's remuneration policy and how the Group intends to implement the policy during 2022.

Plan	Individual maximum opportunity in 2022	Measures and weighting	Operation
Base salary (Increase of 3% with effect from 1 April 2022)	CEO – £655,389 (2021 – £636,300) CFO – £533,180 (2020: £517,650)	n/a	The Remuneration Committee reviewed executive salaries and, taking into account current market conditions, determined that salaries would increase less than the workforce as a whole but in line with other management increases of 3% from 1 April 2022.
Benefits (No change)	n/a	n/a	Directors continue to be entitled to benefits in-line with policy, including private medical insurance, income protection, annual leave, company car (or cash alternative), life insurance of up to 5 times salary and participation in all-employee share plans operated such as Sharesave (SAYE) and BAYE.
Pension (No change)	CEO 10% of salary in-line with the rate available across the wider workforce CFO pension allowance is £103,530 per annum.	n/a	Directors participate in a defined contribution arrangement or receive a cash allowance. As previously advised from 1 January 2020 the Committee agreed with the CFO that his pension would be reduced to 20% of salary. This monetary amount of £103,530 has been frozen at this fixed level and does not attract future salary increases. From 1 January 2023 the CFO's pension will be reduced to the wider workforce rate of 10%.
Restricted Share Plan (No change)	Maximum annual award of 125% of base salary	For 2022 the performance underpins remain as follows: <ul style="list-style-type: none"> • ROCE above 9%. ROCE is one of the business' key KPIs assessing how successful our investments have been in returning value to shareholders. Return measures have been a feature of our incentive plans for a number of years. • Satisfactory governance performance including no ESG issues that result in significant reputational damage to the Company. 	On the third anniversary of grant 75% of the award vests, subject to an additional holding period of a further two years. The final 25% of the award vests on the fifth anniversary of award. 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.

Plan	Individual maximum opportunity in 2022	Measures and weighting	Operation
Annual bonus (No material change)	Maximum annual bonus opportunity of 180%	<p>The 2021 bonus will be based on the following measures:</p> <ul style="list-style-type: none"> Adjusted operating profit 50% Adjusted operating cash flow 20% Strategic performance 30% <p>For 2022 business strategic performance will include:</p> <p>Strategic milestones:</p> <ul style="list-style-type: none"> Market share growth Operation cost efficiency Delivery of critical foundational programmes <p>ESG Measures:</p> <ul style="list-style-type: none"> Health and safety performance Sustainability People development and diversity <p>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 adjusted operating cash flow is a critical measure for the business to ensure that we have the resources necessary to invest in the business transformation to return value to shareholders.</p> <p>Our ESG measures will again focus on key areas such as health and safety of our colleagues and customers, our apprenticeship programmes and our carbon footprint. This will be the second year where focus has been given to these specific areas in the annual incentive plan. These measures will be reviewed in subsequent periods to ensure they remain the most appropriate focus.</p>	<p>Targets are determined in relation to the Group's budget.</p> <p>Threshold payment is made for performance at 95% of the Group's budget with maximum only being made for performance well in excess of the Group's budget. Performance below threshold results in zero bonus.</p> <p>50% of bonus earned is deferred as shares for three years.</p> <p>Malus and clawback provisions apply.</p>

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.

We consider that the new RSP is the right plan for the Group. Further details of how it aligns with our strategic priorities and the UK Corporate Governance Code are set out on page 94 of the 2020 Annual Report.

Annual remuneration report continued

Non-executive Directors:

-
- Fees and benefits**
- Non-executive Director fees policy is to pay:
 - A basic fee for membership of the Board
 - An additional fee for the Chair of a Committee and the Senior Independent Director to take 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 a company pension scheme.
 - The review date for Non-executive Directors' fees is 1 April. Fees were last reviewed with effect from 1 July 2021 and were not increased. They are next due to be reviewed with effect from 1 April 2022 in line with colleagues. The current fees are as follows:
 - Chair - £320,000
 - Non-executive basic fee - £60,000
 - Chairs of Audit and Remuneration Committees - £17,000
 - Senior Independent Director - £12,500
 - Chair of Stay Safe Committee - £12,000
-

Considering stakeholders' views

Shareholders: The Committee believes that it is very important to maintain open dialogue with shareholders on remuneration matters. The Committee regularly consults with significant shareholders and advisory bodies regarding our 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 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. However in 2021 there have been no material changes to policy and therefore shareholders were not consulted in 2021.

Colleagues: The Company undertakes regular engagement surveys for all Group employees to understand their views on working for Travis Perkins and how this can be improved. Employee feedback on all matters of reward is provided as part of this survey, and through supplementary surveys focusing on specific areas such as employee health and financial wellbeing. The Company established a Colleague Voice Panel in 2019 which includes within its terms of reference the aim of listening to colleagues' views when developing the Directors' Remuneration Policy. Pete Redfern, the designated Non-executive Director for engagement with the workforce pursuant to the UK Corporate Governance Code 2018 is the Colleague Voice representative on the Board. He hosts a number of listening groups throughout the year and all relevant views are incorporated into remuneration reviews. 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

During 2020 we commenced a process to simplify and realign our bonus processes. This work was completed and the bonus plans deployed in 2021 reflected our strategic aim for greater collaboration across our businesses at all levels. 2020 was an exceptionally challenging year for our colleagues as they sought to balance family and commitments to our customers through the Covid-19 pandemic. Following strong performance during 2021 we are delighted that our colleagues will be rewarded with well deserved bonus awards.

All the merchant businesses moved to be Real Living Wage employers at the beginning of 2021. We are pleased that we maintain that position as part of our annual salary review which takes effect from 1 April 2022.

Our colleague wellbeing programmes are well-established, during 2021 we escalated our focus on financial wellbeing with a series of communications and webinars around financial wellbeing topics, in particular various aspects around retirement savings, providing advice, support and guidance as required. It is our intention to roll-out additional, practical financial wellbeing tools with our partner Wagestream in 2022.

The Restricted Share Plan approved by shareholders was deployed to the management team with great success. The greater clarity and alignment to shareholders was well-received. The RSP will be cascaded to further key roles in 2022.

Audited information

Single total figure of remuneration

£000	2021								
	Salary	Benefits	Pension	Total fixed	Bonus	LTI ¹	Buy-out	Total variable	Total
Executive Directors									
Nick Roberts	636	29	64	729	1,111	1,894	712	3,717	4,446
Alan Williams	518	19	104	641	904	1,430	-	2,334	2,975
Non-executive Directors									
Jasmine Whitbread ³	241	-	-	241	-	-	-	-	241
Stuart Chambers ⁴	80	-	-	80	-	-	-	-	80
Coline McConville	77	-	-	77	-	-	-	-	77
Pete Redfern	72	-	-	72	-	-	-	-	72
Chris Rogers ⁵	20	-	-	20	-	-	-	-	20
John Rogers ⁸	56	-	-	56	-	-	-	-	56
Marianne Culver	60	-	-	60	-	-	-	-	60
Blair Illingworth ⁹	67	-	-	67	-	-	-	-	67
Heath Drewett ⁶	46	-	-	46	-	-	-	-	46
Jora Gill ⁷	25	-	-	25	-	-	-	-	25
Total	1,898	48	168	2,114	2,015	3,324	712	6,051	8,245

£000	2020								
	Salary	Benefits	Pension	Total fixed	Bonus	LTI ²	Buy-out	Total variable	Total
Executive Directors									
Nick Roberts	605	27	64	696	-	-	-	-	696
Alan Williams	492	20	104	616	-	1,096	-	1,096	1,712
Non-executive Directors									
Stuart Chambers	301	-	-	301	-	-	-	-	301
Ruth Anderson ¹⁰	13	-	-	13	-	-	-	-	13
Coline McConville	73	-	-	73	-	-	-	-	73
Pete Redfern	75	-	-	75	-	-	-	-	75
Chris Rogers	61	-	-	61	-	-	-	-	61
John Rogers	70	-	-	70	-	-	-	-	70
Marianne Culver	56	-	-	56	-	-	-	-	56
Blair Illingworth	56	-	-	56	-	-	-	-	56
Total	1,802	47	168	2,017	-	1,096	-	1,096	3,113

Notes:

- LTI reported for 2021 include LTI awards vesting in March 2022. The value of these awards has been calculated based on the average share price for the last quarter of 2021 of £15.33. For Alan Williams' co-investment plan awards, the share price on the date of grant of 1 April 2019 was £15.45. For his performance share plan awards, the share price on the date of grant of 12 March 2019 was £15.97. As the share price used to value the LTIP for single figure purpose of £15.33, no value in the value reported is attributable to the share price appreciation for Alan Williams. For Nick Roberts' co-investment plan awards, the share price on the date of grant of 14 August 2019 was £12.04. For performance share plan awards (including his buyout award), the share price on the date of grant of 14 August 2019 was £12.05. The share price used to value the LTIP for the single figure table is £15.33 and represents a 27% increase. Therefore the proportion of the 2019 LTIP value disclosed in the single figure attributable to share price growth is 27%. The Remuneration Committee did not exercise discretion in respect of the share price appreciation.
- The LTI figure reported for 2020 Alan Williams (£824k) was reported last year on an estimated basis using the average share price of the final quarter of 2020 of £12.14. The figure has been restated to reflect the actual share prices on vesting (PSP £16.15 and Co-investment Plan £16.15) giving a revised figure of £1,095,616.
- Jasmine Whitbread was appointed to the Board on 31 March 2021
- Stuart Chambers stepped down from the Board on 31 March 2021
- Chris Rogers stepped down from the Board on 27 April 2021
- Heath Drewett was appointed to the Board on 11 May 2021
- Jora Gill was appointed to the Board on 4 August 2021
- John Rogers stepped down from the Board on 6 October 2021
- Blair Illingworth stepped down from the Board on 29 November 2021
- Ruth Anderson stepped down from the Board on 3 March 2020

Annual remuneration report continued

Explaining the Single Figure Table

Salary

All Board and Group Leadership Team members took a 20% pay reduction for three months during 2020.

Benefits

Benefits for 2021 for Nick Roberts and Alan Williams include private medical insurance and the provision of a company car and fuel (or allowance alternative).

Annual bonus for 2021

Annual bonuses for 2021 were subject to adjusted operating profit (50%), adjusted operating cash flow (20%) and performance against our strategic performance (30%).

The following table summarises the bonus targets and achievement for 2021:

Performance measure	Weighting	Targets			Actual performance	Pay-out (as a % of maximum)
		Threshold (0%)	Plan (50% bonus)	Maximum (100% bonus)		
Adjusted operating profit	50%	£219m	£231m	£243m	£353m	100%
Adjusted operating cash flow	20%	£80m	£89m	£98m	£155m	100%
Strategic performance	30%	The Committee assessed performance against a number of strategic targets which were set at the start of the year. A summary of performance is provided below.				90%

	Measure	Summary of Performance	Committee's Assessment
Strategic milestone	Market share	Market share improvement delivered through execution of a number of strategic measures	Delivered
	Toolstation expansion	Successful delivery of the expansion plans in Toolstation UK and Europe	Delivered
	Simplification of the Group	Wickes demerger complete in April 2021, sale of Plumbing and Heating businesses completed sooner than envisaged in September 2021	Exceeded
	IT modernisation	Significant achievement against key milestones including in the plan to modernise group IT infrastructure, including digital acceleration across the Merchant businesses, customer support and finance systems	Delivered
ESG measures	Safety	Lost Time Injury and Severity rates were narrowly short of targets. However significant cultural and behavioural changes were deployed.	Not delivered
	Carbon reduction	38% reduction in Scope 2 carbon emissions against a target of 10%.	Exceeded
	Apprenticeships	An average of nearly 900 apprentices or kick starters across the year against a target of 700-840	Exceeded

Long Term Incentive Plans ("LTIP")

Impact of Wickes and Plumbing & Heating disposals

During the year the Group completed two material corporate transactions. In April we demerged the Wickes business and in September the Plumbing & Heating division (P&H) was sold. Taking into account the significance of the transactions and the impact on the LTIP performance metrics the Committee reviewed the targets for in-flight LTIP schemes granted in 2019 and 2020 to ensure that performance was being assessed on a comparable basis with the targets for outstanding LTIP awards. Following careful consideration the Committee determined that it was appropriate to exclude Wickes and P&H performance from 1 January 2021 both from the target set and from reported performance. This ensures that management are held 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.

Performance Share Plan awards granted in 2019 and 2020 are subject to three measures: relative TSR, adjusted EPS growth and aggregate cash flow. Due to the nature of relative TSR it is not necessary to make any adjustments to the targets or the assessment of performance. Given the growth nature of the targets, no adjustments have been made to the EPS targets set. Wickes and P&H have been included in the aggregate cash flow targets up to the end of 2020 but have been adjusted to exclude both divisions for 2021. Actual performance has been assessed on the same basis to ensure consistency between the actual trading results and the targets.

Co-Investment Plan awards are subject to three-year average CROCE targets. As with the aggregate cash flow, the targets have been adjusted on the same basis to exclude the impact of both divisions in respect of 2021. The adjusted targets for the 2019 awards are set out in the tables below and the Committee is satisfied that they are not materially less or more difficult to achieve than the original targets.

The long-term incentive figure in the single figure is made up of the following plans:

	Performance Share Plan	Co-Investment Plan	Total LTIP	Buyout (PSP)
Nick Roberts	£1,176,348 (76,735 shares including 3,018 dividend equivalents added in the vesting period)	£717,842 (46,826 shares including 1,841 dividend equivalents added in the vesting period)	£1,894,190	£586,249 (38,242 shares including 1,110 dividend equivalents added in vesting period)
Alan Williams	£827,130 (53,955 shares including 3,279 dividend equivalents added in the vesting period)	£603,526 (39,369 shares including 2,391 dividend equivalents added in the vesting period)	£1,430,656	Nil

The value of shares vesting has been calculated with reference to the average price over the last quarter of 2021 of £15.33

Performance Share Plan

The following table sets out the performance targets, achievements and vesting levels for the Performance Share Award granted in 2019 and vesting in 2022 in respect of the performance period ending on 31 December 2021:

Measure	Weighting	Threshold	Maximum	Actual	Vesting
Adjusted EPS Growth	40%	3% p.a.	10% p.a.	13% p.a.	40%
Relative TSR	20%	Median	Upper quartile	74th percentile	19%
Aggregate cash flow	40%	£970m	£1,070m	£1,054m	35%
Total vesting					94%

Relative total shareholder return performance was measured against companies ranked 50 -150 in the FTSE index on the date of award.

Co-Investment Plan

The following table sets out the performance targets, achievements and vesting levels for the matching awards granted in 2019 and vesting in 2022 in respect of the performance period ending on 31 December 2021:

Measure	Weighting	Threshold	Maximum	Actual	Vesting
Cash Return on Capital Employed (3 year average)	100%	11.4%	12.4%	13.4%	100%
Total vesting					100%

When considering the level of annual bonus payout and long-term incentive vesting, the Committee also considered the underlying performance of the Group over the 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. The Committee concluded the proposed pay-out outcomes detailed above to be appropriate.

Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2021.

Director's pension entitlements

In lieu of pension contribution, a gross cash allowance of £103,530 was paid to Alan Williams. Nick Roberts receives 10% of salary paid as a mix of pension contributions to the defined contribution scheme and a cash allowance.

	Nick Roberts £000	Alan Williams £000
Pension value in the year from company contributions to defined contribution scheme	£3,996	-
Pension value in year from cash allowance (salary supplement in place of employer pension contributions)	£59,634	£103,530
Total pension benefit accrued	£63,630	£103,530

As previously advised 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 has been frozen at this fixed level and does not attract future salary increases. From 1 January 2023 Alan's pension will be reduced to the wider workforce rate of 10%.

Share interests awarded during the financial year

The Remuneration Committee made the first awards under the newly formed Restricted Share Plan in June 2021 following approval of the plan by shareholders at the AGM held 27 April 2021.

Annual remuneration report continued

Award size

Before granting awards 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 thought 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.

Performance Share Plan

	Date of award	Type of award	Basis	% Vesting at lower target	Face value*	Performance period
Nick Roberts	14 June 2021	Restricted Shares	125% of Salary	n/a	£795,373 (48,931 shares at £16.26/share)	1 January 2021 to 31 December 2023 (for the purposes of assessing underpins only).
Alan Williams					£647,047 (39,806 shares at £16.26/share)	Shares that vest after 3 years are subject to an additional 2 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 vesting.

Deferred Share Bonus Plan

As no bonus was earned in 2020 there were no share awards under the deferred bonus plan in 2021.

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 their annual salary within 5 years of appointment. As at 31 December 2021, Nick Roberts' total shareholding was 70,265 (which includes DBP and RSP shares calculated on a net of tax basis) and represents 1.69 times salary. Alan Williams' total shareholding was 369,362 shares (which includes DBP and RSP shares calculated on a net of tax basis) and represents 7.98 times salary based on the average share price for the last quarter of 2021 which was £15.33.

