



Travis Perkins plc

Annual Report and Accounts 2020

Building for the future

Getting the fundamentals right

The Covid-19 pandemic has acted as a catalyst for change in our business and has provided the opportunity to accelerate some of our strategic initiatives to strengthen the core of the business and position us well for the future.

The impact of the pandemic meant that our 2020 financial performance was lower than in 2019, but we have demonstrated great resilience.

Getting it right for our:

Colleagues, customers, suppliers and shareholders



Customers - see page **16**

Strategy - see page **18**

Suppliers - see page **65**

Colleagues - see page **66**





- www.travisperkins.co.uk
- www.toolstation.com
- www.benchmarkkitchens.co.uk
- www.bssindustrial.co.uk
- www.ccftd.co.uk
- www.keyline.co.uk
- www.wickes.co.uk
- www.cityplumbing.co.uk
- www.theunderfloorheatingstore.com

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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 manages and assesses the performance of the business on these measures and believes they are more representative of ongoing trading and 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

(7.1%)

2019: 3.8%

Adjusted EPS

42.4p

2019: 112.7p

Return on capital employed

5.5%

2019: 10.1%

Revenue

£6,158m

2019: £6,956m

Adjusted operating profit

£227m

2019: £442m

Covenant net debt

£40m

2019: £344m

Loss after tax

£22m

2019: profit after tax £123m

→ Operational highlights

- Continued progress on strategic agenda across digital enablement, customer fulfilment, process simplification and branch network rationalisation despite the challenges of Covid-19
- Toolstation's strong outperformance of the market maintained with like-for-like growth of 22.2%. Branch rollout continues at pace in the UK and Europe
- Robust second-half recovery in Merchancing and P&H driven by repairs, maintenance and improvement demand
- Wickes taking market share with like-for-like growth of 5.5%. Demerger process recommenced

At a glance

Travis Perkins is the largest distributor of building materials and products in the UK, serving a broad range of end markets from generalist to specialist propositions in the building, construction and home improvement markets

Large and varied customer base

200k

Trade credit customers

Broad geographical spread in the UK

£6.2bn

Revenue

Engaged colleagues in the UK and Europe

29k

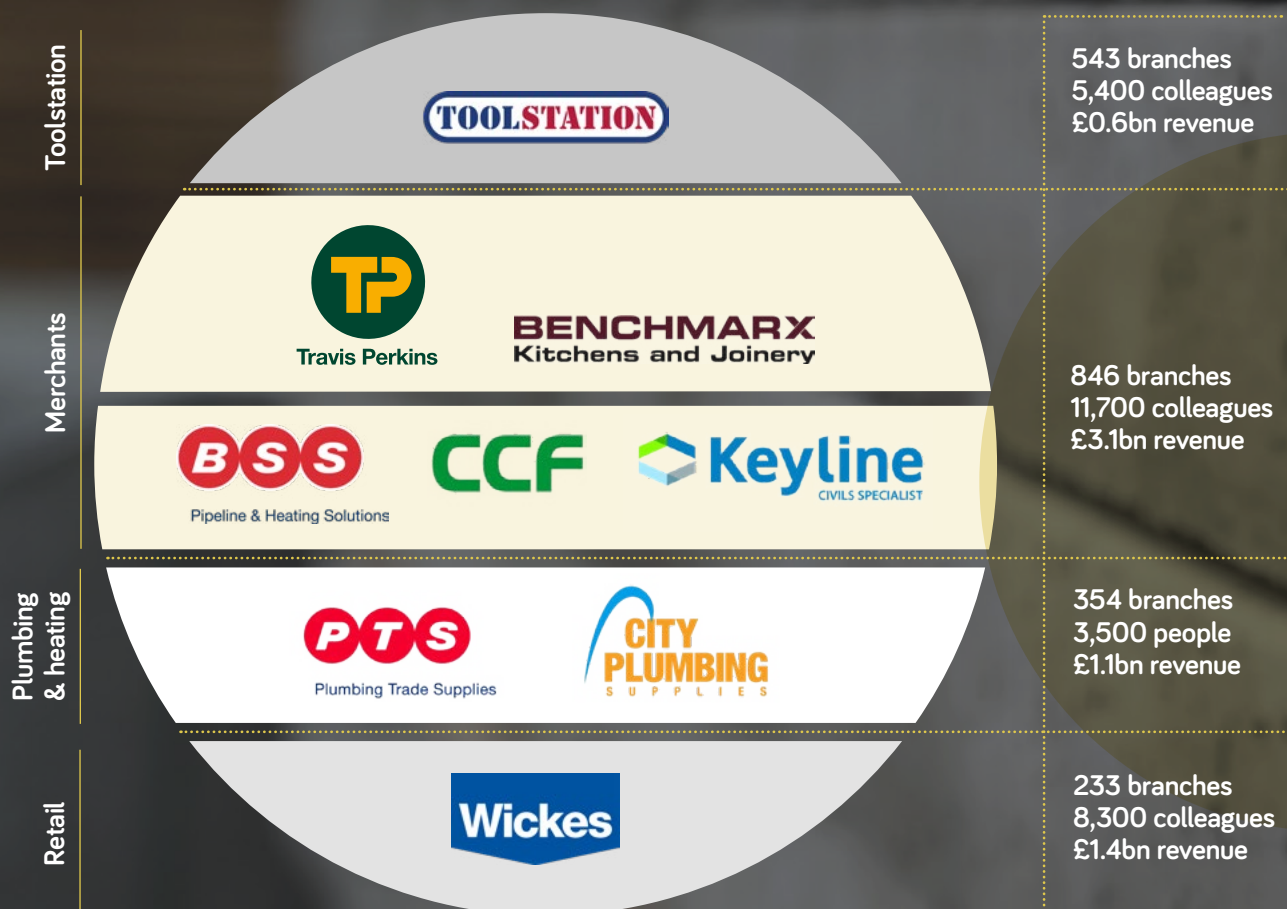
Colleagues

Mature branch network

1,976

Branches

→ Our key brands



The Group's strategic aim is to deliver best-in-class service to trade customers, through businesses with clear competitive advantages and strong, market-leading positions

→ Focus on the trade

One of Europe's fastest growing suppliers of tools, accessories and building supplies to trade and DIY customers, through a market-leading multi-channel offering

The UK's largest network of builders merchants, supplying building materials, tool hire and kitchen products to trade customers ranging from sole traders to national housebuilders

Suppliers of specialist solutions to main contractors and subcontractors in the residential, infrastructure, commercial and industrial construction sectors

An integrated branch network with online capability supplying installer and contract customers with an extended range of plumbing and heating products, including its successful own-brand ranges

Digitally-led, service-enabled, home improvement business, with sales split almost equally between DIY, small trade customers and installed Do It For Me projects



Regional split

- South-East: 31%
- North & Scotland: 25%
- Midlands: 24%
- Wales and South-West: 20%

Product mix

Plumbing & heating: 36%
 Heavyside: 32%
 Lightside: 19%
 Timber: 13%

Distribution

Collect: 40%
 Deliver: 60%

Cash or credit

Cash: 40%
 Credit: 60%

Chairman's statement

“I am enormously proud of the role the Group has played and the attitude shown by our colleagues in responding to the Covid-19 pandemic. This resilience, driven by the values we hold, will stand the Group in good stead for the future”



Stuart Chambers
Chairman



Covenant net debt

£40m

2019: £344m

Return on capital employed

5.5%

2019: 10.1%

Introduction

It is with great pleasure that I introduce the Annual Report for the Group for the year ended 31 December 2020. As I prepare to hand over the Chair to Jasmine Whitbread at the end of March it brings the opportunity to reflect back on what has been an extraordinary year for all of us. The most important message I wish to convey is one of sincere gratitude for the commitment and energy that all the people across the Travis Perkins Group have shown in responding to the challenges of the Covid-19 pandemic and in playing their vital part in keeping the construction industry supplied. I am enormously proud of the role the Group has played and the attitude shown by our colleagues and I firmly believe that this resilience, driven by the values we hold, will stand the Group in good stead for the future.