Directors' shareholdings and share interests as at 31 December 2021:

Executive Director	Beneficial owner	Conditional shares granted under LTI plans ¹	Conditional shares granted under RSP	Unconditional shares granted under LTI plans ²	Unvested options subject to performance conditions ³	Vested but unexercised options	Total interests	Total shareholding including shares beneficially owned and DBP shares ⁴	Total shareholding including shares beneficially owned, DBP and RSP shares ⁵
								DBP shares ⁴	RSP shares ⁵
Nick Roberts	34,886	342,939	50,394	18,365	2,489	-	449,073	43,557	70,265
Alan Williams	229,079	238,601	40,996	37,016	2,623	-	548,315	34,886	269,362

- Includes unapproved Performance Share Plan awards, Co-Investment Plan awards and buyout awards which are subject to performance conditions.
- Includes awards made under Deferred Share Bonus Plan (which are not subject to further performance conditions), Sharesave and buyout awards not subject to performance conditions.
- 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.
- Deferred Share Bonus Plan shares are calculated at the post-tax value (53%)
- Interests qualifying towards shareholding requirement comprise ordinary shares beneficially held at 31 December 2021 by the executive and their spouse/partner, vested but unexercised SAYE options and the post-tax value (53%) of any other Deferred Share Bonus Plan and Restricted Share Plan Awards and share other options or awards which have vested but have not been exercised.

There were no changes in Executive Directors' share ownership between 31 December 2021 and 1 March 2022. Nick Roberts acquired an additional 20 shares through the all-employee Buy as you Earn scheme.

During 2021 the following awards were exercised:

	Exercise date	Number of shares	Price per share
Nick Roberts			
Buyout award	22/09/2021	14,522	£17.25
Alan Williams			
Performance Share Plan	24/05/2021	24,764	£16.15
Deferred Share Bonus Plan	24/05/2021	18,969	£16.15
Co-Investment Plan	24/05/2021	43,076	£16.15

Directors' shareholding and share interests – Non-executive Directors

Non-executive Director	Beneficial shareholding (as at 31 December 2021)	Beneficial shareholding (as at 1 March 2022)
Jasmine Whitbread	2,405	2,405
Coline McConville	4,003	4,003
Pete Redfern	10,012	10,012
Marianne Culver	728	728
Heath Drewett	-	-
Jora Gill	-	-

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 6 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 Group's 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

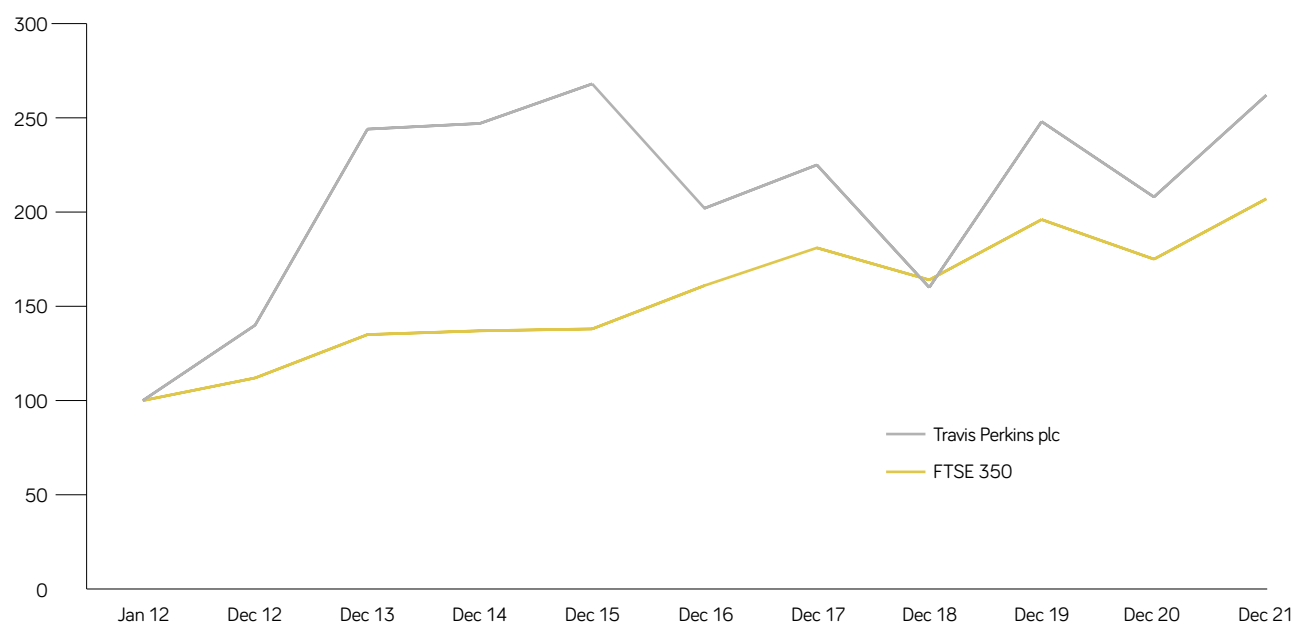
Travis Perkins recognises that its Executive Directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden a director's experience and knowledge which can benefit Travis Perkins. Subject to approval by the Board, Executive Directors are allowed to accept one non-executive directorship with a listed entity provided that the appointment 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. Nick receives no fee for this appointment. Alan Williams held no external appointments during 2021.

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. At 31 December 2021, the Trust held 507,371 shares.

Annual remuneration report continued

Total shareholder return



TSR is rebased to 100 from 1 January 2012

Performance graph and table

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.

Historic CEO pay

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Single figure remuneration (£000)	£3,506	£2,044	£2,634	£2,360	£2,575	£2,532	£2,258	£2,622	£696	£4,446
Annual bonus payout (% of maximum)	27%	63%	89%	32%	24%	72%	35%	89%	0%	97%
Vesting of Performance Share Plan (% of maximum)	80%	37%	45%	97%	54%	40%	40%	46%	40%	94%
Vesting of Co-Investment Plan (% of maximum)	100%	0%	0%	44%	97%	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.

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, median and 75th percentile employee.

Financial Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	133	109	81
2020	Option A	37	30	23
2021	Option A	206	168	134

The employees used for the purposes of the table above were identified on a full-time equivalent basis as at 31 December 2021. 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.

Financial year	Element of pay	25th percentile employee	Median employee	75th percentile employee
2021	Salary	£19,775	£22,859	£28,000
	Total remuneration	£21,617	£26,462	£33,116

The Board has confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

There is a significant increase in the CEO pay ratio in 2021. This reflects the fact that during 2020 the CEO was in receipt of no bonus nor, due to tenure, in receipt of any vesting long-term incentive awards. In addition, a pay cut was taken for 3 months during that year. The strong business performance in 2021 is reflected in bonus and LTIP outturns. Also included in the CEO's total remuneration is a significant element of his buyout awards. Hence the ratio has increased.

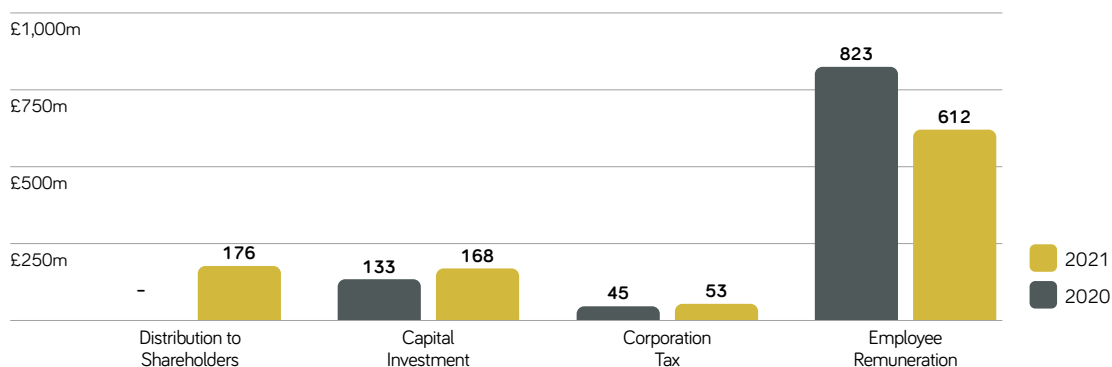
There are no changes attributable to changes in the Company's employment model nor in the methodology used to calculate the ratio.

Change in remuneration of Directors

	Percentage change in salary/fee earned		Percentage change in bonus opportunity earned		Percentage change in taxable benefits received ²	
	2020	2021	2020	2021	2020	2021
Comparative employee group ¹	1.7%	1.5%	(38.0)%	69.0%	8.4%	(8.5)% ³
Executive Directors						
CEO – N Roberts	(4.0)%	5.3%	(89.0)%	97.0%	-	1.4%
CFO – A Williams	(3.5)%	5.3%	(89.0)%	97.0%	(5.0)%	(6.9)%
Non Executive Directors						
Jasmine Whitbread ⁴	n/a	n/a	n/a	n/a	n/a	n/a
Coline McConville	(2.0)%	5.4%	n/a	n/a	n/a	n/a
Pete Redfern	11.4%	(3.6)%	n/a	n/a	n/a	n/a
Marianne Culver	n/a	-	n/a	n/a	n/a	n/a
Blair Illingworth	n/a	18.8%	n/a	n/a	n/a	n/a
Heath Drewett ⁴	n/a	n/a	n/a	n/a	n/a	n/a
Jora Gill ⁴	n/a	n/a	n/a	n/a	n/a	n/a

- 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.
- Based on a matched sample across the two periods.
- During the year 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. The reality is that employees are, in the majority of cases, significantly better off receiving the cash allowance than receiving a company car and the associated tax liability.
- Jasmine Whitbread, Heath Drewett and Jora Gill were appointed part way through 2021.

Relative importance of the 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.

Annual remuneration report continued

Governance

During the year the Committee comprised Coline McConville (Chair), Peter Redfern, Marianne Culver and Christopher Rogers (until 27 April 2021), all of whom are independent Non-executive Directors, and Stuart Chambers, Chairman of the Board (until 31 March 2021) and Jasmine Whitbread, Chair of the Board (from 31 March 2021), who were independent on appointment.

Deloitte was appointed by the Committee in December 2015, following an interview process, to provide independent advice on executive remuneration.

Deloitte is a founding member 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 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 mainly in the area of digital strategy, innovation, operating model design and change management.

Fees are charged on a time and materials basis. During the year Deloitte was paid £21,600 for the advice provided to the Committee.

In addition Nick Roberts (Chief Executive Officer), Alan Williams (Chief Financial Officer), Robin Miller (General Counsel & Company Secretary), Emma Rose (Chief Human Resources Officer), Jon Erb (Director of Group Finance) and Paul Nelson (Reward Director) have assisted the Committee in its work and attended Committee meetings where appropriate. No individual is involved in the setting of their own remuneration.

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 Board, Executive Directors and the Group Leadership Team. 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 from the Company Secretary.

Key items discussed in 2021 meetings

In 2021 the Remuneration Committee formally met three times, with additional conference calls or meetings as required. The Committee discussed amongst others the following matters:

Month	Key Issues Considered
February	<ul style="list-style-type: none">Review of 2020 performance against targets and determining annual and long-term incentive outcomesAnnual bonus targets for 2021Restricted Share Plan design and approachAll employee share plan review2020 Directors' Remuneration reportCommittee governance
March	<ul style="list-style-type: none">Bonus targets for 2021 finalisationRules and implementation approach for Restricted Share Plan
November	<ul style="list-style-type: none">Impact of Corporate Restructuring on In-flight LTIP measures2021 short term bonus schemes updateCommittee terms of reference

Shareholder Voting

The following resolutions in relation to remuneration were put by the Company's AGM (2020 Directors' Remuneration report and 2020 Policy):

Resolution	Votes For	% For	Votes Against	% Against	Votes Withheld
To receive and approve the Directors' Remuneration report (2021 AGM)	195,827,987	97.81%	4,386,668	2.19%	32,212
To receive and approve 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
28 February 2022

Directors' report

For the year ended 31 December 2021

The Directors present their annual report and audited accounts for the year ended 31 December 2021. The Corporate Governance report on pages 78 to 83 forms part of the Directors' report.

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 30 to 39. 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 123 branches in Belgium, France and Holland.

Information to be disclosed under LR 9.8.4R

Listing rule	Detail	Page reference
9.8.4R (1-2)(5-11)(14)	Not applicable	
9.8.4R (4)	Long-term incentive schemes	98
9.8.4R(12)	Dividend waiver	147
9.8.4R (13)	Dividend waiver	147

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the Shareholders. The Company has determined that all Directors should seek election or re-election at the Annual General Meeting. The Articles of Association of the Company further regulate the appointment and removal of directors, in addition to the Companies Act 2006 and related legislation. The powers and responsibilities of the Directors are described in the Corporate Governance report on pages 78 to 83.

Board of Directors

The names of the Directors at 31 December 2021 and their biographical details are set out on pages 76 to 77. The Directors who held office during the period are listed on page 81. The Executive Directors have rolling 12-month notice periods in their contracts. The Non-executive Directors do not have service contracts but letters of appointment. In light of the outcome of the evaluation of the Board's effectiveness set out on page 82, and due to the skills and experience that each Director brings to their role, the Board concluded that each Director's contribution is and continues to be, important to the Company's long-term sustainable success.

Director's conflict of interest

During the year, no Director had any material interest in any contract of significance to the Group's business. The Company has undertaken to comply with best practice on approval of Directors' conflicts of interest in accordance with the Company's Articles of Association.

These provisions have operated effectively. Under the Companies Act 2006 a Director must avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts or possibly may conflict with the Company's interests.

The disclosable interests of Directors at 31 December 2021 including holdings, if any, of spouses and of children under the age of 18 are contained in the Directors' Remuneration report on pages 91 to 104.

Directors' indemnities

Article 141 of the Company's Articles of Association permits the Company to indemnify any person who is or was a Director of the Company or of any associated company in respect of any liability incurred in relation to the affairs of the Company or any associated company to the extent the law allows (including in connection with any associated company's activities as trustee of an occupational pension scheme). The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for legal action brought against its Directors. The Company has granted indemnities to its Directors and Directors of associated companies to the extent permitted by law and these remain in force in the year ended 31 December 2021.

Greenhouse gas emissions reporting

Details of the Group's greenhouse gas emissions reporting can be found in the Sustainability report on pages 60 to 61.

Results and dividends

The Group's results for the year ended 31 December 2021 are set out in the income statement on page 118 and the dividends for the year ending 31 December 2021 are set out in note 21. The Directors are recommending a final dividend of 26.0 pence per share for approval at the Company's AGM. If approved by shareholders, the final dividend will be paid on 13 May 2022 to those shareholders on the register at the close of business on 1 April 2022.

Balance sheet and post-balance sheet events

The balance sheet on page 119 shows the Group's financial position. No important events have occurred since the balance sheet date.

Principal risks and uncertainties

A review of the Group's principal risks and uncertainties is set out in the Strategic report which can be found on pages 40 to 46.

Financial risk management

Details of the Group's approach to capital management and the alleviation of risk through the use of financial instruments are given in the Financial performance section on pages 38 to 39. Specific quantitative information on borrowings and financial instruments is given in notes 22 and 27 to the financial statements.

Employees

Statements on employee matters are contained in the Sustainability section of the Annual Report on pages 52 to 71. Details of the number of employees and related costs can be found in note 32 to the financial statements. The Company is committed to equality of opportunity and recognises the benefit of diversity within its workforce. Its approach to the matter of diversity is set out in the Nominations Committee report on pages 84 to 85 and in the Sustainability report on pages 52 to 71.

Directors' report continued

For the year ended 31 December 2021

Substantial shareholdings

Information provided to the Company pursuant to the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTRs") is published on a Regulatory Information Service and on the Company's website. As at 31 December 2021, the following information had been received, in accordance with DTR 5, from holders of notifiable interest in the Company's issued share capital. The information provided below was correct at the date of notification; however, the date received 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, notification of any change is not required until the next notifiable threshold is crossed. All notifications in the table below were made prior to the 2021 share consolidation.

	Direct / indirect	Number of shares	Voting rights
BlackRock, Inc.	Indirect	Not disclosed	Less than 5%
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%

In the period from 31 December 2021 to the date of this report, the Company received three further notifications in accordance with DTR 5 from Sprucegrove Investment Management Ltd, the most recent of which was on 16 February 2022, disclosing a holding of 10,876,642 ordinary shares (5.00%, direct interest).

The Company has an equal opportunities policy aimed at ensuring that employment decisions are based on ability and potential regardless of gender, race, colour, ethnic origin or sexual orientation, marital status, pregnancy, gender reassignment, age or disability. 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 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 policies and practices have been designed to keep employees informed on matters relevant to them as employees through regular meetings and communications. There are various channels utilised across the Group and these include listening groups; colleague forums; workshops; conferences; internal newsletters and newspapers; and online communities. Employee representatives are consulted regularly on a wide range of matters affecting their interests through various channels including colleague forums. To achieve a common awareness of the financial and economic factors affecting the performance of the Group, employees are briefed on the Group's financial performance and strategy. This is carried out through emails, webcasts and personal briefings which take place during half-year and full-year results announcements. All employees with more than three months' service are eligible to participate in the Company's Sharesave and Buy-As-You-Earn plans. Details can be found in the Directors' Remuneration report on page 94. The Group conducts an annual employee engagement survey which enables colleagues to give anonymous feedback to the Group on issues affecting them. The results of the surveys are shared with colleagues and action plans to address issues of concern are prepared with colleagues and then implemented. Colleague feedback from the engagement survey is used to inform the Group's approach to policies, the working environment, working practices and diversity and inclusion, amongst other matters. The latest survey "Your Voice Our Future" was conducted in June 2021. In addition, as part of the Group's approach to bringing the employee voice into the boardroom under S172 of the Companies Act 2006, the Company has a designated workforce engagement Non-executive Director and details of his activities during the year can be found on pages 72 to 73.

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.

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.

Auditor

KPMG LLP, appointed in 2015, is the Company's auditor at the date of this report. Resolutions will be proposed at the Annual General Meeting to re-appoint KPMG LLP as the Company's auditor and to authorise the Audit Committee to set the auditor's remuneration.

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 s.418 of the Companies Act 2006.

Share capital and change of control

As at 31 December 2021, the Company had an allotted and fully paid share capital of 225,025,926 ordinary shares of 11.205105 pence each with an aggregate nominal value of £25,214,392 (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.

Following completion of the sale of its Plumbing and Heating distribution business on 30 September 2021, the Company commenced a new non-discretionary share buyback programme ("Buyback") on 1 October 2021 to return some of the proceeds from the sale to shareholders and to reduce share capital. During the period 1 October to 31 December 2021, 4,633,419 ordinary £0.11205105 shares of the Company were acquired by the Company through the Buyback. They had a nominal value of £519,179, represented 2.1% of the Company's issued share capital as at 1 October 2021 and consideration of £70,367,790 was paid for them. At 31 December 2021, 3,533,419 ordinary shares of the Company which had been acquired through the Buyback were held by the Company in Treasury with a nominal value of £395,923, representing 1.6% of the Company's issued share capital at 31 December 2021.

This share buyback programme has taken place within the limitations of the authority granted to the Board at the Company's AGM held on 27 April 2021 (and the commitment made in the Explanatory Notes in the Notice of AGM), pursuant to which the maximum number of shares to be bought back by the Company is 22,502,592 being 10% of the issued shares at 17 March 2021. This authority remains valid at 31 December 2021.

The rights and obligations attaching to its shares are set out in the Company's Articles of Association. 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 note 19 of the financial statements.

As at 31 December 2021, the Travis Perkins Employee Share Ownership Trust owned 507,371 shares in the Company (0.2% of the 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 no restrictions on voting rights attaching 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.

The rules governing the appointment and replacement of Board members and changes to the Articles of Association accord with usual English company law provisions. The powers of the Company's Directors are set out in the Company's Articles of Association. In particular, the Board has the power to issue shares and to purchase the Company's own shares and is seeking renewal of these powers at the forthcoming Annual General Meeting in accordance with the restrictions and within the limits set out in the notice of that meeting.

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 for 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.

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

Robin Miller
General Counsel & Company Secretary
28 February 2022

Statement of Directors' responsibilities

For the year ended 31 December 2021

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.

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 which is incorporated into the Directors' 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
28 February 2022

Alan Williams

Chief Financial Officer
28 February 2022

Financial statements

Group financial statements

- 110 Independent Auditor's report
- 118 Consolidated income statement
- 118 Consolidated statement of comprehensive income
- 119 Consolidated balance sheet
- 120 Consolidated statement of changes in equity
- 121 Consolidated cash flow statement
- 122 Notes to the consolidated financial statements

Company financial statements

- 161 Company balance sheet
- 162 Company statement of changes in equity
- 163 Notes to the Company's 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 2021 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 2021 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 seven financial years ended 31 December 2021. 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	£13m (2020:£13m) 4.4% (2020: 4.4%) of Group profit before tax and adjusting items*
Coverage	94% (2020: 91%) of Group profit before tax and adjusting items*

Key audit matters vs 2020

Recurring risks	New: Accounting for inventory 
	New: Gross defined benefit obligations 
	Parent Company's key audit matter: Recoverability of parent Company's investment in subsidiaries 

*From continuing operations, excluding adjusting items as disclosed on the face of the income statement. In 2020, our materiality was based on a metric representing an average of 5 years profit before tax and 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, 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.

Following the demerger of Wickes and simplification of the Group's supplier income arrangements, the previously identified key audit matters relating to Wickes' goodwill impairment and Deferral of supplier rebates into inventory are either no longer relevant or no longer considered to be of most significance to the audit, respectively. The event-driven key audit matter identified in respect of the 2020 financial statements relating to Valuation of trade receivables is no longer considered to be of most significance to the audit based on our assessment of the Group's actual experience. As such we no longer consider these three items to be key audit matters.

Our assessment of the risk of material misstatement arising from the new key audit matters below has not changed since the prior year, however the simplification of the Group has resulted in a change in the relative significance of these matters in the audit, and they have now accordingly been identified as key audit matters.

	The risk	Our response
<p>Accounting for inventory</p> <p>(£727 million; 2020: £841 million)</p> <p><i>Refer to page 88 (Audit Committee Report) and page 138 (accounting policy and financial disclosures).</i></p>	<p>Accounting for inventory (quantities, cost (net of rebates) and provisions)</p> <p>The Group holds a significant amount of inventory across its large branch network and a number of warehouses.</p> <p>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.</p> <p>Cost is based on a weighted average purchase price, net of applicable rebates, plus attributable overhead.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • 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 the year-end, we rolled forward our count results to the year-end date and assessed any movements in inventory quantities. We evaluated the results of our count procedures using statistical routines. • Independent reperformance: We recalculated the net purchase prices attributed to individual inventory lines using data and analytics and subjected any exceptions to 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. <p>Our results: We found the accounting for inventory to be acceptable (2020: acceptable).</p>

Independent Auditor's report continued

to the members of Travis Perkins plc

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

	The risk	Our response
<p>Gross defined benefit obligations</p> <p>(£1,466 million; 2020: £1,592 million)</p> <p><i>Refer to page 88 (Audit Committee Report), page 142 (accounting policy) and pages 142 to 145 (financial disclosures).</i></p>	<p>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.</p> <p>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.</p>	<p>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.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • 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. <p>Our results: We found the valuation of the pension obligations to be acceptable (2020: acceptable).</p>
<p>Recoverability of parent Company's investment in subsidiaries</p> <p>(£2,009 million; 2020: £2,727 million)</p> <p><i>Refer to page 164 (accounting policy and financial disclosures).</i></p>	<p>Low risk, high value The carrying amount of the parent Company's investments in subsidiaries represents 58% (2020: 60%) of the parent Company's total assets.</p> <p>Their recoverability is not at a high risk of significant misstatement or subject to significant judgement.</p> <p>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.</p>	<p>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.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • 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. <p>Our results: We found the parent Company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable (2020: acceptable).</p>

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 £13m (2020: £13m), determined with reference to a benchmark of Group profit before tax and adjusting items*. It represents 4.4% (2020: 4.4%) of the stated benchmark, which amounts to £299m in 2021 (2020: £297m as

originally presented in that year's financial statements before being re-presented in 2021 for the discontinued operations).

Materiality for the parent Company financial statements as a whole was set at £8.0m (2020: £6.5m), determined with reference to a benchmark of the parent Company total assets, of which it represents 0.2% (2020: 0.1%).

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% (2020: 50%) of materiality for the financial statements as a whole, which equates to £8.5m (2020: £6.5m) for the Group and £5.2m (2020: £3.3m) for the parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements in prior periods, the increase to 65% principally reflecting the impact of the Group simplification.

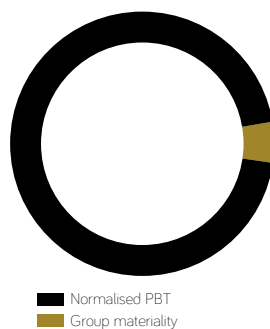
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m (2020: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

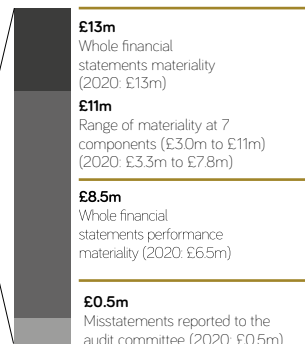
Of the Group's 33 (2020: 55) reporting components, we subjected 7 (2020: 10) to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated opposite. The remaining 3% (2020: 4%) of total group revenue, 6% (2020: 9%) of the total profits and losses that made up the Group profit before tax and adjusting items* and 9% (2020: 4%) of total group assets is represented by 26 (2020: 45) reporting components, none of which individually represented more than 3% (2020: 5%) of any of total Group revenue, the total profits and losses that made up the Group profit before tax and adjusting items* 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 £3.0m to £11.0m (2019: £3.3m to £7.8m), having regard to the mix of size and risk profile of the Group across the components. The work on 2 of the 7 components (2020: 4 of the 10 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from adjusted Group profit before tax.

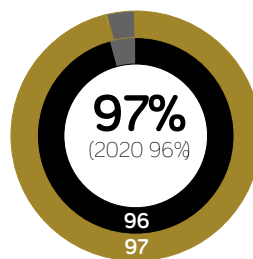
Group profit before tax and adjusting items*
£299m (2020: £297m)



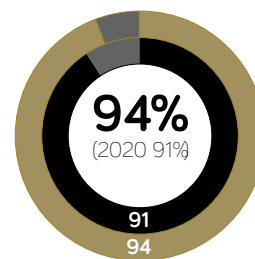
Group materiality
£13m (2020: £13m)



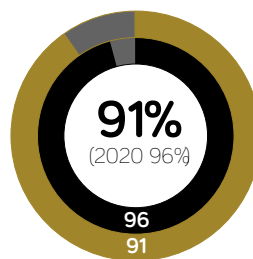
Group revenue



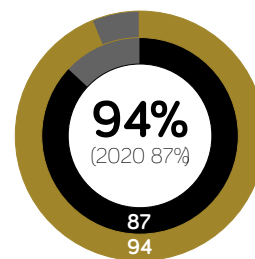
Total profits and losses that made up Group profit before tax and adjusting items*



Group total assets



Total profits and losses that made up Group profit before tax



- Full scope for group audit purposes 2021
- Full scope for group audit purposes 2020
- Residual components

*From continuing operations, excluding adjusting items as disclosed on the face of the income statement. In 2020, our materiality was based on a metric representing an average of 5 years profit before tax and adjusting items.

Independent Auditor's report continued

to the members of Travis Perkins plc

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 44, 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 in line with a 1.5 degree pathway across the value chain.

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 impairment tests and the useful life of assets. The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements and concluded that this did not have a material effect on the consolidated financial statements, as described on pages 133 in relation to useful life of property, plant and equipment and 155 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 life of property, plant and equipment, balances in these financial statements are not at significant risk in relation to climate. Hence 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 48 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 general economic environment to identify the inherent risks to its 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.
- Evaluating the models the Group uses in its assessment and assessing how the information system captures events and conditions that may cast significant doubt on ability to continue as a going concern.
- Critically assessing the assumptions in the base case and downside scenarios relevant to liquidity and covenant metrics, in particular in relation to 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 122 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 122 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 83 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 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.

Independent Auditor's report *continued*

to the members of Travis Perkins plc

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 39 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 39 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.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 108, 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.

Anthony Sykes (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square,
Canary Wharf,
London,
E14 5GL

28 February 2022

Consolidated income statement

For the year ended 31 December 2021

	Notes	2021	2020 (re-presented ¹)
Revenue	1	4,586.7	3,697.5
Adjusted operating profit	2(a)	352.8	128.3
Adjusting items – operating	3	6.8	(92.7)
Amortisation of acquired intangible assets		(11.1)	(8.6)
Operating profit	2(a)	348.5	27.0
Share of associates' result		-	0.1
Interest on lease liabilities	6(a)	(21.1)	(21.2)
Other finance costs	6(a)	(25.7)	(37.1)
Finance income	6(a)	3.9	10.9
Profit/(loss) before tax		305.6	(20.3)
Adjusting items – deferred tax	3	(4.7)	(9.0)
Tax on adjusting items		(1.6)	20.9
Other tax		(58.5)	(26.7)
Total tax	7(a)	(64.8)	(14.8)
Profit / (loss) from continuing operations		240.8	(35.1)
Profit from discontinued operations	8	38.1	13.2
Profit / (loss) for the year		278.9	(21.9)
Attributable to:			
Owners of the Company		278.9	(22.4)
Non-controlling interests		-	0.5
		278.9	(21.9)
Earnings / (loss) per ordinary share:			
Adjusted basic earnings per share	20(b)	107.3p	21.0p
Basic			
– from continuing operations	20(a)	103.9p	(14.3)p
– total	20(a)	120.3p	(9.0)p
Diluted			
– from continuing operations	20(a)	102.6p	(14.3)p
– total	20(a)	118.8p	(9.0)p

1 Figures for the year ended 31 December 2020 have been re-presented to exclude the results of the Retail and Plumbing & Heating segments, which are now presented as discontinued operations.

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

Consolidated statement of comprehensive income

For the year ended 31 December 2021

£m	Notes	2021	2020 (re-presented)
Profit / (loss) for the year		278.9	(21.9)
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain on defined benefit pension schemes	18(b)	94.9	113.1
Income tax relating to other comprehensive income	7(b)	(34.3)	(22.2)
Items that may be reclassified subsequently to profit and loss:			
Foreign exchange differences on retranslation of foreign operations		2.9	(2.0)
Total other comprehensive income for the year net of tax		63.5	88.9
Total comprehensive income for the year		342.4	67.0
Total comprehensive income for the year attributable to the owners of the Company arises from:			
Continuing operations		304.3	53.8
Discontinued operations		38.1	13.2
		342.4	67.0

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

Consolidated balance sheet

As at 31 December 2021

£m	Notes	2021	2020
Assets			
Non-current assets			
Goodwill	9(a)	853.0	1,358.5
Other intangible assets	9(b)	125.7	312.0
Property, plant and equipment	10	800.1	830.4
Right-of-use assets	11(a)	439.8	1,145.5
Investments	30	-	9.2
Other receivables		0.7	-
Deferred tax asset	16	13.9	-
Retirement benefit asset	18(c)	275.8	178.4
Total non-current assets		2,509.0	3,834.0
Current assets			
Inventories	12	724.4	840.7
Derivative financial instruments	27	0.2	-
Trade and other receivables	14	706.7	892.7
Tax debtor		-	6.5
Cash and cash equivalents	23(b)	459.8	505.6
Total current assets		1,891.1	2,245.5
Total assets		4,400.1	6,079.5
Equity and liabilities			
Capital and reserves			
Issued share capital	19	25.2	25.2
Share premium account	19	545.6	545.6
Merger reserve	19	326.5	326.5
Revaluation reserve	19	10.5	14.3
Own shares	19	(61.4)	(39.5)
Foreign exchange reserve	19	4.1	1.2
Retained earnings	19	1,387.3	1,840.5
Total equity		2,237.8	2,713.8
Non-current liabilities			
Interest-bearing loans and borrowings	22	575.2	575.7
Lease liabilities	11(a)	414.7	1,168.3
Deferred tax liabilities	16	140.4	77.2
Long-term provisions	15	6.8	21.9
Total non-current liabilities		1,137.1	1,843.1
Current liabilities			
Lease liabilities	11(a)	74.5	158.8
Derivative financial instruments	27	-	1.6
Trade and other payables	17	921.1	1,304.2
Tax liabilities		0.4	-
Short-term provisions	15	29.2	58.0
Total current liabilities		1,025.2	1,522.6
Total liabilities		2,162.3	3,365.7
Total equity and liabilities		4,400.1	6,079.5

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 28 February 2022 and signed on its behalf by:

Nick Roberts
Director

Alan Williams
Director

Consolidated statement of changes in equity

For the year ended 31 December 2021

£m	Share capital	Share premium	Merger reserve	Revaluation reserve	Own shares	Foreign exchange reserve	Other	Retained earnings	Total equity before non-controlling interest	Non-controlling interest	Total equity
At 1 January 2020	25.2	545.6	326.5	14.5	(50.8)	3.2	(4.1)	1,722.6	2,582.7	4.4	2,587.1
Loss for the year	-	-	-	-	-	-	-	(22.4)	(22.4)	0.5	(21.9)
Other comprehensive income for the year net of tax	-	-	-	-	-	(2.0)	-	90.9	88.9	-	88.9
Total comprehensive (loss)/ income for the year	-	-	-	-	-	(2.0)	-	68.5	66.5	0.5	67.0
Sale of own shares	-	-	-	-	6.4	-	-	-	6.4	-	6.4
Option on non-controlling interest	-	-	-	-	-	-	-	4.9	4.9	(4.9)	-
Adjustments in respect of revalued fixed assets	-	-	-	(0.2)	-	-	-	0.2	-	-	-
Exercise of options over non-controlling interest	-	-	-	-	-	-	4.1	(4.1)	-	-	-
Adjustment to IFRS 16 – Leases transition	-	-	-	-	-	-	-	40.3	40.3	-	40.3
Equity-settled share-based payments	-	-	-	-	-	-	-	15.6	15.6	-	15.6
Tax on equity-settled share-based payments	-	-	-	-	-	-	-	(1.7)	(1.7)	-	(1.7)
Tax on revalued assets	-	-	-	-	-	-	-	(0.9)	(0.9)	-	(0.9)
Own shares movement	-	-	-	-	4.9	-	-	(4.9)	-	-	-
At 1 January 2021	25.2	545.6	326.5	14.3	(39.5)	1.2	-	1,840.5	2,713.8	-	2,713.8
Profit for the year	-	-	-	-	-	-	-	278.9	278.9	-	278.9
Other comprehensive income for the year net of tax	-	-	-	-	-	2.9	-	60.6	63.5	-	63.5
Total comprehensive income for the year	-	-	-	-	-	2.9	-	339.5	342.4	-	342.4
Demerger dividend	-	-	-	-	-	-	-	(679.7)	(679.7)	-	(679.7)
Other dividends	-	-	-	-	-	-	-	(105.4)	(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)	-	(53.8)
Shares purchased in share buyback and held as own shares by ESOT (note 19)	-	-	-	-	(16.7)	-	-	-	(16.7)	-	(16.7)
Sale of own shares	-	-	-	-	17.4	-	-	-	17.4	-	17.4
Own shares movement	-	-	-	-	31.2	-	-	(31.2)	-	-	-
Equity-settled share-based payments	-	-	-	-	-	-	-	23.2	23.2	-	23.2
Tax on equity-settled share-based payments	-	-	-	-	-	-	-	(0.7)	(0.7)	-	(0.7)
Tax on revalued assets	-	-	-	(2.7)	-	-	-	-	(2.7)	-	(2.7)
At 31 December 2021	25.2	545.6	326.5	10.5	(61.4)	4.1	-	1,387.3	2,237.8	-	2,237.8

Consolidated cash flow statement

For the year ended 31 December 2021

£m	2021	2020 (re-presented)
Cash flows from operating activities		
Operating profit	348.5	27.0
Adjustments for:		
Depreciation of property, plant and equipment	69.2	60.0
Depreciation of right-of-use assets	80.0	78.0
Amortisation of internally-generated intangibles	9.7	11.5
Amortisation of acquisition-related intangibles	11.1	8.6
Share-based payments	19.1	17.3
Foreign exchange	(0.2)	2.0
Gain on disposal of property, plant and equipment	(48.9)	(9.2)
Purchase of tool hire assets	(11.2)	(6.4)
(Increase) / decrease in inventories	(204.5)	70.0
(Increase) / decrease in receivables	(171.5)	500.4
Increase / (decrease) in payables	224.2	(373.0)
Payments in respect of adjusting items in excess of the income statement charge	(27.4)	27.7
Pension payments in excess of the income statement charge	-	(11.5)
Cash generated from operations	298.1	402.4
Interest paid and debt arrangement fees	(15.1)	(29.6)
Interest on lease liabilities	(21.1)	(21.2)
Current income taxes paid	(59.9)	(27.7)
Net cash inflow from continuing operating activities	202.0	323.9
Net cash inflow from discontinued operating activities	127.3	162.0
Net cash from operating activities	329.3	485.9
Cash flows from investing activities		
Interest received	1.4	1.3
Proceeds on disposal of property, plant and equipment	82.2	55.4
Purchase/development of computer software	(2.2)	(2.5)
Purchases of freehold land and buildings	(80.9)	(21.6)
Purchases of other property, plant and equipment	(81.6)	(78.2)
Acquisition of subsidiary, net of cash acquired	(32.3)	-
Disposal of subsidiaries	266.9	1.3
Disposal of other investments	1.0	-
Dividends received from other investments	1.6	-
Net cash inflow / (outflow) from continuing investing activities	156.1	(44.3)
Net cash (outflow) / inflow from discontinued investing activities	(13.3)	36.6
Net cash inflow / (outflow) from investing activities	142.8	(7.7)
Cash flows from financing activities		
Bank facility fee	(0.5)	(2.9)
Shares purchased in share buyback	(70.5)	-
Sale of own shares	17.4	6.4
Repayment of lease liabilities	(75.5)	(73.2)
Payments to pension scheme	(3.6)	(3.4)
Dividends paid	(105.4)	-
Financing transactions with discontinued operations	(127.4)	76.3
Bond issue	-	248.5
Repayment of borrowings	(12.0)	(260.0)
Net cash outflow used in continuing financing activities	(377.5)	(8.3)
Net cash outflow used in discontinued financing activities	(140.4)	(172.2)
Net cash used in financing activities	(517.9)	(180.5)
Net (decrease) / increase in cash and cash equivalents	(45.8)	297.7
Cash and cash equivalents at 1 January	505.6	207.9
Cash and cash equivalents at 31 December (note 23b)	459.8	505.6

Notes to the consolidated financial statements

For the year ended 31 December 2021

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 176. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 1 to 74.

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 161 to 169.

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 during the year 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
- 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 40 to 47 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.

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.

Some financial information 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 could result in a material misstatement in the information calculated by those systems in areas such as supplier income and inventories. 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
144	18	Pension assumptions

Notes to the financial statements

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 people's costs.

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

Significant items

During the year ended 31 December 2021 the following significant items took place that are relevant to the understanding of the Group's results and financial position:

- Demerger of Wickes in April 2021
- Disposal of Plumbing & Heating Segment in September 2021

The Retail and Plumbing & Heating segments have been classified as discontinued operations and are excluded from the results of the Group from continuing operations. As required by *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*, the Income Statement and Cash Flow Statement figures for the year ended 31 December 2020 have been re-presented to show the results of the discontinued operations separately. The Balance Sheet remains as reported in the 2020 Annual Report, as per the requirements of this accounting standard.

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 comprise 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	2021	2020 (re-presented)
Sale of goods	4,443.2	3,583.0
Sale of services	143.5	114.5
	4,586.7	3,697.5

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Income and expenses continued

1. Revenue continued

b. Revenue reconciliation and like-for-like sales

£m	Merchandising	Toolstation	Total
2020 revenue (re-presented)	3,064.8	632.7	3,697.5
Network change	(104.8)	(6.2)	(111.0)
Trading days	(13.4)	(1.5)	(14.9)
2020 like-for-like revenue (re-presented)	2,946.6	625.0	3,571.6
Like-for-like change	879.5	135.6	1,015.1
2021 revenue	3,826.1	760.6	4,586.7
Network change	(47.7)	(58.7)	(106.4)
2021 like-for-like revenue	3,778.4	701.9	4,480.3
Like-for-like revenue %	28.2%	12.3%	25.4%

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	2021	2020 (re-presented)
Revenue	4,586.7	3,697.5
Cost of sales	(3,277.9)	(2,661.3)
Gross profit	1,308.8	1,036.1
Selling and distribution costs	(729.6)	(712.1)
Administrative expenses	(291.3)	(314.8)
Profit on disposal of properties	48.9	9.2
Other operating income (note 4b)	11.7	8.5
Operating profit	348.5	27.0
Adjusting items (note 3)	(6.8)	92.7
Amortisation of acquired intangible assets	11.1	8.6
Adjusted operating profit	352.8	128.3
Profit on disposal of properties	(48.9)	(9.2)
Adjusted operating profit before property disposals	303.9	119.1

b. Adjusted profit

£m	2021	2020 (re-presented)
Profit/(loss) before tax	305.6	(20.3)
Adjusting items (note 3)	(6.8)	92.7
Amortisation of acquired intangible assets	11.1	8.6
Adjusted profit before tax	309.9	81.0
Total tax	(64.8)	(14.8)
Tax on adjusting items	1.6	(20.9)
Adjusting items – deferred tax (note 3)	4.7	9.0
Tax on amortisation of acquired intangible assets	(2.7)	(1.6)
Adjusted profit after tax	248.7	52.6

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 proper understanding of the Group's 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.

£m	2021	2020 (re-presented)
Adjusting items – operating		
Branch closures and restructuring	(6.8)	96.9
IT-related settlement and impairment charge	-	(4.2)
	(6.8)	92.7
Adjusting items – tax		
Recognition of deferred tax assets	(9.6)	-
Deferred tax rate change	14.3	9.0
	4.7	101.7

Branch closures and restructuring

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

Adjusting items – tax

The tax charge includes an adjusting charge of £14.3m arising from the increase in the rate of UK corporation tax from 19% to 25% wffective on 1 April 2023 (2020: charge of £9.0m arising from the increase in the rate from 17% to 19% effective on 1 April 2020) 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).

2020 adjusting items

In June 2020 the Group announced the closure of 144 branches and the restructuring of distribution, administrative and sales functions. Costs recognised in 2020 in relation to these closures were as follows:

- £46.2m of property costs arising on the closure of branches and office locations, including a £19.1m impairment charge in respect of right-of-use assets
- £29.7m of redundancy and other restructuring costs
- £9.1m of fixed asset impairments
- £11.9m of inventory provisions in respect of closed branches and associated restructuring

The 2020 gain of £4.2m was the result of the full and final settlement of claims in relation to the cancelled replacement of the Group's merchant ERP system.

4. Expenses and other income

a. Operating profit

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

£m	2021	2020 (re-presented)
Movement of provisions against inventories	(0.6)	9.2
Cost of inventories recognised as an expense	3,119.5	2,652.1
Government grants from furlough scheme	-	(30.6)
Pension costs in administrative expenses	6.5	4.9
Pension costs in selling and distribution costs	12.2	9.1
(Reversal of impairment)/impairment losses for trade receivables (note 14)	(5.7)	15.2
Gain on disposal of property, plant and equipment	(48.9)	(9.2)

In 2020, the UK Government offered a range of financial support packages to help companies affected by Covid-19, with the Group benefiting from £30.5m of business rates relief and £30.6m of grants under the furlough scheme. The Group elected to deduct the grants from the furlough scheme in reporting the related administrative expense. The Group did not directly benefit from either of these support packages in 2021.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Income and expenses continued

4. Expenses and other income continued

b. Other operating income

£m	2021	2020 (re-presented)
Rental income	6.6	5.3
Transitional Service Agreement income	5.1	-
Profit on disposal of business/subsidiary (note 31)	-	3.2
	11.7	8.5

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.

c. Auditor's remuneration

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

£000	2021	2020
Fees payable to the Company's auditor for audit services:		
Audit of the Company's annual accounts	220	210
Auditor for the audit of the Company's subsidiaries	1,447	1,382
Additional fees payable for the prior period audit	153	65
Fees paid to the Company's auditor for other services:		
Audit-related assurance services	75	125
Services relating to corporate finance transactions	695	475
	2,590	2,257

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 86 to 90 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.

Segment result represents the result of each segment without allocation of certain central costs, finance costs and tax. Adjusted segment result 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 almost exclusively in the United Kingdom.

The Wickes business was demerged on 27 April 2021 and the Plumbing & Heating segment was disposed on 30 September 2021 and therefore are excluded from the segmental analysis. Information about these discontinued operations is provided in note 8.

a. Segment information

£m	2021			Consolidated
	Merchanting	Toolstation	Unallocated	
Revenue	3,826.1	760.6	-	4,586.7
Segment result	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 segment result	369.1	21.9	(38.2)	352.8
Less property profits	(48.9)	-	-	(48.9)
Adjusted segment result excluding property profits	320.2	21.9	(38.2)	303.9
Adjusted segment margin	9.6%	2.9%	-	7.7%
Adjusted segment 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
	2020 (re-presented)			
£m	Merchanting	Toolstation	Unallocated	Consolidated*
Revenue	3,064.8	632.7	-	3,697.5
Segment result	65.7	4.3	(43.0)	27.0
Amortisation of acquired intangible assets	6.2	2.4	-	8.6
Adjusting items	89.1	0.9	2.7	92.7
Adjusted segment result	161.0	7.6	(43.0)	128.3
Less property profits	(9.2)	-	-	(9.2)
Adjusted segment result excluding property profits	151.8	7.6	(40.3)	119.1
Adjusted segment margin	5.0%	1.2%	-	3.2%
Adjusted segment margin excluding property profits	4.6%	1.2%	-	3.2%
Average capital employed	2,084.4	430.1	(70.7)	2,443.8
Segment assets	2,583.5	567.5	739.7	3,890.7
Segment liabilities	(963.5)	(271.2)	(689.9)	(1,924.6)
Consolidated net assets	1,620.0	296.3	49.8	1,966.1
Capital expenditure	68.4	17.1	26.2	111.7
Amortisation of acquired intangible assets	6.2	2.4	-	8.6
Depreciation and amortisation of software	65.5	5.5	2.5	73.5

* Consolidated numbers excluding discontinued operations. The net assets of discontinued operations for the year ended 31 December 2020 were £747.7m, totalling £2,713.8m.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Income and expenses continued

5. Business segments continued

b. Unallocated segment assets and liabilities

Unallocated segment assets and liabilities comprise the following:

£m	2021	2020
Assets		
Financial instruments	4.9	2.8
Property, plant and equipment	17.6	35.2
Investments	-	9.2
Cash and cash equivalents	459.8	505.6
Retirement benefit surplus	275.8	178.4
Unallocated corporate assets	0.7	2.0
Deferred tax asset	13.9	6.5
	772.7	739.7
Liabilities		
Financial instruments	-	(3.5)
Tax liabilities	(0.4)	-
Deferred tax liabilities	(140.4)	(77.2)
Interest-bearing loans, borrowings and loan notes	(575.2)	(575.7)
Unallocated corporate liabilities	(17.7)	(33.5)
	(733.7)	(689.9)

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

c. Reportable segments

Segmental operating profit represents the profit earned by each segment without allocation of certain central costs, finance income and costs and income tax expense. Inter-segment trading is eliminated. Unallocated segment assets and liabilities comprise financial instruments, current and deferred taxation, cash and borrowings and pension scheme assets and liabilities.

6. Net finance costs

a. Finance costs and finance income

£m	2021	2020 (re-presented)
Interest on bank loans and overdrafts	(0.6)	(3.0)
Interest on bonds	(20.0)	(19.5)
Amortisation of issue costs of bank loans	(1.2)	(2.3)
Accelerated interest on repayments of 2014 bond (note 22)	-	(10.0)
Unwinding of discounts – property provisions	(0.1)	(0.2)
Unwinding of discounts – pension SPV loan	(2.0)	(2.1)
Net loss on remeasurement of foreign exchange	(1.3)	-
Net loss on remeasurement of derivatives at fair value	(0.5)	-
Finance costs before lease interest	(25.7)	(37.1)
Interest on lease liabilities	(21.1)	(21.2)
Finance costs	(46.8)	(58.3)
Net gain on remeasurement of foreign exchange	-	6.4
Net gain on remeasurement of derivatives at fair value	-	1.4
Other finance income – pension scheme	2.4	1.1
Interest receivable	1.5	2.0
Finance income	3.9	10.9
Net finance costs	(42.9)	(47.4)

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	2021	2020
Interest on bank loans and overdrafts	0.6	3.0
Interest on bonds	20.0	29.5
Amortisation of issue costs of bank loans	1.2	2.3
Unwinding of discounts – liability to pension scheme	2.0	2.1
Interest in discontinued operations	-	0.1
Interest for non-statutory measures	23.8	37.0

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 within equity.

a. Tax charge in income statement

£m	2021	2020 (re-presented)
Current tax:		
Current year	62.1	16.0
Prior year	0.6	3.6
Total current tax	62.7	19.6
Deferred tax:		
Current year	1.9	(4.9)
Prior year	0.2	(0.1)
Total deferred tax	2.1	(4.8)
Total tax charge	64.8	14.8

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:

	2021		2020 (re-presented)	
	£m	%	£m	%
Profit/(loss) before tax	305.6		(20.3)	
Tax at the UK corporation tax rate	58.1	19.0	(3.9)	19.0
Tax effect of expenses/credits that are not deductible/taxable	(0.4)		(1.5)	
Depreciation of non-qualifying property	2.8		2.4	
Share-based payments	(0.2)		1.9	
Deferred tax rate change	14.3		9.0	
Losses	(4.8)		3.4	
Property profits	(2.0)		-	
Gain on disposal of business	-		(0.2)	
Current period deferred tax rate differential	(3.8)		-	
Prior period adjustment	0.8		3.7	
Tax expense and effective tax rate for the year	64.8	21.2	14.8	(72.9)

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Income and expenses continued

7. Tax continued

b. Tax charge in the statement of comprehensive income

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

£m	2021	2020
Items that may not be reclassified:		
Deferred tax charge on actuarial movement	(34.3)	(22.2)
Income tax relating to other comprehensive income	(34.3)	(22.2)

c. Tax credited directly to equity

The following amounts of tax have been recognised in equity:

£m	2021	2020
Current tax: Excess tax deductions for share-based payments on exercised options	0.7	-
Deferred tax: Revaluation reserve	(2.7)	(0.9)
Deferred tax: Share-based payments	(1.4)	(1.7)
	(3.4)	(2.6)

8. Discontinued operations

During the year ended 31 December 2021 the Group completed the demerger of the Wickes business and disposal of Plumbing & Heating business. As a result, the Plumbing & Heating and Retail segments are presented as part of discontinued operations and the figures for the year ended 31 December 2020 have been re-presented.