Performance

The safety of everyone who interacts with us, most often our colleagues, customers and suppliers, is of paramount importance to the Group. In 2020 we faced the challenge of working safely whilst adapting to the requirements of Covid-19 and amended our business models. This has been difficult, with the five fatal accidents involving our businesses providing a stark reminder of the risks we can generate for ourselves and others. Whilst there have been areas of important progress, it is clear to me that in 2020 we did not always meet the high standards we set for ourselves and are rightly thoughtful about how we can improve our safety performance.

In a year of considerable uncertainty containing two lockdowns the Group produced a creditable performance. Total Group revenues were down 11% but this masks significant progress in many areas driven by digital innovation and strong customer propositions in both the DIY and the trade home improvement markets.

On a statutory basis operating profit reduced to £77m (2019: £232m) reflecting the costs of the restructuring programme necessitated by the pandemic. Adjusted operating profits decreased by 49% to £227m, with all businesses impacted, although Wickes and Toolstation delivered highly resilient performances due to their digitally enabled business models and exposure to the DIY and local trade market segments.

Strategy

In March 2020 we announced the postponement of the Wickes demerger process due to the Covid-19 pandemic. This was unavoidable but, due to the hard work and the advanced state of preparedness of the process, the Group is confident that this can be successfully concluded in April 2021. Wickes is in excellent shape to prosper as a stand alone business and the demerger is consistent with the strategic agenda announced in December 2018 for the Group to focus on majority-trade businesses.

The Board and Executive leadership team have considered carefully the potential changes to the construction and distribution industries and are developing a strong agenda to maintain the leading positions of our advantaged trade focused businesses. The Group has also focused on the shorter term “Strengthening the Core” phase, particularly on IT and digital development. The staged modernisation of core IT systems has the potential to unlock significant opportunities for the Group and therefore remains a key priority.

Board and Leadership

Given the postponement of the Wickes demerger process, I was delighted that Chris Rogers was able to serve for an additional year on the Board of Travis Perkins. He will step down at the 2021 AGM to take up the Chairmanship of Wickes plc and once again I would like to thank him for his seven years of service on the Travis Perkins Board.

In March 2020, Pete Redfern stepped up to the role of Senior Independent Director following six years’ service on the Board. I am confident that Pete’s experience will be invaluable to Jasmine as she takes over as Chair.

In addition, John Rogers has taken over as chairman of the Audit Committee and Pete Redfern, Marianne Culver and Blair Ilingworth joining the Audit, Remuneration and Stay Safe Committees respectively. Furthermore, Blair assumed chairmanship of the Stay Safe Committee from 1 January 2021.

In 2020, Nick Roberts also announced that he was broadening the membership of the Group Leadership Team (“GLT”) to include the operational leaders of each major business unit. This is a significant move to ensure connectivity and enhance collaboration between business and functional leaders across the Group.

Dividend

The Group has maintained a consistent approach to its dividend policy over many years. However, it was inevitable that the Covid-19 pandemic should force the prioritisation of cash management to the top of the agenda. The Board recognises the importance of dividend distributions and intends to reinstate dividend distributions in 2021, assuming there is no further deterioration in the external environment.

Summary and looking forward

As I prepare to step away, I am delighted to be able to hand over a Group that is in good shape to continue to grow and prosper. The underlying markets which we serve remain fundamentally strong and, whilst the path back to full recovery is hard to predict accurately, there are enough indications to build confidence that the construction sector will recover quickly and grow over the course of the economic cycle. With Brexit finally settled and a path out of Covid-19 becoming clearer, the need to build and update residential dwellings and to invest in infrastructure development provides a route back to sustainable growth. The Group is well placed to capitalise on these opportunities and, whilst we retain a cautious outlook in the near term, the delivery of the initiatives within our gift will support market outperformance and value growth over the medium term.

Driven by our values – reshaping our purpose

→ Cornerstones

Our values - the Cornerstones - are the foundations of culture and life in Travis Perkins Group. They shape the way we think and act and our conduct towards colleagues, customers and suppliers.

- Upholding family values
- Keeping people safe
- Making decent returns
- Working for our customers
- Being the best

Through Covid-19 the Cornerstones have acted as our guide, showing us the way and pointing to where we must try harder.

→ Purpose

We are currently at work reshaping our purpose and look forward to sharing this over the course of 2021. It will contain the elements that make the Group what it is today:

- Our heritage, proudly serving customers since 1797
- Our values
- Our trade focus
- Our commitment to sustainability and net zero carbon in 2035
- Our experiences from the Covid-19 pandemic, helping keep the nation warm, dry and secure
- Our ambition and where we want to take the Group

These factors are embedded into the fabric of our Group, they make us what we are and will help us become who we want to be.

Chief Executive's report

“I reflect on 2020 with great pride in the commitment, professionalism and tenacity of all our colleagues across the Group and their determination to support our customers, suppliers and the communities.”



Nick Roberts
Chief Executive Officer



Revenue

£6,158m

2019: £6,956m

Adjusted operating profit

£227m

2019: £442m

Introduction

As I reflect on perhaps the most challenging year in our history I do so with great pride in the commitment, professionalism and tenacity of all our colleagues across the Group. Their determination to support our customers, suppliers and the communities which we serve throughout the pandemic has ensured the nation's critical infrastructure has remained operational and our homes safe, warm and dry at a time when we needed it most. Furthermore, the courage of all colleagues through successive periods of the pandemic has enabled the construction industry, a vital part of the national economy, to continue safely.

Despite the challenge of 2020, I am proud of the resilient performance we have delivered across our Group. We have shown great agility and versatility in adapting our working practices and operating models, providing new channels through which to serve our customers and reshaping our businesses to suit the changing demands of our markets.

Safety

The Group's safety culture has been carefully developed over many years, is represented clearly in our values and is a source of pride to our colleagues. This aspect of our culture ensures that the safety and well-being of our colleagues remains our top priority, and it guided, especially through the ongoing pandemic.

We are highly conscious that as our operating models and ways of working changed, the risk profile of our activities also changed. Colleagues and customers were focused on moving and working differently and were distracted and fatigued by managing the impacts of Covid-19. This resulted in an increase in injuries and a total of five fatalities during the year which are associated with the operations of our businesses. This is an unacceptable position to all of us and one which is driving careful consideration of our safety culture and our ability to provide a safe environment irrespective of the conditions under which we operate. This is and will remain an area of focus over the years ahead.