The Wickes business was demerged on 27 April 2021. In accordance with IFRIC 17 – Distributions of Non-cash Assets to Owners, the Group recognised the distribution at fair value of £679.7m, as measured by the volume-weighted average price on the day the demerged business was admitted to the market. The difference between the fair value of the Wickes business and the carrying amount of the assets distributed has been recognised as an expense. The loss on the revaluation of the Wickes business that was distributed to shareholders was £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 from discontinued operations of £28.7m in 2021 (2020: £nil) from the Plumbing & Heating business before the completion of the sale.

a) Results of discontinued operations

£m	Year ended 31 December 2021	Year ended 31 December 2020
Revenue	1,469.2	2,460.0
Operating profit	56.0	50.1
Net finance costs	(18.4)	(37.5)
Profit before tax	37.6	12.6
Tax	(11.1)	0.6
Profit for the period of discontinued operations	26.5	13.2
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	13.2

The revenue for the year ended 31 December 2021 of £1,469.2m (2020: £2,460.0m) consists of £921.3m (2020: £1,068.8m) relating to the Plumbing & Heating business and £547.9m (2020: £1,391.2m) relating to Wickes. The operating profit of £56.0m (2020: £50.1m) consists of £28.4m (2020: loss of £1.0m) relating to the operation and sale of the Plumbing & Heating business and £27.6m (2020: £51.1m) relating to the Wickes business and its demerger.

b. Net assets distributed and disposed

£m

Assets	
Property, plant and equipment	137.1
Right-of-use assets	674.3
Goodwill	522.7
Intangible fixed assets	181.4
Inventory	347.9
Trade and other current receivables	321.7
Deferred tax asset	4.8
Cash and cash equivalents	263.9
Total assets	2,453.8
Liabilities	
Trade and other payables	(631.4)
Lease liabilities	(841.1)
Provisions	(21.8)
Total liabilities	(1,494.3)
Net Assets	959.5

c. Cash flows relating to discontinued operations

£m

	2021	2020
Net cash from operating activities	127.3	162.0
Net cash (outflow) / inflow from investing activities	(13.3)	36.6
Net cash used in financing activities	(140.4)	(172.2)
Net cash flows for the year for discontinued operations	(26.4)	26.4

Net cash flows used in investing activities represent the purchase of tangible fixed assets, offset in 2020 by proceeds of £52.4m from the disposal of Primaflow F&P, the Plumbing & Heating business' wholesale operation.

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. Net cash used in discontinued financing activities in 2020 represents the £6.0m purchase of a non-controlling interest, the repayment of £89.9m of lease liabilities and the settlement of intra-group debt. 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. In 2020, the £76.3m inflow represented settlement of intra-group debt.

Assets and liabilities**9. Goodwill and other intangible assets****Accounting policy****Goodwill**

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	Merchandising	Retail	Toolstation	Plumbing & Heating	Total
At 1 January 2020	661.0	455.2	175.4	67.5	1,359.1
Effect on movement in exchange rates	-	-	(0.6)	-	(0.6)
At 1 January 2021	661.0	455.2	174.8	67.5	1,358.5
Eliminated on disposal/demerger	-	(455.2)	-	(67.5)	(522.7)
Recognised on acquisition (see note 31(c))	21.5	-	-	-	21.5
Effect on movement in exchange rates	-	-	(4.3)	-	(4.3)
At 31 December 2021	682.5	-	170.5	-	853.0

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Assets and liabilities continued

9. Goodwill and other intangible assets continued

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 5 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.

£m	Brand	Computer software	Customer relationships	Assets under construction	Total
Cost or valuation					
At 1 January 2020	318.7	126.2	145.2	4.0	594.1
Additions	-	4.1	-	1.3	5.4
Transfers between categories	-	2.5	-	(2.5)	-
Derecognition	-	-	-	(0.2)	(0.2)
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)	-
Disposals	(168.3)	(34.2)	(3.0)	-	(205.5)
At 31 December 2021	150.4	101.5	151.6	2.7	406.2
Amortisation					
At 1 January 2020	70.0	83.1	108.4	-	261.5
Charged on acquired intangibles	2.9	-	6.3	-	9.2
Charged on internally generated intangibles	-	16.6	-	-	16.6
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 31 December 2021	71.4	91.6	117.5	-	280.5
Net book value					
At 31 December 2020	245.8	33.1	30.5	2.6	312.0
At 31 December 2021	79.0	9.9	34.1	2.7	125.7

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 10 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 28.

The amortisation charge during the year related to discontinued operations is £2.6m.

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 CGU grouping	2021			2020		
	Intangibles	Goodwill	Total	Intangibles	Goodwill	Total
Merchandising						
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 (note 31c)	-	21.5	21.5	-	-	-
Retail						
Wickes	-	-	-	162.5	455.2	617.7
Toolstation						
Toolstation UK	-	103.4	103.4	-	103.4	103.4
Toolstation Europe*	-	-	-	-	71.4	71.4
Toolstation Benelux	-	57.9	57.9	-	-	-
Toolstation France	-	9.2	9.2	-	-	-
Plumbing & Heating						
City Plumbing Supplies	-	-	-	-	51.5	51.5
Plumbnation	-	-	-	-	1.7	1.7
Underfloor Heating Store	-	-	-	-	11.2	11.2
National Shower Spares	-	-	-	-	3.1	3.1
	49.3	853.0	902.3	211.8	1,358.5	1,570.3

* The Toolstation Europe CGU grouping has been separated into distinct Toolstation Benelux and Toolstation France CGU groupings as their supply chains, leadership teams and back-office functions have been separated and this now represents the lowest level at which the Group monitors goodwill.

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 – 4 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Assets and liabilities continued

10. Property, plant and equipment continued

£m	Freehold	Long leasehold	Leasehold improvements	Plant and equipment	Total
Cost or deemed cost					
At 1 January 2020	453.8	34.5	237.9	852.7	1,578.9
Additions	12.3	-	44.7	44.5	101.5
Disposals	(43.8)	(0.4)	(18.0)	(63.2)	(125.4)
Disposals through business combinations	-	-	(1.5)	(14.6)	(16.1)
Reclassifications from current assets	-	-	-	0.7	0.7
Effect of movements in exchange rates	-	-	1.0	0.6	1.6
At 1 January 2021	422.3	34.1	264.1	820.7	1,541.2
Additions related to continuing 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)
Reclassification	9.3	-	(9.1)	3.0	3.2
Effect of movements in exchange rates	-	-	(0.4)	(0.3)	(0.7)
At 31 December 2021	483.9	32.0	154.8	508.4	1,179.1
Accumulated depreciation					
At 1 January 2020	51.9	14.6	85.1	545.3	696.9
Charged in the year	9.7	1.0	11.8	67.1	89.6
Disposals	(2.5)	(0.3)	(10.8)	(53.9)	(67.5)
Disposals through business combinations	-	-	(1.1)	(8.1)	(9.2)
Effect of movements in exchange rates	-	-	0.5	0.5	1.0
At 1 January 2021	59.1	15.3	85.5	550.9	710.8
Charged in the year on continuing 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 31 December 2021	48.8	14.2	6.4	309.6	379.0
Net book value					
At 31 December 2020	363.2	18.8	178.6	269.8	830.4
At 31 December 2021	435.1	17.8	148.4	198.8	800.1

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

£m	Freehold	Long leases	Leasehold improvements	Plant and equipment	Total
At deemed cost	20.2	3.6	-	-	23.8
At cost	463.7	28.4	154.8	508.4	1,155.3
	483.9	32.0	154.8	508.4	1,179.1

Included within freehold property is land with a value of £194.5m (2020: £182.7m) 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.

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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Assets and liabilities continued

11. Leases continued

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:

£m	2021	2020
Land and buildings	425.3	1,103.3
Plant and equipment	14.5	42.2
At 31 December	439.8	1,145.5

Additions to the right-of-use assets during the 2021 financial year end were £92.4m (2020: £92.5m) in respect of continuing operations and £2.0m (2020: £6.8m) in respect of discontinued operations. Right-of-use assets with the carrying amount of £674.3m were derecognised in the year as a result of the demerger of Wickes and disposal of the Plumbing & Heating business.

Lease liabilities:

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

£m	2021	2020
Current	74.5	158.8
Non-current	414.7	1,168.3
	489.2	1,327.1

As a result of demerger and disposal total lease liabilities of £841.1m were derecognised during the year.

Maturity analysis – contractual undiscounted cash flows:

£m	2021	2020
Less than one year	93.5	211.1
One to five years	270.9	700.1
More than five years	247.0	754.5
Total undiscounted lease liabilities at 31 December (note 27f)	611.4	1,665.7

b. Amounts recognised in the statement of profit and loss

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

£m	2021	2020 (re-presented)
Depreciation of right-of-use assets	80.0	78.0
Interest expense (included in finance costs)	21.1	21.2
Expense relating to short-term leases	4.5	2.8
Expense relating to leases of low-value assets	1.8	3.2
(Reversal of impairment) / impairment of right-of-use assets	(4.3)	19.1
Gains on lease terminations	-	(0.9)
Gains arising from sale-and-leaseback transactions	-	(0.2)

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

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

£m	2021	2020 (re-presented)
Land and buildings	66.7	67.4
Plant and equipment	13.3	10.6
	80.0	78.0

The total cash outflow for leases in 2021 was £96.7m (2020 re-presented: £94.5m).

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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Assets and liabilities continued

11. Leases continued

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

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.

The Group as lessor

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 £6.6m (2020: £5.3m).

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

£m	2021	2020
Within one year	6.2	4.5
One to two years	5.1	3.9
Two to three years	4.6	3.5
Three to four years	4.0	3.1
Four to five years	3.5	2.8
After five years	18.7	8.7
	42.1	26.5

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	2021	2020
Inventories	724.4	840.7

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, i.e. when the customer sales support payment has been earned.

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

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

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

£m	2021	2020
Other receivables	84.9	171.0
Trade payables	70.6	36.0
Inventories	(42.0)	(91.0)
Net balance sheet position	113.5	116.0

14. Trade and other receivables

Accounting policy

Trade and other receivables

The Group's trade and other receivables at the balance sheet date are comprised 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	2021	2020
Current:		
Trade receivables	558.8	664.4
Allowance for doubtful debts	(13.7)	(30.6)
	545.1	633.8
Other receivables	122.3	187.9
Other financial assets – loan notes	4.7	2.8
Prepayments and accrued income	34.6	68.2
Trade and other receivables	706.7	892.7

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 57 days (2020: 59 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.

Movement in the allowance for doubtful debts

£m	2021	2020
At 1 January	30.6	20.1
Amounts written off during the year	(7.0)	(8.9)
(Release) / charge in the year	(5.7)	19.4
Derecognised on demerger/disposal of the business	(4.2)	-
At 31 December	13.7	30.6

The methodology applied in the calculation of expected credit loss in the year ended 31 December 2020 took into account the risks associated with the Covid-19 outbreak and resulted in the additional provision. Those judgements have been revised and the additional provision was released during the year ended 31 December 2021.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Assets and liabilities continued

14. Trade and other receivables continued

Expected credit loss assessment

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.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2020.

£m	Gross carrying amount	Weighted average loss rate	Loss allowance	Credit impaired
Current (not past due)	609.2	1.0%	(5.1)	No
Days overdue:				
1-30	17.5	12.6%	(1.8)	No
31-60	6.0	20.7%	(1.0)	No
61-90	3.5	49.9%	(1.5)	No
91-120	5.7	90.0%	(4.3)	No
More than 120	22.5	90.0%	(16.9)	Yes
	664.4		(30.6)	

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 10 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. 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.

£m	Property	Insurance	Restructuring	Total
At 1 January 2020	21.2	32.7	14.5	68.4
Charge to income statement	27.4	2.1	36.3	65.8
Utilisation of provision	(6.8)	(3.5)	(44.0)	(54.3)
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
Included in current liabilities	9.1	20.1	-	29.2
Included in non-current liabilities	6.8	-	-	6.8
	15.9	20.1	-	36.0

The restructuring provision relates to the 2020 branch closures and restructuring activities treated as adjusting items in that year. It excludes property-related provisions and inventory and trade creditor amounts which are separately classified. The 2021 credit to property provisions of £3.3m is presented after a credit of £4.8m relating to the release of property provisions originally created through adjusting items.

The following table details the Group's liquidity analysis of its provisions, based on the undiscounted net cash outflows.

£m	0-1 year	1-2 years	2-5 years	5+ years	Total
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
2020:					
Property	19.9	7.1	10.6	4.2	41.8
Insurance	31.3	-	-	-	31.3
Restructuring	6.8	-	-	-	6.8
	58.0	7.1	10.6	4.2	79.9

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 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
Properties 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 (note 18)	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

£m (Asset)/liability:	At 1 Jan 2020	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 Dec 2020
Capital allowances	(0.9)	(4.8)	-	-	(5.7)
Trading losses	(1.9)	(0.4)	-	-	(2.3)
Revaluation of property	7.6	-	0.9	-	8.5
Share-based payments	(9.8)	(0.2)	1.7	-	(8.3)
Provisions	1.5	1.3	-	-	2.8
Properties acquired in business combinations	4.9	(0.1)	-	-	4.8
Brand	48.4	4.1	-	-	52.5
Pension scheme asset (note 18)	9.0	2.9	-	22.0	33.9
Deferred gains on property disposals	27.1	0.9	-	-	28.0
Leases	(23.2)	(13.8)	-	-	(37.0)
Deferred tax	62.7	(10.1)	2.6	22.0	77.2

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 is now met. This has been disclosed as an adjusting item (note 3). No deferred tax asset has been recognised on losses of £39.0m 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.

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 (2020: 19%).

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Assets and liabilities continued

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	2021	2020
Trade payables	642.0	892.7
Other taxation and social security	65.0	50.1
Other payables	88.0	124.1
Accruals and deferred income	126.1	237.3
Trade and other payables	921.1	1,304.2

Included in trade payables at 31 December 2021 are amounts of £107.0m (2020: £89.8m) 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 2021 was £9.9m (2020: £18.3m). 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.

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:

£m	2021			2020		
	Gross assets	Gross obligations	Net	Gross assets	Gross obligations	Net
At 1 January actuarial asset/(deficit)	1,770.8	(1,592.4)	178.4	1,582.0	(1,529.4)	52.6
<i>Amounts recognised in income:</i>						
Current service costs and administrative expenses	(1.6)	(0.3)	(1.9)	(1.2)	(0.4)	(1.6)
Interest income/(interest cost)	24.4	(21.9)	2.5	31.2	(30.1)	1.1
<i>Other movements:</i>						
Contributions from sponsoring companies	1.9	-	1.9	13.0	-	13.0
Foreign exchange	(0.5)	0.5	-	0.6	(0.5)	0.1
Benefits paid	(50.6)	50.6	-	(48.1)	48.1	-
<i>Amounts recognised in other comprehensive income:</i>						
Return on plan assets (excluding amounts included in net interest)	(2.2)	-	(2.2)	193.3	-	193.3
Actuarial (loss)/gain arising from changes in demographic assumptions	-	(15.5)	(15.5)	-	60.5	60.5
Actuarial gain/(loss) arising from changes in financial assumptions	-	93.5	93.5	-	(163.5)	(163.5)
Actuarial gain arising from experience adjustments	-	19.1	19.1	-	22.9	22.9
Gross pension asset/(liability) at 31 December	1,742.2	(1,466.4)	275.8	1,770.8	(1,592.4)	178.4

The assets valuation of £1,742.2m (2020: £1,770.8m) at 31 December 2021 consists of the TP DB Scheme £1,334.5m (2020: £1,359.7m) and the BSS DB Scheme £407.7m (2020: £411.1m). The obligation valuation of £1,466.4m (2020: £1,592.4m) consists of the TP DB Scheme £1,115.8m (2020: £1,214.1m) and the BSS DB Scheme £350.6m (2020: £378.3m).

The actual return on scheme assets of £22.2m (2020: £224.5m) is represented by the interest income and 'return on plan assets (excluding amounts included in net interest)' figures above.

The deferred tax liability of £68.8m (2020: £33.9m) 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 2021 is £207.0m (2020: £144.5m). 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

	At 31 December 2021	At 31 December 2020
Rate of increase of pensions in payment (post 2006 entitlement)	2.05%	1.95%
Rate of increase of pensions in payment 1997-2006	3.00%	2.70%
Discount rate	1.95%	1.40%
Inflation assumption - RPI	3.10%	2.75%
Inflation assumption - CPI	2.50%	2.15%

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Assets and liabilities continued

18. Pension arrangements continued

c. Defined benefit scheme obligations continued

ii. Major actuarial assumptions continued

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 2021 was 21.5 years for men and 23.6 years for women (2020: 21.3 years for men and 23.4 years for women). The mortality assumptions have not been updated to reflect the potential effects of COVID-19 as a result of the uncertainty of the impact on long-term mortality rates.

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 2021 is given below.

£m		TP	BSS
Assumption		Schemes	Schemes
Discount rate	Increase of 0.1%	(20)	(6)
	Decrease of 0.1%	21	6
Inflation	Increase of 0.1%	11	5
	Decrease of 0.1%	(11)	(4)
Longevity	Increase of 1 year	50	15
	Decrease of 1 year	49	(15)

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. Following a review of the investment strategy, a derisking exercise is currently being undertaken with a higher proportion of the largest two pension schemes' assets being invested in gilts and corporate bonds ("liability driven investments"). Currently the schemes have investments in equity securities, secured finance assets, bonds, debt instruments and real estate. Due to the long-term nature of the scheme liabilities the trustees of the pension funds previously considered it appropriate that a reasonable portion of the scheme assets should be invested in equities.

All fair values are provided by the fund managers. Where available, the fair values are quoted prices (eg listed equity, sovereign debt and corporate bonds). Unlisted investments (eg private equity) 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 2021	At 31 December 2020
Level 1:		
Cash	4.3	10.1
Level 2:		
Equities	4.1	4.4
Secured finance	235.6	226.2
Corporate bonds	534.1	542.9
Diversified growth fund	1.0	36.9
Liability driven investments	1,965.9	1,831.4
Repurchase agreements	(1,037.3)	(1,044.2)
Property funds	0.4	129.0
Level 3:		
SPV asset	34.1	34.1
	1,742.2	1,770.8

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 £16.8m (2020: £21.4m)

f. Pension scheme contributions for the year

The total charge to the income statement disclosed in note 4 of £18.7m (2020 re-presented: £14.0m) comprises defined benefit scheme current service costs of £1.9m (2020: £1.6m) and £16.8m (2020 re-presented: £12.4m) 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

Ordinary shares	Authorised, Issued and fully paid	
	No.	£m
At 1 January 2020 and 1 January 2021	252,143,923	25.2
Share consolidation	(27,117,997)	-
At 31 December 2021	225,025,926	25.2

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 consolidation

On 29 April 2021 the Group completed a consolidation of its shares at a ratio of 0.8925 new ordinary shares for each share held at the record time in order to maintain broad comparability with the Company's share price before the demerger of Wickes. Each ordinary share has a nominal value of 11.2p. Before the share consolidation each ordinary share had a nominal value of 10.0p.

Share buy-back

Following the disposal of the Plumbing & Heating business on 30 September 2021, the Company announced a special dividend of £78.5m and a share buyback programme of £170.0m. The Directors' intention is to extend the share buyback programme in 2022 in order to distribute the full net proceeds of the sale. The share buyback is taking place within the limitations of the authority granted to the Board at the Company's annual general meeting held on 27 April 2021. Whilst the intention was to extend the programme in 2022, the contract for the share buy back arrangement specifically states that the programme is cancellable, and therefore no liability has been recognised for the remaining shares that were not yet purchased at 31 December 2021.

A total of 4.6m shares were purchased in 2021, of which 3.5m are held as treasury shares and 1.1m were transferred to the Employee Share Ownership Trust with further transactions expected in 2022. The shares were acquired at an average price of £15.19 per share, with prices ranging from £14.58 to £15.76. The total cost of £70.5m, including £0.3m of after-tax transaction costs, was deducted from shareholder's equity.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Capital continued

19. Share capital and reserves continued

b. Own shares

No.	2021			2020
	Treasury shares	ESOT shares	Total	ESOT shares
At 1 January	-	2,879,021	2,879,021	3,944,144
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	-
Reissued	-	(3,162,155)	(3,162,155)	(1,065,123)
At 31 December	3,533,419	507,371	4,040,790	2,879,021

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 2021 the 3.5m of own shares were held as treasury shares with the value of £53.8m, representing 2% of issued share capital. It is the Group's intention to cancel those shares during 2022.

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 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
- Retained earnings represents cumulative results for the Group

20. Earnings per share

a. Basic and diluted earnings per share

£m	2021	2020 (re-presented)
Profit/(loss) attributable to the owners of the parent		
- from continuing operations	240.8	(35.6)
- from discontinued operations	38.1	13.2
Weighted average number of shares for the purposes of basic earnings per share	221,766,613	248,566,317
Dilutive effect of share options on potential ordinary shares	2,967,694	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	234,734,307	248,566,317
Earnings/(loss) per share		
- from continuing operations	103.9p	(14.3)p
- from discontinued operations	16.4p	5.3p
- total	120.3p	(9.0)p
Diluted Earnings/(loss) per share		
- from continuing operations	102.6p	(14.3)p
- from discontinued operations	16.2p	5.3p
- total	118.8p	(9.0)p

The re-presentation within this note is only for the profit / (loss) attributable to the owners of the parent and subsequent calculation of earnings / (loss) per share. No re-presentation was made with respect to the number of shares following share consolidation.

6,545 share options (2020: 382,770 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	2021	2020 (re-presented)
Earnings for the purposes of earnings per share	240.8	(35.6)
Adjusting items	(6.8)	92.7
Amortisation of acquired intangible assets	11.1	8.6
Tax on adjusting items	1.6	(20.9)
Adjusting deferred tax	4.7	9.0
Tax on amortisation of acquired intangible assets	(2.7)	(1.6)
Earnings for adjusted earnings per share	248.7	52.2
Adjusted earnings per share	107.3p	21.0p
Adjusted diluted earnings per share	105.9p	21.0p

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	2021	2020
Final dividend for the year ended 31 December 2020 of nil pence (2020: nil pence) per ordinary share	-	-
Interim dividend for the year ended 31 December 2021 of 12.0 pence (2020: nil pence) per ordinary share	26.9	-
Special dividend of 35.0 pence (2020: nil pence) per ordinary share	78.5	-
Total dividend recognised during the year	105.4	-

The Directors are recommending a final dividend of 26.0p in respect of the year ended 31 December 2021. The anticipated cash payment in respect of the proposed final dividend is £58.5m (2020: £nil).

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Capital continued

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 pages 38 to 39. At 31 December 2021 all borrowings were denominated in sterling (2020: sterling).

a. Summary

£m	2021	2020
Liability to pension scheme	28.5	30.1
Sterling bonds	550.0	550.0
Finance charges netted off borrowings	(3.3)	(4.4)
	575.2	575.7
Current liabilities	-	-
Non-current liabilities	575.2	575.7
	575.2	575.7

b. Analysis of other borrowings

£m	2021	2020
Borrowings repayable:		
On demand or within one year	-	-
More than one year, but not more than five years	550.0	550.0
More than five years	28.5	30.1
Gross borrowings	578.5	580.1
Unamortised fees	(3.3)	(4.4)
	575.2	575.7

c. Facilities

At 31 December 2021, the following facilities were available:

£m	2021	2020
Drawn facilities:		
£250m sterling bond (2020)	250.0	250.0
£300m sterling bond	300.0	300.0
	550.0	550.0
Undrawn facilities:		
Five year committed revolving credit facility	400.0	400.0
Bank overdrafts	15.0	30.0
	415.0	430.0

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.

In November 2020, the Group raised £250m via a long five-year public bond issuance at a coupon of 3.75%.

d. Interest

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

%	2021	2020
Assets:		
Short-term deposits	0.1	0.3
Liabilities:		
£250m sterling bond (2026)	3.8	3.8
£300m sterling bond	4.5	4.5
Bank loans and overdrafts	1.9	1.2

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.

£m	2021		2020	
	Effective interest rate	£m	Effective interest rate	£m
Assets:				
Short-term deposits	0.2%	435.0	0.1%	455.0
Liabilities:				
£250m sterling bond (2026)	3.8%	250.0	3.8%	250.0
£300m sterling bond	4.5%	300.0	4.5%	300.0
		550.0		550.0

e. Fair values

For both the Group and the Company the fair values of financial assets and liabilities have been determined based on the market prices at 31 December. There were no material differences between book and fair values on this basis and therefore no further information is disclosed.

Details of the fair values of derivatives are given in note 27.

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
- £300m sterling bond
- £400m revolving credit facility
- Currency derivatives (note 27)

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 (2020: £25m).

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Capital continued

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	Leases	Term loan, revolving credit facility and loan notes	Sterling bonds	Liability to pension scheme	Total
At 1 January 2020	(207.9)	1,412.3	(2.1)	553.9	31.5	1,787.7
Additions to leases	-	99.3	-	-	-	99.3
Disposals of leases	-	(21.4)	-	-	-	(21.4)
Cash flow	(297.7)	(222.1)	(0.5)	-	(3.4)	(523.7)
Finance charges movement	-	-	0.6	(0.5)	-	0.1
Amortisation of swap cancellation receipt	-	-	-	(5.8)	-	(5.8)
Discount unwind on liability to pension scheme	-	-	-	-	2.0	2.0
Discount unwind on lease liabilities	-	59.0	-	-	-	59.0
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
31 December 2021	(459.8)	489.2	(1.5)	548.2	28.5	604.6

b. Covenant net debt

£m	2021	2020
Cash and cash equivalents	459.8	505.6
Non-current interest-bearing loans and borrowings	(575.2)	(575.7)
Non-current lease liabilities (note 11a)	(414.7)	(1,168.3)
Current lease liabilities (note 11a)	(74.5)	(158.8)
Net debt	(604.6)	(1,397.2)
Less: Liability to pension scheme	28.5	30.1
Less: Lease liabilities	489.2	1,327.1
Covenant net debt	(86.9)	(40.0)

Cash and cash equivalents comprises short term deposits of £435.0m (2020: £455.0m) and cash of £24.8m (2020: £50.6m).

24. Free cash flow

£m	2021	2020 (re-presented)
Adjusted operating profit	352.8	128.3
Less: Profit on disposal of properties	(48.9)	(9.2)
Adjusted operating profit excluding property profit	303.9	119.1
Share-based payments	19.1	12.2
Other net interest paid	(13.7)	(28.3)
Interest on lease liabilities	(21.1)	(21.3)
Income tax paid	(59.9)	(27.6)
Movement on working capital	(151.8)	197.4
Depreciation of property, plant and equipment	69.2	60.0
Amortisation and impairment of internally-generated intangibles	9.7	11.5
Capital expenditure excluding freehold purchase	(95.0)	(87.1)
Disposal of plant and equipment	4.4	5.4
Free cash flow	64.8	241.3

Risk

25. Net debt to adjusted EBITDA

£m	2021	2020 (re-presented)
Operating profit	348.5	27.0
Depreciation and amortisation	170.0	158.1
EBITDA	518.5	185.1
Adjusting operating items (note 3)	(6.8)	92.7
Share of associates' results	-	0.1
Adjusted EBITDA	511.7	277.9
Net debt (note 23b)	604.6	1,397.2
Net debt to adjusted EBITDA	1.2x	5.0x
Memo: Net debt excluding discontinued operations to adjusted EBITDA	1.2x	2.0x

26. Return on capital ratios

Group return on capital employed is calculated as follows:

£m	2021	2020 (re-presented)
Operating profit	348.5	27.0
Amortisation of acquired intangible assets	11.1	8.6
Adjusting items (Note 3)	(6.8)	92.7
Adjusted operating profit	352.8	128.3
Opening net assets	2,713.8	2,587.1
Net pension surplus	(144.5)	(43.7)
Net debt	1,397.2	1,787.7
Less: net assets of discontinued operations	(747.7)	(902.3)
Less: net borrowings of discontinued operations	(842.1)	(918.7)
Opening capital employed	2,376.7	2,510.1
Closing 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)
Closing capital employed	2,635.4	2,376.7
Average capital employed	2,506.1	2,443.4

Group return on capital employed is calculated as follows:

£m	2021	2020 (re-presented)
Adjusted operating profit	352.8	128.3
Average capital employed in continuing operations	2,506.1	2,443.4
Return on capital employed	14.1%	5.3%

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Risk continued

27. 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.

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.

a. The carrying value of categories of financial instruments

£m	2021	2020
Financial assets:		
Mandatorily at FVTPL	0.2	2.8
Loans and receivables (including cash and cash equivalents) at amortised cost	1,131.9	1,327.3
Designated instrument-by-instrument as either FVTPL or FVOCI	-	4.7
	1,132.1	1,334.8
Financial liabilities:		
Mandatorily at FVTPL	-	1.6
Borrowings (note 22a)	575.2	575.7
Trade and other payables at amortised cost (note 17)	730.0	1,016.8
	1,305.2	1,594.1

Loans and receivables exclude prepayments of £34.6m (2020: £68.2m). Trade and other payables exclude taxation and social security and accruals and deferred income totalling £191.1m (2020: £287.4m). 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	2021	2020
Included in assets:		
Level 1: Foreign currency forward contracts at fair value through profit and loss	0.2	-
Included in liabilities:		
Level 2: Foreign currency forward contracts at fair value through profit and loss	-	1.6

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 2021 no interest rate risks were hedged (2020: none).

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 EUR11.0m and US\$20.5m (2020: US\$85.0m). The fair value of these derivatives was £0.2m (2020: £1.6m liability). 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

Risk continued

27. Financial instruments continued

At 31 December 2021 the Group had no floating rate liabilities. There was £435m on short-term deposit at 31 December 2021 (2020: £455m).

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 2021 would have increased/decreased by £4.4m (2020: increased/decreased by £4.6m) due to the short-term deposits
- Net equity would have increased/decreased by £3.5m (2020: increased/decreased by £3.7m)

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.

£m	2021				Total
	0-1 year	1-2 years	2-5 years	5+ years	
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 27a)	(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)

£m	2020				Total
	0-1 year	1-2 years	2-5 years	5+ years	
Total gross settled: foreign exchange forward contracts	(64.7)	-	-	-	(64.7)
Total derivative financial instruments	(64.7)	-	-	-	(64.7)
Net settled:					
Borrowings	-	-	(550.0)	(30.1)	(580.1)
Trade and other payables at amortised cost (note 27a)	(1,016.8)	-	-	-	(1,016.8)
Finance leases	(211.1)	(200.9)	(499.2)	(754.5)	(1,665.7)
Total financial instruments	(1,292.6)	(200.9)	(1,049.2)	(784.6)	(3,327.3)

28. 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. The key assumptions for the value-in-use 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 potential 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 'Sustainability report'.

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.

	2021	2020
Pre-tax discount rate	8.9%-10.2%	8.2-11.8%
Long-term growth rate	1.7%	1.5%

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 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 (2025 and beyond) have been determined using the long term growth rate.

Impairment charge

At the end of 2021 financial year the recoverable amount of goodwill and intangible assets with indefinite useful lives in all segments was in excess of their book value and therefore no impairment has been recognised. The impairment reviews have shown that none of the CGUs were sensitive to changes in the assumptions used in the impairment review.

29. Capital commitments

£m	2021	2020
Contracted for but not provided in the accounts	51.9	39.2

30. Investments

£m	2021	2020
Equity investments designated as FVTPL:		
Investment in property entity	-	1.2
Shares held in invested entities	-	3.5
Loans receivable at amortised cost:		
Loans to property entities	-	0.8
Loans to invested entities	-	3.7
	-	9.2

During the year the property entity investment, representing a minority holding in a property-owning entity that acquired assets from the Group in 2006 and 2015, was liquidated following the distribution of its assets. Loans to invested entities were derecognised, following the acquisition of Staircraft business. On 30 December 2021, the Group's 34% shareholding in The Mosaic Tile Company Limited was sold for cash consideration of £1.0m and £3.1m of vendor loan notes.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

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.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£m
Cash consideration paid	38.2
Financial liabilities assumed from the seller	0.8
Settlement of pre-existing loans	2.3
Fair value of pre-existing equity investments	6.7
Total consideration	48.0

Fair values ascribed to the identifiable assets and liabilities acquired and the goodwill recognised are:

	£m
Property, plant and equipment (note 10)	27.6
Intangibles	0.5
Intangible assets – R&D (note 9)	2.0
Intangible assets – customer relationships (note 9)	7.4
Inventory	9.3
Trade and other receivables	9.1
Cash	5.9
Deferred tax liability (note 16)	(8.8)
Trade and other payables	(13.5)
Provisions	(1.0)
Loans	(12.0)
Net identifiable assets acquired	26.5
Goodwill (note 9)	21.5
Net assets acquired	48.0

The goodwill recognised is principally made up of the value of the assembled workforce. It will not be deductible for tax purposes.