Working in partnership

The pandemic required a national effort to ensure the safety and well-being of everyone in society, with building material merchants and distributors playing a vital role in ensuring our communities remained safe, warm and dry. As an industry leader we worked closely with the UK Government, the Builders Merchants Federation and the Construction Leadership Council to ensure that safe working practices and protocols were developed at pace for the construction industry, enabling activity to continue during the pandemic. We also worked closely with our communities to support existing medical and community facilities and enable the construction of temporary facilities that aided the vulnerable.

Our place in society

Whilst it was appropriate to focus our efforts on ensuring the safety and well-being of our colleagues, customers and suppliers during the year as we navigated the challenges of the pandemic, we also progressed our broader Environmental, Social and Governance ("ESG") agenda which ensures that we continue to be a responsible and leading employer upholding the values for which we are known.

We developed and launched a new Code of Conduct and implemented policies and minimum standards to support the Group's businesses diversity and inclusion, people development, sustainable products and services and responsible sourcing.

We have set the objective of being net zero carbon by 2035 for Scope 1 and 2 emissions, and by June 2021 we will set a target for

reducing Scope 3 indirect emissions from the creation and use of our products.

Staying close to our colleagues in a year where we were forced to maintain a physical distance was one of our top priorities. Our weekly "check-in" surveys, with over 35,000 responses during the year, have given us great insight and enabled us to support our colleagues in the right ways, including significant steps to protect mental health. We have also enhanced our family leave policies, as well as ensuring that our front-line colleagues received pay increases and recognition for their great work.

In a year that has been difficult for the employment market, we have pushed on with our apprenticeship programmes, taking on 783 apprentices and plan for an additional 1,000 in 2021. All of these changes will help us build a more diverse workforce for the future.

Restructuring the business

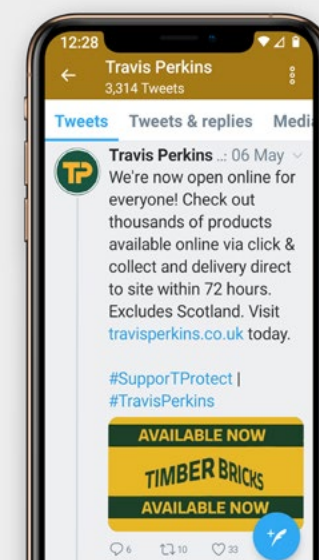
From late March to summer 2020, the Group's performance was significantly impacted by the Covid-19 pandemic. Faced with ongoing disruption and uncertainty, we took the tough but necessary decision to deliver a major restructuring programme to accelerate planned network changes and reduce the Group's cost base. The recovery in the second half of the year has been extremely encouraging and has demonstrated the agility and resilience of the Group's portfolio of businesses.

In keeping with our focus on simplifying the Group's structure and operating model, I have made significant enhancements to the Group Leadership Team ("GLT") over the year, with the goal of enhancing our capability and talent as well as enabling agile decision making, sharper operations and better communication across the Group.

The simplified management structure meant that the GLT was restructured to include all operating company Managing Directors and Frank Elkins was appointed to the new role of Group Chief Operating Officer. We welcomed new appointments to the GLT: Emma Rose as Group HR Director, Catherine Gibson as CCF MD, Dave Evans as Managing Director of our Plumbing & Heating business, Dean Pinner as Keyline MD and Phil Tenney as Group Chief Information and Technology Officer.

Our year in review

- Adjusted operating profit down 49% as the Group was impacted by Covid-19 pandemic
- Our digitally-enabled businesses, Wickes and Toolstation, have made significant market share gains during the year
- Toolstation rollout continues at pace with 60 new branches in 2020
- Tough but decisive actions taken to restructure the business that have accelerated planned network changes
- Strong second-half recovery after the disruption of the initial lockdown. Merchant and Plumbing & Heating businesses have shown their resilience
- Wickes demerger recommenced and aiming for completion in Q2 2021
- Portfolio simplification continues with the sale of Primaflow F&P and Tile Giant



Regular Twitter updates to keep our customers informed and connected

“Our colleagues’ determination to support the customers, suppliers and communities we serve throughout the pandemic has ensured the nation’s critical infrastructure has remained operational and our homes safe, warm and dry at a time when we have needed it most.”

Progress against strategic initiatives

Although operational efforts have been focused on managing the implications of the pandemic, our teams have also been able to make excellent progress on a number of key initiatives supporting our strategic objectives of simplifying the Group and focusing on our trade customers.

Toolstation delivered another outstanding performance, providing further evidence of the strength of the customer proposition. Changes during the year to rapidly increase the capability of both the IT infrastructure and the distribution operations demonstrated the agility of the model and provided further encouragement to push on with the rollout of the Toolstation model with 60 new branches in the UK and 17 more across France, Belgium and the Netherlands.

The Merchant businesses, despite substantial disruption from the initial lockdown, were able to make good progress on strategic plans, particularly around simplifying commercial structures and refining our pricing architecture, which will drive future benefits. Our new delivery management system, which is rolling out across CCF, Keyline and Travis Perkins, will both optimise route planning and also enable our customers to track their deliveries.

We successfully developed new digital capabilities and deployed tools to help our customers secure the materials they need and to help our colleagues efficiently run their operations. Clearly this is an area of huge potential and will rightly require our ongoing focus and investment.

We have also taken further steps to simplify the Group's portfolio of businesses with the sales of both Primaflow F&P and Tile Giant during the year. It remains our intention to sell the Plumbing & Heating business when market conditions are supportive but in the meantime our focus is on improving the business.

Wickes demerger

I am pleased to be able to confirm that the process to demerge has recommenced with the aim of completing in Q2 2021. The Wickes digitally-led model has proved highly effective during the pandemic and the business is in great shape to embark on its journey as a standalone entity.

Outlook

The long-term fundamentals of the Group's end markets remain robust as a result of ongoing demand for new housing and the underinvestment in the repair, maintenance and improvement of the existing UK housing stock. This is further underpinned by the UK government's adoption of stimulus measures such as Green Homes Grant schemes and Help to Buy, plus longer term commitments to infrastructure investment.

End markets recovered well during the second half of 2020 with robust RMI activity outstripping a lag in the commercial and housebuilding sectors. Performance to date in 2021 has followed a similar trend despite the stricter lockdown conditions.

The Group continues to focus on strengthening its core business and investing to develop a modern merchanting proposition that will leave the Group well placed to continue to outperform its markets and generate value for shareholders.

→ A year like no other for our customers

“Customers still want their work doing, which as builders we can do by social distancing, but if our suppliers are closed we can’t”

Travis Perkins customer



“If the construction sector can remain strong it will breed confidence across other sectors. Historically if the construction sector is performing well the country’s economy is performing well”

Keyline customer



Building on solid foundations

The Covid-19 pandemic has acted as a catalyst for change in the Group's business and has provided the opportunity to accelerate some of the Group's strategic initiatives to strengthen the core of the business and position the Group well for the future.

The impact of the pandemic meant that the Group's 2020 financial performance was lower than in 2019, but the Group demonstrated great resilience.