Outflow of cash to acquire subsidiary, net of cash acquired:

	£m
Cash consideration	38.2
Less: cash acquired	(5.9)
Net outflow of cash – investing activities	32.3

Revenue and profit contribution

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.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and Staircraft, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2021, together with the consequential tax effects.

Acquisition-related costs

Acquisition-related costs of £0.2m are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

d. 2020 acquisitions and disposals

On 31 January 2020, the Group sold the Primaflow F&P wholesale business for cash consideration of £50.1m. Total net assets sold were £48.3m generating profit on disposal of £1.8m. As a result of this transaction, £2.9m of goodwill was derecognised by the Group. On 30 September 2020, the Group sold Tile Giant Limited for a total consideration of £6.1m generating profit on disposal of £1.4m. Total consideration consisted of cash consideration of £3.3m and loan notes of £2.8m.

On 30 October 2020, the Group acquired an additional 10% of the issued share capital of The Underfloor Heating Store Limited for cash consideration of £6.0m, resulting in the Group controlling 100% of the issued share capital. On 17 December 2020, the Group acquired an additional 10% of the issued share capital of TFS Holdings Limited for consideration of £1.9m, resulting in the Group controlling 100% of the issued share capital.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

People

32. Staff costs

a. Average number of persons employed

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

No.	2021	2020 (re-presented)
Sales and distribution	17,415	16,249
Administration	1,418	1,263
	18,833	17,512

The average monthly number of persons employed (including Executive Directors) in 2021 including the discontinued operations was 24,136 (2020: 29,288).

b. Aggregate remuneration

£m	2021	2020 (re-presented)
Staff costs – wages and salaries	544.5	443.5
Staff costs – social security costs	48.6	43.7
Staff costs – other pension costs (note 18)	18.7	18.4
Share-based payments (note 33)	19.1	12.5
	630.9	518.1

The total staff costs including the discontinued operations were £793.0m (2020: £839.8m).

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 97.

The total amounts received or receivable by directors under long term incentive schemes in respect of qualifying service in the year is £278,000 (2020: £275,000). The aggregate of gains made by the directors in the year on the exercise of share options equated to £nil (2020: £8,000).

Details with respect to share options exercised in the year are set out on page 99.

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). 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:

£m	2021		2020		
	SAYE	Nil price options	Executive options	SAYE	Nil price options
Share price at grant date (pence)	1,518.5	1,610.6	1,148.5	1,204.0	1,110.8
Option exercise price (pence)	1,411.0	–	1,143.5	898.0	–
Volatility (%)	44.3%	45.7%	42.5%	40.7%	42.5%
Option life (years)	3.1	2.1	2.2	3.9	2.2
Risk-free interest rate (%)	0.5%	0.1%	(0.1%)	(0.0%)	(0.1%)
Expected dividends as a dividend yield (%)	1.3%	1.3%	2.5%	2.5%	2.5%

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 pages 94 to 100. The estimated fair values of the shares under option granted under the Group's share schemes in 2021 are as follows:

Share scheme	Grant date	Fair value for the Group £m
Executive Retention Award (nil-price options)	20 January 2021	0.2
Executive Bridging Award (nil-price options)	12 February 2021	0.3
Performance Share Plan (nil-price options)	19 February 2021	0.2
Restricted Share Plan (nil-price options)	14 June 2021	7.5
Save As You Earn – Sterling	5 October 2021	4.9
Save As You Earn – Euro	5 October 2021	0.4

The Group charged £23.2m (2020: £15.6m) to the income statement in respect of equity-settled share-based payment transactions, of which £19.1m related to continuing operations and £4.1m related to discontinued operations.

c. Share options for the Group

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

In thousands of options	The Group					
	2021			2020		
	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	947	6,233	4,265	1,092	4,356	3,597
Forfeited during the year	969	(1,303)	(541)	1,081	(874)	(429)
Exercised during the year	955	(1,808)	(1,255)	1,167	(554)	(454)
Granted during the year	1,411	1,064	529	908	3,304	1,550
Outstanding at the end of the year	1,054	4,185	2,997	947	6,233	4,265
Exercisable at the end of the year	1,579	326	51	1,563	225	304

Details of the options outstanding at 31 December 2021 are as follows:

	The Group					
	2021			2020		
	Executive options	SAYE	Nil price options	Executive options	SAYE	Nil price options
Range of exercise prices (pence)	743-1,958	898-1,616	-	743-1,958	898-1,616	-
Weighted average exercise price (pence)	1,183	1,042	-	1,298	926	-
Number of shares (thousands)	221	3,953	3,127	347	5,798	4,373
Weighted average expected remaining life (years)	0.8	2.6	1.0	1.4	2.3	1.2
Weighted average contractual remaining life (years)	8.3	2.7	8.4	8.3	2.4	8.3

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

People continued

33. Share-based payments continued

d. Impact of vesting and exercise

If all 0.2m outstanding executive options vest and then are exercised on the date of vesting, or in the case of SAYE all 3.6m shares are acquired on the first possible day, 3.8m of shares will be issued for a consideration of £40.5m in the years below:

	2022		2023		2024		2025		2026	
	No. m	£m	No. m	£m	No. m	£m	No. m	£m	No. m	£m
Options	0.1	1.3	0.1	1.4	-	-	-	-	-	-
SAYE	0.1	0.7	2.1	18.6	0.9	13.1	0.4	3.7	0.1	1.7

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	2021	2020
Short-term employee benefits	10.9	11.3
Post-employment benefits	0.4	0.4
Share-based payments	11.5	7.8
	22.8	19.5

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:

- Covid-19 Related rent concessions (Amendments to IFRS 16)
- Interest Rate Benchmark Reform; Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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
- Property, Plant and Equipment – proceeds before intended use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Onerous Contracts – cost of fulfilling a contract (Amendments to IAS 37)
- Annual improvements to IFRS Standards 2018-2020
- Classification of liabilities as current or con-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 2021

£m	Notes	2021	2020
Assets			
Non-current assets			
Tangible assets		0.2	0.2
Investment in subsidiaries	2	2,008.9	2,726.9
Investments	3	-	6.7
Deferred tax asset	4	3.1	4.5
Total non-current assets		2,012.2	2,738.3
Current assets			
Debtors	5	981.5	1,317.6
Derivative financial instruments	9	0.2	-
Cash and cash equivalents		440.4	461.1
Total current assets		1,422.1	1,778.7
Total assets		3,434.3	4,517.0
Equity and liabilities			
Capital and reserves			
Issued capital		25.2	25.2
Share premium account		545.6	544.3
Merger reserve		326.5	326.5
Own shares		(61.4)	(39.5)
Accumulated profits		1,373.2	2,191.6
Total equity	6	2,209.1	3,048.1
Non-current liabilities			
Interest-bearing loans and borrowings	7	546.7	545.6
Amounts due to subsidiaries	8	642.0	744.7
Total non-current liabilities		1,188.7	1,290.3
Current liabilities			
Derivative financial instruments	9	-	1.6
Amounts due to subsidiaries	8	13.1	160.0
Other creditors	10	23.4	17.0
Total current liabilities		36.5	178.6
Total liabilities		1,225.2	1,468.9
Total equity and liabilities		3,434.3	4,517.0

The Company's loss for the year was £24.0m (2020: Profit for the year £1,253.4m).

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 28 February 2022 and signed on its behalf by:

Nick Roberts
Director

Alan Williams
Director

Company statement of changes in equity

For the year ended 31 December 2021

£m	Share capital	Share premium	Merger reserve	Own shares	Other	Retained earnings	Total equity
At 1 January 2020	25.2	544.3	326.5	(50.8)	(4.1)	931.9	1,773.0
Profit and total comprehensive income for the year	-	-	-	-	-	1,253.4	1,253.4
Sale of own shares	-	-	-	6.4	-	-	6.4
Own shares movement	-	-	-	4.9	-	(4.9)	-
Equity-settled share-based payments	-	-	-	-	-	15.6	15.6
Tax on equity-settled share-based payments	-	-	-	-	-	(0.3)	(0.3)
Options on non-controlling interest	-	-	-	-	4.1	(4.1)	-
At 31 December 2020	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)
Other 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	(61.4)	-	1,373.2	2,209.1

Notes to the Company's financial statements

For the year ended 31 December 2021

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 1 to 74. 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 176.

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.

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 40 to 46 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.

Notes to the Company's financial statements *continued*

For the year ended 31 December 2021

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 4c 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 86 to 90.

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

Staff costs (including Directors):

£m	2021	2020
Wages and salaries	7.5	6.9
Social security costs	1.0	0.8
Other pension costs	0.2	0.2
Share-based payments (note 12)	10.0	7.0
	18.7	14.9

The average monthly number of persons employed including Directors during the year was 70 (2020: 60).

2. Investments in subsidiaries

Accounting policy

Investments in subsidiaries are carried at cost less impairment.

£m	2021	2020
Cost		
At 1 January	4,047.9	3,945.7
Additions	49.5	106.1
Reclassification from other investments	1.0	-
Derecognised on demerger	(1,168.3)	(3.9)
At 31 December	2,930.1	4,047.9
Provision for impairment		
At 1 January	(1,321.0)	(356.2)
Impairment charge	(88.8)	(964.8)
Derecognised on demerger	488.6	-
At 31 December	(921.2)	(1,321.0)
Net book value at 31 December	2,008.9	2,726.9

The additions to investments in 2021 represent the capitalisation of a £37.9m (2020: £73.3m) 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. 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.

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.

In 2020, following distributions made from certain non-trading subsidiaries as part of the ongoing simplification of the Group, there was a reduction in net asset values and accordingly the Company recognised impairments of £964.8m.

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

3. Investments

£m	2021	2020
Equity investments designated as FVTPL: shares held in invested entities	-	3.0
Loans receivable at amortised cost: loans to invested entities	-	3.7
	-	6.7

4. Deferred tax

£m	At 1 Jan 2020	Recognised in income	Recognised in equity	At 1 Jan 2021	Recognised in income	At 31 Dec 2021
Liability/(asset):						
Share-based payments	(3.5)	(0.9)	0.3	(4.1)	1.2	(2.9)
Other timing differences	(0.4)	-	-	(0.4)	0.2	(0.2)
	(3.9)	(0.9)	0.3	(4.5)	1.4	(3.1)

5. 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	2021	2020
Current:		
Amounts owed by subsidiaries	881.5	1,261.4
Other financial assets – loan notes	4.7	2.8
Other debtors	95.3	53.4
	981.5	1,317.6

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

6. 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 2020 and 1 January 2021	252,143,923	25.2
Share consolidation	(27,117,997)	-
At 31 December 2021	225,025,926	25.2

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

No.	2021			2020
	Treasury shares	ESOT shares	Total	ESOT shares
At 1 January	-	2,879,021	2,879,021	3,944,144
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	-
Reissued	-	(3,162,155)	(3,162,155)	(1,065,123)
At 31 December	3,533,419	507,371	4,040,790	2,879,021

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 2021 3.5m of own shares were held as treasury shares with a value of £53.8m, representing 2% of issued share capital. It is the Group's intention to cancel those shares during 2022.

Notes to the Company's financial statements continued

For the year ended 31 December 2021

6. Share capital and reserves (continued)

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 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 approximate total of £1,243.3m (2020: £2,070.8m). When required the Company can receive dividends from its subsidiaries to increase the available distributable reserves.

7. 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	2021	2020
Sterling bonds	550.0	550.0
Finance charges netted off borrowings	(3.3)	(4.4)
	546.7	545.6
Current liabilities	-	-
Non-current liabilities	546.7	545.6
	546.7	545.6

£m	2021	2020
Borrowings repayable:		
More than one year, but not more than five years	550.0	550.0
More than five years	-	-
Unamortised fees	(3.3)	(4.4)
	546.7	545.6

At 31 December 2021 all borrowings were denominated in sterling (2020: 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.

	2021		2020	
	Effective interest rate	£m	Effective interest rate	£m
Assets:				
Short-term deposits	0.2%	435.0	0.8%	455.0
Liabilities:				
£250m sterling bond	3.8%	250.0	3.8%	250.0
£300m sterling bond	4.5%	300.0	4.5%	300.0
		550.0		550.0

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

8. Amounts due to subsidiary undertakings

£m	2021	2020
Amounts due to subsidiary undertakings – non current	642.0	744.7
Amounts due to subsidiary undertakings – current	13.1	160.0
	655.1	904.7

Amounts due to subsidiary undertakings relate to loans and other balances. These loans are interest-free except for a £170m loan bearing interest at 1.2% above the base rate.

9. Financial instruments

a. The carrying value of categories of financial instruments

£m	2021	2020
Financial assets:		
Mandatorily at FVTPL	0.2	2.8
Loans and receivables (including cash and cash equivalents) at amortised cost	1,421.9	1,726.2
Designated instrument-by-instrument as either FVTPL or FVOCI	-	3.0
	1,422.1	1,732.0
Financial liabilities:		
Mandatorily at FVTPL	-	1.6
Borrowings (note 7)	546.7	545.6
Trade and other payables at amortised cost	677.6	920.3
	1,224.3	1,467.5

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.

£m	2021				Total
	0-1 year	1-2 years	2-5 years	5+ years	
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)

£m	2020				Total
	0-1 year	1-2 years	2-5 years	5+ years	
Total gross settled: foreign exchange forward contracts	(1.6)	-	-	-	(1.6)
Total derivative financial instruments	(1.6)	-	-	-	(1.6)
Net settled:					
Borrowings	-	-	(545.6)	-	(545.6)
Trade and other payables at amortised cost	(15.6)	-	-	-	(15.6)
Total financial instruments	(15.6)	-	(545.6)	-	(561.2)

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	2021	2020
Other creditors	22.5	15.6
Accruals	0.9	1.4
	23.4	17.0

Notes to the Company's financial statements continued

For the year ended 31 December 2021

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
Hunter Estates Limited
Independent Construction Technologies Limited¹
Keyline Civils Specialist Limited²
Staircraft Group Limited¹
The BSS Group Limited
The Cobtree Scottish Limited Partnership¹
Tools & Fasteners Solutions Limited
Toolstation Holdings Limited
Toolstation Limited
TP Property Company Limited
Travis Perkins Group Holdings Limited
Travis Perkins (Properties) Limited
Travis Perkins (PSL2015) Limited
Travis Perkins Acquisitions Company Limited
Travis Perkins Finance Company Limited
Travis Perkins Financing Company No.2 Limited
Travis Perkins Group Holdings Limited
Travis Perkins Leasing Company Limited
Travis Perkins P&H Group Holdings Limited
Travis Perkins P&H Partner Limited
Travis Perkins Trading Company Limited
Wickes Developments Limited
Wickes Properties Limited

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

B. & G. (Heating & Plumbing) Limited
Baird Lindsay Limited³ *
Benchmarx Kitchens and Joinery Limited
Blandford Builders & Decorators Merchants Limited⁴ *
BMSS Limited
Bondco 909 Limited⁴ *
Bonham Lilley Timber Limited⁴ *
Boston (2011) Limited⁴ *
British Steam Specialties (International) Limited (The)
British Steam Specialties Limited(The)⁴ *
Bss (UK) Limited
BSS GPS Trustee Limited
Builders Mate Limited
Building Integrated Solutions Limited¹
Built For Trade Limited
Burt Boulton (Timber) Limited
Carmichael Browne Associates Limited⁴ *
Chandler Forest Products Limited⁴ *
Christie & Vesey Limited⁴ *
City Plumbing Supplies Limited
Cobtree Nominees Limited
Commercial Ceiling Factors Limited⁴ *
County Landscape Products Limited⁴ *
Curran Sawmills Limited (The)⁵
Downpatrick Timber Slate and Coal Company Limited⁵
Edward Henthorne and Company Limited⁴ *
Edward Jones (Crowthorne) Limited⁴ *
E. East & Son Limited
E. Salisbury Limited⁴ *
Elecnation Limited⁴ *
Fry & Pollard Limited
Gammon & Smith Limited⁴ *
Garratt Timber Supplies Limited⁴ *
Gestion Toolstation inc.⁶
Harrison Trener Limited
Harvey Building Supplies (Scotland) Limited⁴ *
HT (1995) Limited
HTG (1996) Limited⁴ *
Hunter Limited⁴ *
IJM Enterprises Limited
IJM Holdings Limited
James Ladd & Sons (Property) Limited⁴ *
James Ladd & Sons Limited⁴ *
J S Towell Limited⁴ *
J T Stanton & Co. Limited⁴ *
John Clements (Builders Merchants) Limited⁴ *
John Dove & Co. Limited⁴ *
Kisling Limited⁴ *
M & H (North East) Limited⁴ *
Malden Timber (West) Limited⁴ *
May & Hassell (Cumbria) Limited⁴ *
May & Hassell (Scotland) Limited⁷ *
May & Hassell Limited⁴ *

MD (1995) Group Limited⁷ *
MD (1995) Limited⁴ *
MD (Park Street) Limited⁴ *
MD-DOR3 Limited
MD-DOR4 Limited
Monteith Building Services Limited¹
Norman Mackenzie (Building Supplies) Limited⁷ *
P H Properties Limited¹
P.T.S. Plumbing Trade Supplies Limited
Primaflow (Birmingham) Limited⁴ *
Property Newco Two Limited
R A Thomas (Joinery) Limited⁴ *
Renpye Limited⁴ *
Rudridge Limited
Sharpe & Fisher (1989) Limited⁴ *
Sharpe & Fisher (Building Supplies) Limited⁴ *
Sharpe & Fisher (Properties) Limited⁴ *
Sharpe & Fisher Limited⁴ *
Staircraft Integrated Solutions Limited¹
Staircraft Limited¹
Stearns (Shipton Green) Limited⁴ *
Tavistock Building Supplies Limited⁴ *
Terant Supplies Limited
TFS Holdings Limited
The BSS EBT Company Limited
Tile Giant Holdings Limited
T J Willets (Timber) Limited⁴ *
The Yard Building Supplies Limited⁴ *
Tile It All (UK) Limited⁴ *
Tile Magic Limited⁴ *
TP Directors Ltd
TP General Partner (Scotland) Limited¹
TP Shelfco No.2 Limited⁴ *
TP Shelfco No.3 Limited⁴ *
TPG Management Services Limited
Travis & Arnold Limited
Travis Perkins Bridge Properties LLP⁴ *
Travis Perkins Capital Partner Limited
Travis Perkins Financing Company No.3 Limited
Travis Perkins Installation Services Limited
Travis Perkins Merchant Holdings Limited
Travis Perkins Plumbing & Heating LLP
Travis Perkins Quest Trustees Limited⁴ *
Tricom Group Limited
Tricom Supplies Limited
Trubuildingsystems Limited¹
T & T (Sussex) Plant Hire Limited⁴ *
UGS Limited⁴ *
Vaner Holdings Limited⁴ *
W. Gaunt Limited⁴ *
W.A. Hawke & Son Limited⁴ *
Whittaker & Co. (Builders Merchants) Limited⁴ *
Wickes Group Trustees Limited⁴ *
Wickes Retail Sourcing Limited⁴ *
William Bird Holdings Limited⁴ *
William Bloore & Son Limited⁴ *

* companies in voluntary liquidation

Other subsidiary companies

Company Name		
BSS (Ireland) Limited ⁹	Toolstation Europe BV ¹¹	Toolstation NV/SA ¹²
City Investments Limited ¹⁰	Toolstation Europe Limited	Toolstation SAS ¹⁴
Toolexpert Benelux BV ¹¹	Toolstation GmbH ¹³	Travis Perkins Hong Kong Limited ¹⁵
Toolstation BV ¹¹	Toolstation Netherlands BV ¹¹	Travis Perkins Sourcing (Shanghai) Ltd ¹⁶

Investments

Company Name	Registered	% ownership	Status
London Distribution Park Management Company Limited ¹⁷	United Kingdom	20	Active
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
- 5 17 Clarendon Road, Belfast, BT1 3BG, United Kingdom
- 6 5303 boul. Saint-Laurent, Montréal Québec H2T1S5, Canada
- 7 C/O Mazars LLP, Restructuring Services Apex 2, 97 Haymarket Terrace, Edinburgh, EH12 5HD, United Kingdom
- 8 107-127 Grosvenor Road, Belfast, BT12 4GT, United Kingdom
- 9 White Heather Industrial Estate, South Circular Road, Dublin, 8, Ireland
- 10 Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
- 11 Touwbaan 40, 2352CZ Leiderdorp, Netherlands
- 12 Boomssesteenweg 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 The Old Post Office Station Road, Congresbury, Bristol, England, BS49 5DY
- 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 pages 93 to 104 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 97 to 101. 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 161.

Other information

Other information

- 172 Five year summary
- 174 Climate change report
- 176 Other shareholder information

Five-year summary

Consolidated income statement

£m	2021	2020 (re-presented)	2019*	2018*	2017*
Revenue	4,586.7	3,697.5	6,955.7	6,740.5	6,433.1
Operating profit before amortisation and adjusting items	352.8	128.3	441.5	374.5	380.1
Amortisation	(11.1)	(8.6)	(9.0)	(9.5)	(12.3)
Adjusting items – operating	6.8	(92.7)	(200.4)	(386.7)	(40.9)
Operating profit	348.5	27.0	232.1	(21.7)	326.9
Adjusting items – business acquisitions	–	–	40.3	–	–
Share of associates' results	–	0.1	(4.3)	(4.0)	(2.2)
Net finance costs	(42.9)	(47.4)	(87.3)	(23.7)	(35.0)
Profit/(loss) before tax	305.6	(20.3)	180.8	(49.4)	289.7
Adjusting items – deferred tax	(4.7)	(9.0)	(27.1)	–	–
Income tax expense	(60.1)	(5.8)	(30.9)	(34.1)	(55.7)
Net profit/(loss) from continuing operations	240.8	(35.1)	122.8	(83.5)	234.0
Net profit from discontinued operations	38.1	13.2	–	–	–
Profit/(loss) for the period	278.9	(21.9)	112.8	(83.5)	234.0
Basic earnings/(loss) per share from continuing operations	103.9	(14.3p)	48.9	(34.4p)	93.1p
Basic earnings per share from discontinuing operations	16.4p	5.3p	–	–	–
Adjusted earnings per share	107.3	21.0p	112.7p	114.5p	92.2p
Dividend declared per ordinary share	73.0p	–	48.5p	47.0p	46.0p
Number of branches at 31 December (includes associates)	1,513	1,389	2,154	2,091	2,076
Average number of colleagues	18,833	17,512	30,059	29,748	30,251

* The results for 2019, 2018 and 2017 have not been re-presented for discontinued operations

Consolidated free cash flow statement

£m	2021	2020 (re-presented)	2019*	2018*	2017*
Adjusted operating profit	352.8	128.3	441.5	374.5	380.1
Less: Profit on disposal of properties	(48.9)	(9.2)	(20.6)	(26.8)	(29.4)
Adjusted operating profit excluding property profit	303.9	119.1	420.9	347.7	350.7
Depreciation of property, plant and equipment	69.2	60.0	97.5	102.0	102.0
Amortisation of internally generated intangibles	9.7	11.5	23.5	15.5	12.6
Share-based payments	19.1	12.2	19.9	19.6	15.6
Movement on working capital	(151.8)	197.4	(128.7)	(107.1)	(76.5)
Other net interest paid	(13.6)	(28.3)	(26.2)	(25.5)	(27.1)
Interest on lease liabilities	(21.2)	(21.3)	(57.0)	–	–
Income tax paid	(59.9)	(27.6)	(52.9)	(55.1)	(57.2)
Capital expenditure excluding freehold purchase	(95.0)	(87.1)	(120.9)	(143.1)	(166.0)
Disposal of plant and equipment	4.4	5.4	19.4	13.8	–
Free cash flow	64.8	241.3	195.5	167.8	154.1

* The comparative numbers for 2019, 2018 and 2017 were not re-presented for discontinued operations

Consolidated balance sheet

£m	2021	2020	2019	2018	2017
Assets					
Non-current assets					
Property, plant and equipment	800.1	830.4	882.0	913.2	932.0
Goodwill and other intangible assets	978.7	1,670.5	1,691.7	1,674.6	1,926.3
Right-of-use assets	439.8	1,145.5	1,276.8	-	-
Interest in associates	-	-	1.9	34.2	20.3
Other receivables	0.7	-	-	43.3	30.4
Retirement benefit asset	275.8	178.4	57.5	81.2	-
Investment property and other investments	-	9.2	6.7	6.6	9.5
Deferred tax assets	13.9	-	-	-	-
Current assets					
Inventories	724.4	840.7	937.8	855.3	816.3
Trade and other receivables	706.7	892.7	1,239.7	1,253.8	1,130.2
Tax debtor	-	6.5	-	-	-
Derivative financial instruments	0.2	-	-	-	-
Cash and cash equivalents	459.8	505.6	207.9	255.4	276.8
Assets held for sale	-	-	138.0	-	-
Total assets	4,400.1	6,079.5	6,440.0	5,117.6	5,141.8
Capital and reserves					
Issued capital	25.2	25.2	25.2	25.2	25.2
Share premium account	545.6	545.6	545.6	545.4	543.4
Merger reserve	326.5	326.5	326.5	326.5	326.5
Own shares	(61.4)	(39.5)	(50.8)	(47.8)	(15.3)
Other reserves	14.6	15.5	13.6	9.1	10.8
Accumulated profits	1,387.3	1,840.5	1,722.6	1,847.5	1,958.0
Equity attributable to owners of the Company	2,237.8	2,713.8	2,582.7	2,705.9	2,848.6
Non-controlling interests	-	-	4.4	11.8	11.7
Total equity	2,237.8	2,713.8	2,587.1	2,717.7	2,860.3
Non-current liabilities					
Interest-bearing loans and borrowings	575.2	575.7	583.3	605.2	612.1
Lease liability	414.7	1,168.3	1,253.6	-	-
Derivative financial instruments	-	-	-	0.9	4.9
Retirement benefit obligations	-	-	4.9	-	28.3
Long-term provisions and other payables	6.8	21.9	8.0	18.4	17.1
Deferred tax liabilities	140.4	77.2	62.7	77.8	61.0
Current liabilities					
Interest-bearing loans and borrowings	-	-	-	3.8	6.2
Lease liability	74.5	158.8	158.7	-	-
Derivative financial instruments	-	1.6	2.5	4.7	1.2
Trade and other payables	921.1	1,304.2	1,613.9	1,603.2	1,453.6
Tax liabilities	0.4	-	13.4	25.9	44.5
Short-term provisions	29.2	58.0	60.4	60.0	52.6
Total liabilities	2,162.3	3,365.7	3,761.4	2,399.9	2,281.5
Liabilities held for sale	-	-	91.5	-	-
Total equity and liabilities	4,400.1	6,079.5	6,440.0	5,117.6	5,141.8

ESG data report (including SASB data)

All data is for ongoing businesses only. Sold and demerged businesses have been removed from current and retrospective data.

	Unit of measure	SASB reference	2021	2020	2019	2018	2017
Energy and fuel							
		N/A (SECR compliance)					
Total energy consumed	kWh		364,826,976	339,716,233	415,844,450	521,115,345	495,870,758
Total energy consumed	GJ	CG-MR-1.30a.1	1,313,377	1,222,978	1,497,040	1,876,015	1,785,135
Grid energy	%	CG-MR-1.30a.1	28.35	33.35	27.40	24.10	24.74
Renewable energy	%	CG-MR-1.30a.1	5.83	-	-	-	-
Fuel consumption	Litres	N/A	22,650,200	21,430,651	28,068,903	31,306,429	29,538,882
Waste							
Non-hazardous waste	Tonnes	N/A	28,175	18,946	27,561	39,514	31,210
Hazardous waste	Tonnes	N/A	229.0	236.4	457.4	467.9	460
Landfilled waste	Tonnes	N/A	1,492	1,353	1,773	2,121	2,370
Recycled waste	Tonnes	N/A	10,084	9,614	11,535	15,033	11,427
Incinerated waste	Tonnes	N/A	16,829	8,216	14,710	22,828	17,873
Total waste	Tonnes	N/A	28,404	19,182	28,018	39,982	31,670
Data security							
Data breaches	#	CG-MR-230a.2	-	1	1	-	-
Involving personally-identifiable information	%	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	13.74	13.33	12.99	12.68	12.42
In-branch colleagues earning minimum wage by region	%	CG-MR-310a.1	1.2%	10.9%	6.3%	11.6%	16.2%
Voluntary turnover rate for in-branch colleagues	Rate	CG-MR-310a.2	19.7%	20.8%	28.1%	31.8%	42.4%
Involuntary turnover rate for in-branch colleagues	Rate	CG-MR-310a.2	5.7%	3.3%	5.1%	3.8%	3.5%
Total amount of monetary losses as a results of legal proceedings associated with labor law violations	£m	CG-MR-310a.3	0.02	-	0.04	-	-
Workforce Diversity and Inclusion							
Gender							
Management							
Female	%	CG-MR-330a.1	20.6%	18.3%	19.6%	20.0%	17.9%
Male	%	CG-MR-330a.1	79.4%	81.7%	80.4%	80.0%	82.1%
Not available or not disclosed	%	CG-MR-330a.1	-	-	-	-	-
All other employees							
Female	%	CG-MR-330a.1	25.7%	20.7%	19.6%	22.8%	22.3%
Male	%	CG-MR-330a.1	74.3%	79.3%	80.4%	77.3%	77.7%
Not available or not disclosed	%	CG-MR-330a.1	-	-	-	-	-
Ethnic group							
Management							
Asian	%	CG-MR-330a.1	1.9%	2.0%	2.0%	2.2%	2.7%
Black or african-american	%	CG-MR-330a.1	0.5%	0.3%	0.3%	0.3%	0.3%
Hispanic or latino	%	CG-MR-330a.1	0.9%	0.7%	0.6%	0.4%	0.6%
White	%	CG-MR-330a.1	82.5%	85.9%	74.3%	77.2%	91.7%
Other	%	CG-MR-330a.1	0.4%	0.5%	0.3%	0.5%	0.6%
Not available or not disclosed	%	CG-MR-330a.1	13.7%	10.7%	22.5%	19.4%	4.2%
All other employees							
Asian	%	CG-MR-330a.1	2.6%	2.0%	1.5%	1.7%	1.9%
Black or african-american	%	CG-MR-330a.1	1.0%	0.7%	0.6%	0.6%	0.6%
Hispanic or latino	%	CG-MR-330a.1	1.6%	1.4%	1.2%	1.2%	1.2%
White	%	CG-MR-330a.1	64.3%	67.8%	60.3%	67.5%	73.4%
Other	%	CG-MR-330a.1	0.7%	0.7%	0.5%	0.7%	0.7%
Not available or not disclosed	%	CG-MR-330a.1	29.8%	27.4%	36.0%	28.3%	22.1%
Monetary losses as a result of legal proceedings associated with employee discrimination	£m	CG-MR-330a.2	-	-	0.02	-	-

	Unit of measure	SASB reference	2021	2020	2019	2018	2017
Product sourcing, packaging and marketing							
Revenue from products third-party certified to environmental and/or social sustainability standards	£m	CG-MR-410a.1	£555	£386	£445	-	-
Discussion 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	316,852	281,050	260,845	264,601	280,801

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

Travis Perkins approaches the identification of vulnerabilities in its information systems that pose a data security risk through a combination of people, process and technology, and is aligned to the NIST Cyber Security Framework.

The activities of building, procuring, deploying 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. 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 and cyber awareness training is compulsory. Furthermore, colleagues are targeted regularly with phishing campaign testing with the outcome of this testing used to inform regular organisation-wide communication to raise awareness of the threat. State-of-the-art technology is deployed across the IT estate to both protect and detect against cyber threats and attacks, such as firewalls, antivirus, web proxies, data loss prevention and Security Information and Event Management (SIEM). Security events are monitored 24/7/365.

From a testing perspective, regular penetration tests and vulnerability scans are performed on the IT infrastructure and systems to identify any exploitable vulnerabilities. The Group also conducts breach simulation testing in an automated and manual fashion, utilising the experience of independent third parties. Vulnerabilities are prioritised and addressed in line with the timescales defined by criticality.

CG-MR-410a.2: Discussion 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/sites/travis-perkins/files/supplier-commitments.pdf>). 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 (i.e. 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/sites/travis-perkins/files/supplier-manual-july-2021.pdf>) 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 page 67. The Group held supplier webinars during 2021 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 2021, the Group worked with the direct sourcing team to optimise the amount of material used, achieving packaging reductions and improvements. With one key supplier in 2021, a working group was established including packaging, sourcing, safety and quality colleagues to ensure that packaging changes being introduced would not compromise safety in handling, product protection or product quality. 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 Compliance Manager and the newly appointed Sustainable Materials Manager will be 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	31 March 2022
Record date	1 April 2022
Annual General Meeting	29 April 2022
Trading statement	29 April 2022
Payment of final dividend	13 May 2022

Annual General Meeting (“AGM”)

The AGM will be held on 29 April 2022 at 9:30am.

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: enquiries@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 Investor Relations 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 registered office:

Lodge Way House
Lodge Way
Harlestone Road
Northampton
NN5 7UG

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: www.linksharedeal.com
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.



Our apprentices

Sophie Green – CCF

Dave King – Travis Perkins General Merchant

Emily Griggs – Keyline

Elizabeth Sloan – Toolstation

Adriane Kisamba – BSS

Jessica Young – Travis Perkins General Merchant

Natasha Poppleton-Roy – Benchmark

Oliver Clarke – Keyline

Travis Perkins plc

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