- The fundamental long-term market drivers remain strong despite short-term uncertainty caused by Covid-19. The UK continues to under-invest in building new homes and maintaining existing homes.
- The Group operates in highly fragmented markets with over 50% market share held by small, independent businesses.
- The Group's businesses all hold #1 or #2 positions in their markets with growth in most businesses outperforming their end markets.
- A strong balance sheet and less complicated Group enables disciplined investments in high return businesses.
- The Group generates strong sustainable cash flows, which have proved to be robust during the recent economic uncertainty.



Strategic report
Governance
Financial statements
Other information

Market dynamics

The Group serves all areas of the construction market



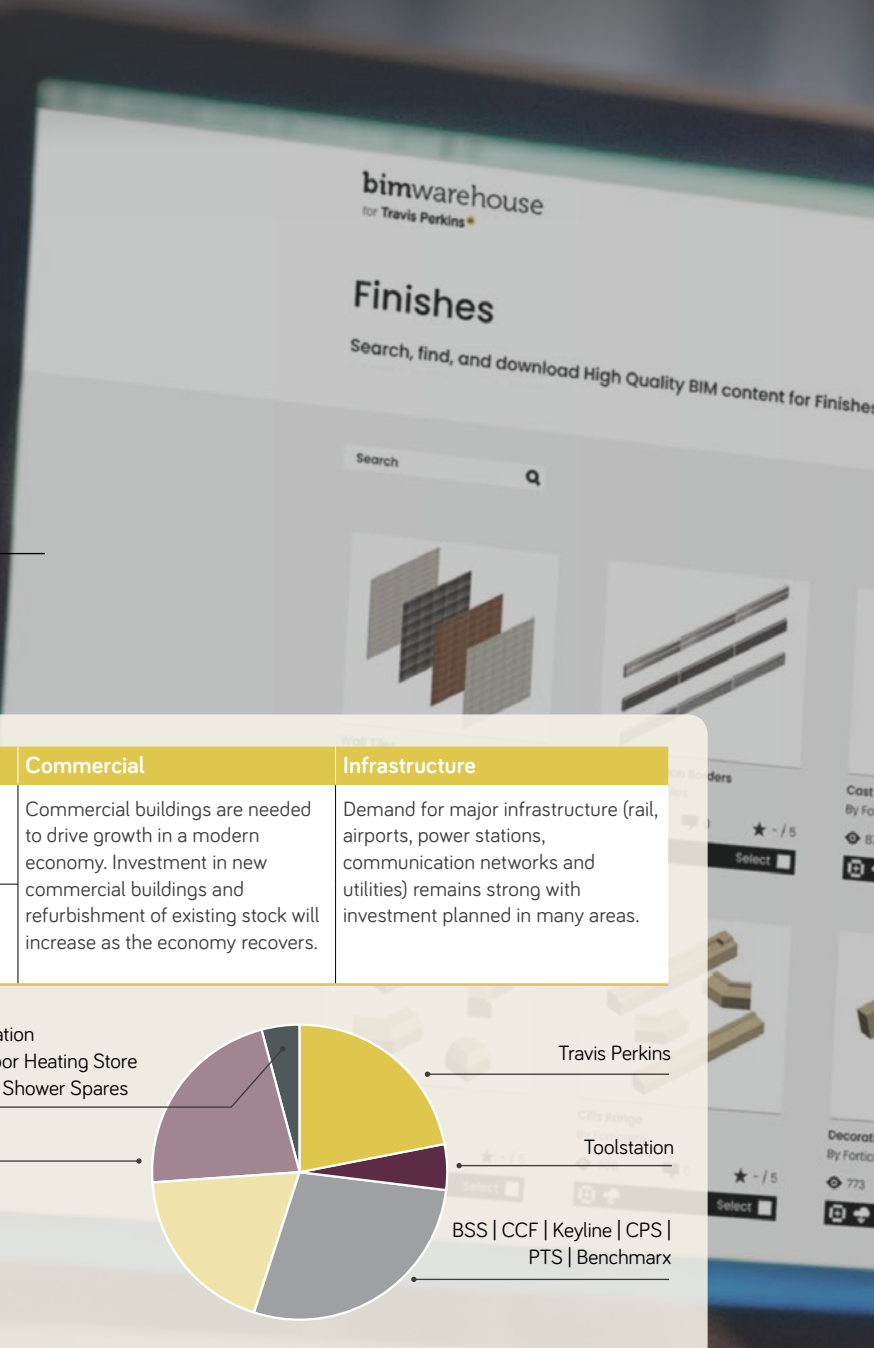
270,000

Projected annual demand for UK homes



90,000

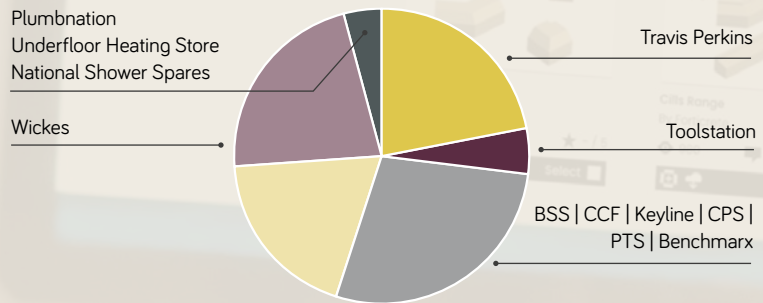
UK home-building shortfall



	Residential	Commercial	Infrastructure
New build	UK housing demand continues to outstrip supply with an annual shortfall of c. 90,000 homes.	Commercial buildings are needed to drive growth in a modern economy. Investment in new commercial buildings and refurbishment of existing stock will increase as the economy recovers.	Demand for major infrastructure (rail, airports, power stations, communication networks and utilities) remains strong with investment planned in many areas.
Repair, maintenance and improvement ("RMI")	The average UK home is 70 years old and housing stock is relatively poorly maintained.		

Market segmentation

Route to market	2019
Merchant	22%
Fixed price	5%
Specialist merchant	28%
Direct to site (distributed product categories)	19%
Retail	22%
Pure play online	4%



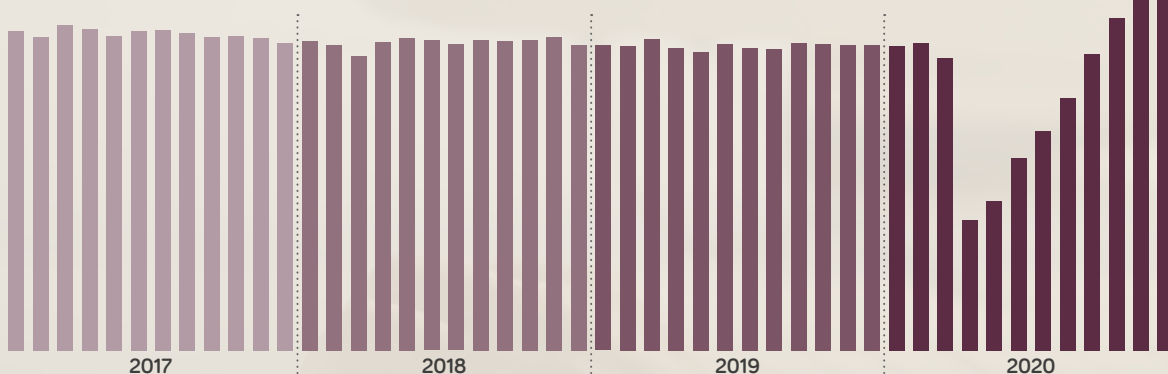
Current conditions: residential

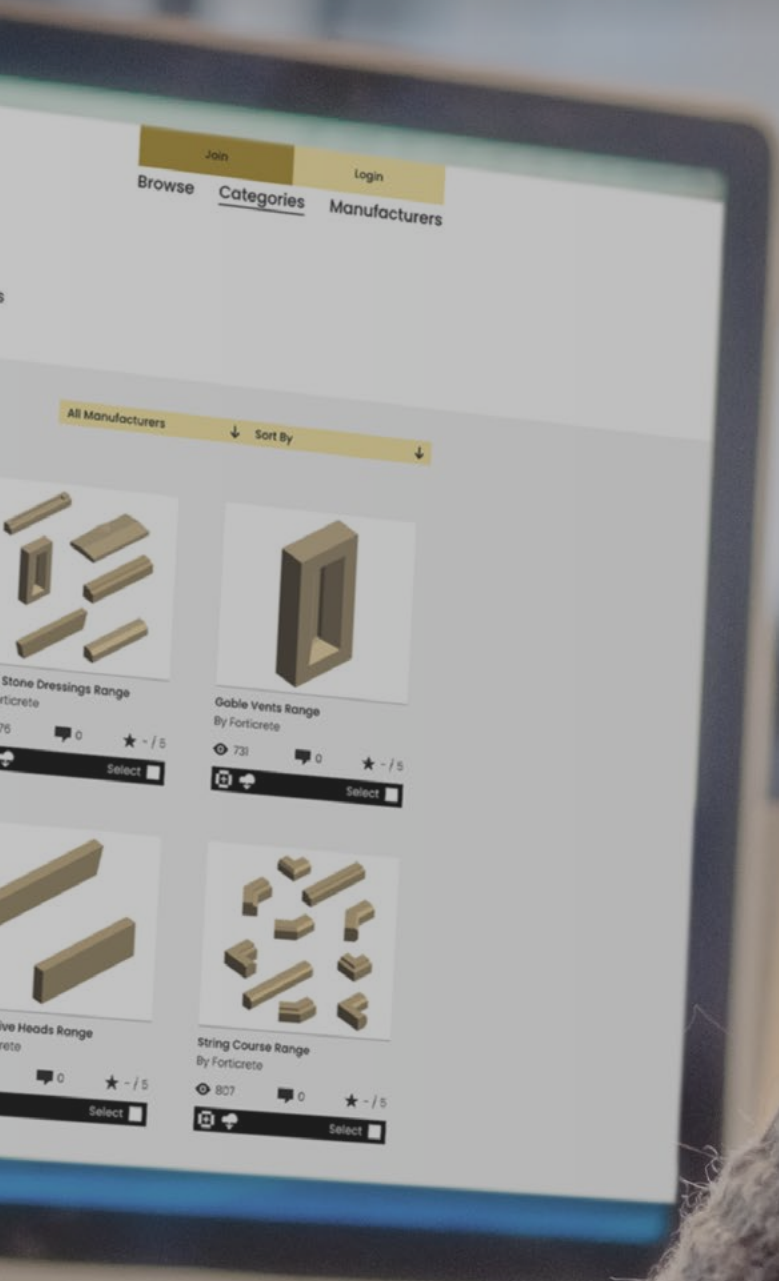
Residential acts as a lead indicator for over half of Group revenues

Housing transactions are expected to return to pre-pandemic levels by 2023

- Macroeconomic uncertainty has impacted consumer confidence leading to considered big ticket purchases
- Strong Government fiscal stimulus, particularly in RMI

UK annual housing transactions





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

Inputs

Competitively advantaged resources and relationships

Customers



Deep customer relationships and understanding of needs

Resources



- Nationwide branch network, embedded in communities
- 29,000 engaged colleagues, and 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

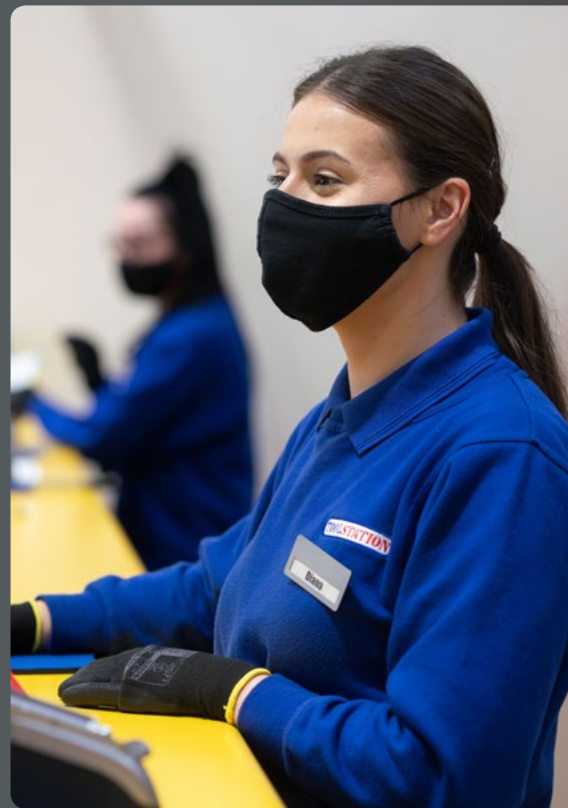
Suppliers



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

For more information see page 52

Requirements

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

Products and Services

Outputs

Self-reinforcing model generating growth and value for stakeholders



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

Sound corporate governance
For more information see page 75

Robust risk management
For more information see page 44

Our ambition & strategy

Two major strategic themes:

Simplify the **Group**

Positioning the Group for enhanced returns and long-term growth

Focus on the **trade**

Developing businesses that are well placed to win in their markets

Four strategic priorities

Simplify the Group

- Successfully demerge the Wickes business

Focus on the Trade

- Regenerate Travis Perkins General Merchant
- Accelerate the expansion of the Toolstation business, in the UK and overseas
- Deliver an organisational platform fit for the future

Simplify the Group

Positioning the Group for enhanced returns and long-term growth

Rationale

Up to 2018 the Group had grown and become more complex. Sales growth had not translated into profit growth and costs had grown too quickly. Significant investments had been made which were not suited to a lower growth market and capital allocation was challenging. The Group needed to become simpler with three clear aims:

1. **More focused capital allocation**
2. **Faster decision making**
3. **Overhead cost reduction**

What have we done?

- Disposed of P&H wholesaler PF&P (January 2020)
- Disposed of retail-focused Tile Giant (October 2020)
- Made significant progress in reducing operational complexity through simplification of commercial terms and processes
- Successfully reduced overhead costs

What have we left to do?

- During 2020 the Group placed the planned demerger of Wickes on hold in order to focus on managing the Group through the pandemic and maximise liquidity. This process has restarted in the first half of 2021
- It remains the intention of the Group to sell the P&H business, whilst in the short term continuing to drive operational improvements to improve returns further and to optimise value for shareholders



Our ambition & strategy continued



Focus on the trade

Developing businesses that are well placed to win in their markets

Rationale

- The heritage and heartland of the Group is serving UK trade customers and this represents the majority of the Group's activity today
- Trade-focused market sectors continue to see the largest share of industry growth with more resilient margins and a more predictable business cycle
- Trade customers demand competitive prices but still recognise the value of innovative solutions and will use partners that can offer this

The Covid-19 pandemic has created an inflection point in customer behaviour. The Group has used this time to accelerate its plans:

Today

A portfolio
of leading
merchants



Strengthen the core

- Get the fundamentals right
- Regenerate the Travis Perkins General Merchant
- Accelerate growth of Toolstation in the UK & Europe
- Implement an organisational platform that is fit for the future
- Begin to digitise trade journeys
- Reshape network for the future

Future of a trade-focused group

- Digital enablement
- Leading advantaged customer propositions
- Revised customer channels
- Leverage of scale and market share
- Servicing modern methods of construction

Our ambition & strategy

continued

Digital enablement

The Group has made significant progress in 2020 towards digitising key journeys and building tools to help customers and colleagues. Initially focused on the General Merchant business these build on the existing and high levels of digital engagement enjoyed by the Wickes and Toolstation businesses.

→ Customer app

- View account balances
- View and pay invoices
- View credit notes
- View statements
- Shop with your prices
- Check branch stock
- Branch finder



→ Colleague App

- Workflow management on orders collected in branch
- Goods in management
- Stock counting, enhancing branch stock accuracy



What this means for customers:

Placing control of their business in the palm of their hand.



Growth in visits to travisperkins.co.uk in 2020

40%

Customer fulfilment

High quality fulfilment of customer orders remains the principal service differentiator across Trade businesses. This will be an area of ongoing focus and will combine with the digital enablement described above to give better visibility and more choice to customers.

A key part of the delivery of exceptional service in this area is the development of the Delivery Management application. This was deployed in the first Group business in late 2020 to facilitate safe and timely delivery to customers with maximum transparency and efficiency. Key benefits are:

- Enhanced accuracy of delivery, in set time slots
- Real-time tracking of vehicles
- Electronic vehicle safety checks
- One device per vehicle
- Recording of site hazards



What this means for customers:
Real-time access to delivery status

Strategy in action

Process simplification

The Group took advantage of lower transaction volumes and the availability of key resource over the lockdown period to make significant progress in process simplification and in the removal of some historic areas that added complexity to our business.

Simplification of cost price recording

High levels of rebate attached to certain product categories are a historic feature of the supply of building materials. They add complexity to accounting processes and reduce margin visibility. Working with our suppliers the Group “netted out” over 50% of rebates to make processes more straightforward.

Simplification of transfers within the Group

A significant number of customers want to trade with multiple companies across the Group. It is our strategic intention to make this easier for customers. To start this process, the Group made significant progress in removing barriers to trading between Group businesses, which had added complexity and made it harder to serve customers.

Network evolution

The Group made difficult but necessary decisions over the course of 2020 to reduce capacity as a result of the Covid-19 pandemic. However, the closure of branches in the General Merchant business was an acceleration of the strategic direction previously highlighted which emphasised the requirement for larger and more capable branches.

642
General Merchant branches

83
Branches closed

559
Current branches

Exiting smaller sites and investing in larger sites leads to:

- Improvements in safe working practices
- A more consistent and complete proposition
- Increased delivery capacity
- Improved stock depth
- More effective colleagues



IT modernisation

The Group has re-commenced the journey towards modernising and digitising our businesses and the journeys of our customers and colleagues.

The Group's IT modernisation programme is currently focused on three areas:

Foundations - starting with core finance and ledgers to ensure a modern system of records is available throughout the Group.

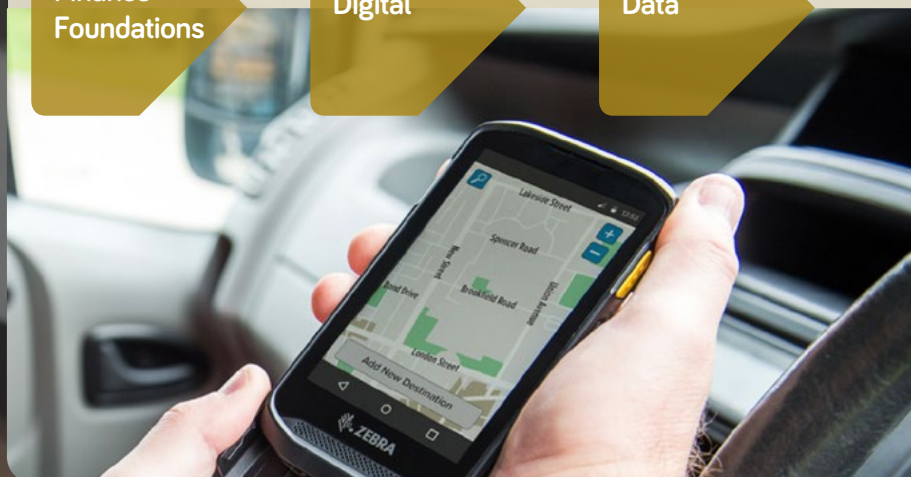
Digital - to develop the digitisation of key journeys for customers and colleagues.

Data - to ensure data is secure, consistent, widely available and generating insights and actions across the Group.

Finance
Foundations

Digital

Data



“We’re modernising the Group’s technology to set foundations for future growth.”

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 40 to 43.

Operational

Adjusted operating profit*

2020	£227m
2019	£442m
2018	£375m
2017	£380m
2016	£409m

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

(7.1)%	2020
2019	3.8%
2018	4.9%
2017	3.3%
2016	2.7%

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*

2020	2.8x
2019	2.5x
2018	2.7x
2017	2.7x
2016	2.7x

Definition (note 25)

The ratio of net debt to earnings before tax, interest, depreciation, amortisation and adjusting items ("EBITDA"). The figure for 2018 and earlier 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 2.5x.

Free cash flow

2020	£304m
2019	£195m
2018	£168m
2017	£154m
2016	£232m

Definition (note 24)

Net cash flow before dividends, freehold property purchases and disposal proceeds, 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*

2020	5.5%
2019	10.1%
2018	10.5%
2017	10.7%
2016	11.3%

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

2020	5.6
2019	5.6
2018	7.5
2017	7.7
2016	8.9

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 intensity

2020	21.7
2019	24.6
2018	28.1
2017	30.2
2016	33.2

Definition

Total scope 1 and 2 carbon emissions (tonnes of CO₂e) per £m of inflation-adjusted sales.

Reason

The Group has a responsibility to take action to prevent the worst impacts of climate change. This ratio allows management to measure progress in the decarbonisation of our business.

* These KPIs were impacted by the adoption of IFRS 16 - Leases on 1 January 2019.

Business performance and priorities

Business performance

- Total revenue from continuing businesses returned to growth in H2, demonstrating the resilience of the Group's business model
- Adjusted operating profit of £227m reflecting lower volumes partially offset by actions to reduce operating costs, including both short term controls and acceleration of longer term plans, coupled with appropriate government support in the merchant businesses
- Delivered £120m annualised cost savings with the focus on strengthening the core business by closing smaller, subscale branches and delayering management
- Net adjusting items of £140m including a £121m charge relating to the restructuring programme
- Strong free cashflow generation with covenant net debt reduced by £304m to £40m and successful refinancing of September 2021 bond

£m (unless otherwise stated)	2020	2019
Revenue	6,158	6,956
Like-for-like revenue (decline)/growth	(7.1)%	3.8%
Adjusted operating profit	227	442
Adjusted earnings per share	42.4p	112.7p
ROCE	5.5%	10.1%
Covenant net debt	40	344
Dividend per share	nil	15.5p
Operating profit	77	232
Total (loss) / profit after tax	(22)	123
Basic earnings per share	(8.8)p	48.9p

Summary

After an encouraging start to 2020, the first lockdown in the spring significantly disrupted both the Group's trading and supply chain. While the Group recovered well in the second half led by the domestic Repairs, Maintenance and Improvement (RMI) market, overall revenue in 2020 declined by 11.5% to £6,158m. Despite ongoing restrictions, performance was encouraging, demonstrating the agility and resilience of the Group's portfolio of businesses.

Throughout the pandemic, the health and safety of our colleagues, customers and suppliers has been our first priority. The Group continues to work with all parties involved in the construction industry, including government and trade bodies, to set standards to maintain safe working practices and support the ongoing recovery in the sector.

At the start of the initial lockdown in late March, the majority of the Group's businesses were closed and focus was solely on supporting essential projects, such as the construction of the Nightingale hospitals, with staffing reduced to a minimum to adhere to strict safety guidelines. Wickes and Toolstation, due to their advanced digital capabilities, were able to repurpose their branches as fulfilment centres to support the local trade either via click and collect or home delivery, although the Wickes showrooms business remained closed.

Through May and June, with the majority of the construction industry now classified as essential and workers returning to building sites, the Group's businesses began to cautiously reopen, adapting operating models to ensure compliance with Covid-19 safety requirements. Revenues over the first half of the year were thus down by 19%.

The high growth in the DIY market, which started during the first lockdown, has been sustained, benefiting Wickes and, to a slightly lesser extent, Toolstation. The broader domestic RMI market also recovered strongly, driven by the high number of housing transactions and homeowners having both the resources and need to invest in their properties as working from home has become far more prevalent. The Group has, however, seen a slower return to activity in new housebuilding and major commercial projects resulting from fewer new projects starting.

With the Group overall well placed to benefit from the shape of the recovery, underlying revenues from continuing businesses returned to growth in the second half, up 1.4%*.

* Total Group revenue excluding Tile Giant and Primaflow F&P which were disposed of during 2020. Toolstation Europe is included as if fully consolidated for both 2019 and 2020.



Given the largely fixed cost nature of the Group's branch network and lower revenues, adjusted operating profit fell to £227m from £442m in 2019. During the year, the Group utilised £74m of government assistance in the Merchanting and Plumbing & Heating businesses. All support initially received in Toolstation and Wickes, amounting to £46m, was repaid due to their strong performance.

Taking into account £140m of adjusting items (principally resulting from the business restructuring programme described below), the Group delivered a statutory operating profit of £77m (2019: £232m).

Adjusted earnings per share fell to 42.4p per share (2019: 112.7p per share). Basic EPS reduced to a loss of 8.8p per share, with the difference primarily driven by the costs of the restructuring programme.

Cash generation during 2020 was extremely strong, reflecting the Group's focus on liquidity management throughout the pandemic. Dedicated focus on working capital ensured both the timely receipt of debtor balances and that all suppliers were paid to terms, while inventory levels were reduced as the Brexit contingency was unwound. This work enabled the Group to reduce covenant net debt by £304m during the year to £40m.

Strategic and operational progress

At a Capital Markets event in December 2018, the Group laid out its plans for the years ahead, with two overarching strategic aims being (i) to focus on best serving trade customers, and (ii) to simplify the business to increase agility, speed up decision making and enable a leaner cost base.

During 2020, the Group has accelerated progress on a number of strategic initiatives, in some cases driven by the need to adapt quickly and effectively to the challenges presented by the Covid-19 pandemic but also as part of the overall drive for business process simplification.

Customer interaction

The Group has set out the objective of creating a "modern merchant" capable of interaction with customers in all of its businesses. The initial lockdown required a move to predominantly remote transactions and, to support that shift, a number of projects were delivered:

- The Travis Perkins General Merchant website was rebuilt to significantly improve information on product availability and facilitate a notable rise in web-based transactions;

- Portals to allow online account management were developed to enable customers to obtain invoices or proof of delivery and make credit account payments;
- Good progress has been made on the development of customer apps that will enable customers to interact via smartphone;
- Toolstation, which already had strong digital capability, was able to quickly move its IT infrastructure to a new platform to support significantly more traffic and future-proof the business as it continues to grow at pace;
- The Benchmarx kitchens and joinery brand was integrated into the Travis Perkins General Merchant to enable customers to purchase from either business via the same credit account. Internal structures and incentive schemes have been adjusted to drive cross-selling and win a greater share of existing customers' spend;
- The rollout of a new delivery management system commenced, initially in Keyline and CCF, which will optimise route planning and allow customers to track their deliveries.

Whilst a large proportion of trade has returned to traditional methods of purchase, these developments have highlighted the significant opportunity presented by digitally led service, reinforcing the requirement to continue to develop the Group's digital capability across all businesses.

Process simplification

In order to protect short term liquidity and also bring forward planned activity, the Group commenced a programme working with suppliers which led to the netting out of over half of the fixed price discount from current commercial arrangements across the Merchanting and Plumbing & Heating businesses.

These changes form a key part of the ongoing work to improve cost price visibility in branch and support local decision making. Conversations are well advanced with other key suppliers regarding further significant netting of fixed price discounts into the invoiced price during 2021.

Alongside the changes to cost pricing outlined above, the Merchant businesses have simplified selling price guidance available to the branch teams. These improvements provide greater consistency of pricing and also more relevant shelf-edge pricing on lightside products, further improving customer experience.

Business performance and priorities continued

Restructuring programme

In June 2020, reflecting the challenging outlook for the Group's end markets and the fixed cost nature of an extensive branch network, the Group announced a significant restructuring programme which resulted in the closure of around 190 branches across the Merchandising and Plumbing & Heating segments. In addition, a number of support function roles were removed across the businesses and head office resulting in a reduction of approximately 2,500 roles, equivalent to 9% of the workforce.

In the Travis Perkins General Merchant, branch closures targeted smaller, subscale branches where either there were difficulties in operating safe social distancing practices, or where the scale of the branch meant that profitability would be difficult in a lower volume environment. In the specialist merchants, where the majority of sales are delivered to customer sites, the branch closures were also focused on branches limited by size, geography or operational layout.

Across all Merchant businesses, the restructuring programme has accelerated plans to close these sites and, over time as demand rebuilds, establish larger branches that offer a greater depth and range of stock, alongside more efficient warehousing and delivery operations.

Where branches have closed, sales retention has been in line with expectations, ranging from around a third in smaller general merchant branches to over two-thirds in the specialist merchants where the customer base comprises larger regional contractors allowing an easier transfer of business to remaining branches.

The June restructuring programme will deliver gross cost savings of approximately £120m on an annualised basis, with the majority of actions completed by the end of August 2020. As volumes recover from the 2020 level, some variable overhead will be reinvested to support increased activity. An adjusting item of £121m has been recognised in 2020 in relation to the restructuring programme. Against the potential maximum cash restructuring costs of £85m identified in June, around half is expected to be offset by freehold disposals and, since June, this figure has been further reduced by satisfactory exit of around £10m of lease obligations.

Portfolio actions

Having completed the vast majority of the work on the Wickes demerger, on 20 March 2020 the Group announced that it had placed the process on hold in order to focus on managing through the pandemic and to maximise liquidity across the Group. With the Group, and Wickes in particular, having demonstrated the resilience of their operating models, the Board has taken the decision to recommence the demerger process which is expected to complete in Q2 2021.

Wickes delivered an excellent performance during 2020 with like-for-like sales 5.5%, driven by the strength of the Core DIY segment which saw like for like growth of 19.3%, a trend which has continued into 2021. Showroom closures have had a marked impact on Kitchen & Bathroom sales, down (27.4)% on a like-for-like basis over the year, and this has been exacerbated in the early weeks of 2021, by the third national lockdown. For the 52 weeks to 26th December 2020 Wickes like-for-like sales were +5.0% with Core +18.8% and Kitchens & Bathroom down (27.8)%. Web-based leads remain strong though and indicate a level of pent up demand once restrictions are eased.

In line with previous plans, Wickes will be capitalised to around £130mas at the year end, funded by Travis Perkins.

Allied to the Group's stated objectives of simplifying the portfolio and focusing on the trade customer, the Tile Giant business was sold in September 2020.

Although recent market conditions have not supported the sale of the core P&H segment, the Group did take the opportunity to dispose of the low margin Primaflow F&P wholesale activity in January 2020. It remains the intention of the Board to sell the remaining P&H business when the time is right whilst in the short term continuing to drive operational improvements to enhance returns further and to optimise value for shareholders.

Capital markets update

Travis Perkins' aim post demerger is to continue its focus on delivering best-in-class service to its trade customers and leveraging the market leading positions of its portfolio of businesses. Management will frame the Group's future ambitions with a Capital Markets Update in the summer.



Government assistance

During the first half of 2020, in order to mitigate in part the impact of reduced volumes, the Group undertook a number of cost reduction actions and was also able to access government assistance from the Coronavirus Job Retention Scheme and Business Rates Relief arrangements.

Given the surge in DIY demand, having initially made claims under both schemes for the Wickes and Toolstation businesses, the decision was taken in December to repay government assistance to those businesses of around £46m. Government assistance to the Merchandising and Plumbing & Heating businesses in 2020 totalled approximately £74m. No further claims are anticipated under either scheme in 2021.

Central costs

Unallocated central costs rose by £7m in 2020, driven by £15m of stranded costs relating to the separation of Wickes and P&H from the Group as disclosed in March 2020. This increase was partially offset by savings from the restructuring programme and substantially reduced management incentive charges.

Property transactions

Given the impact of the pandemic, fewer property transactions were completed in the year than in 2019. After a quiet first half, good progress was made on disposing of surplus freehold assets in the second half of 2020 generating £11m of property profits in the year (2019: £21m). Significant progress has already been made in exiting both freehold and leasehold sites vacated as part of the restructuring programme announced in June.

Dividend

Given the significant impact of the pandemic on financial performance and the risk to the Group's liquidity, the Board took the decision in March 2020 to suspend the dividend. The Board recognises the importance of dividend distributions and intends to reinstate dividend distributions in 2021 assuming there is no further deterioration in the external environment.

Outlook

The long term fundamentals of the Group's end markets remain robust with ongoing demand for new housing and underinvestment in the repair, maintenance and improvement of the existing UK housing stock. This is further underpinned by the UK Government's commitment to infrastructure investment, alongside stimulus measures such as green home improvement schemes.

End markets recovered well during the second half of 2020 with robust RMI activity outstripping a lag in the commercial and housebuilding sectors. Performance to date in 2021 has followed a similar trend despite the stricter lockdown conditions.

Since the Autumn, the Group has seen challenges with availability of product and input cost inflation in core product categories, notably timber, core heavyside products such as insulation and plasterboard and lightside products sourced from the Far East.

The Group continues to focus on strengthening its core business and investing to develop a modern merchandising proposition which will leave the Group well placed to continue to outperform its markets and generate value for shareholders.

Technical guidance

The Group's technical guidance for 2021 is as follows:

- Effective tax rate of 20%
- Base capital expenditure of around £90m to £100m, excluding Wickes
- Property profits of around £20m

Business performance and priorities continued

Merchanting

Revenue

£3,065m

2019: £3,703m

Like-for-like growth

(14.0)%

2019: 3.3%

2021 strategic priorities



Travis Perkins

- Continue to enable local empowerment with greater autonomy on local pricing and product range decisions
- Leveraging the integration of kitchens and joinery into the General Merchant offer, with shared credit accounts and simpler trading
- Enhanced website with trade account management capability
- Rebuilding the network with larger, more efficient branches able to stock a greater depth of heavyside products

	2020	2019	Change
Total revenue	£3,065m	£3,703m	(17.2)%
Like-for-like growth	(14.0)%	3.3%	(17.3)ppt
Adjusted operating profit*	£152m	£284m	(46.5)%
Adjusted operating margin	5.0%	7.7%	(270)bps
ROCE	7%	12%	(5)ppt
Branch network	846	984	(138)

* Segmental adjusted operating profit figures are presented excluding property profits

After a solid start to the year, trade merchanting sales were severely impacted by the initial lockdown period with the majority of branches closed and focus on support only for essential projects, including the building of the network of Nightingale hospitals. Following the classification of the majority of construction activities as essential, branches progressively re-opened from late April onwards although the disruption to the supply chain caused by the lockdown was significant and took several months to unwind, particularly in the specialist merchants.

The second half recovery was very encouraging though, particularly in the Travis Perkins General Merchant, led by domestic RMI demand where volumes were approaching 2019 levels by the end of the year. Housebuilding and commercial construction, to which the specialist merchants are primarily exposed, were slower to recover with volumes still down by between 10% and 15% during the fourth quarter.

During the crisis, in order to continue to support customers safely, all of the Merchant businesses moved to pre arranged collection models, organised either by phone or online. This has proven successful across the full range of customers and work continues to develop this offer as a permanent part of the customer proposition.

Gross margins in the Merchanting segment were modestly lower than 2019, primarily reflecting a reduction in annual volume rebates. Input cost inflation was with low for the year as a whole although there were increases in certain product categories in the second half of the year. Prices were adjusted to mitigate the impact of these increases, while investments were made predominantly in lightside categories to ensure relevant shelf edge pricing.

Merchanting

Adjusted operating profit

£152m

2019: £284m

Return on capital employed

7%

2019: 12%

2021 strategic priorities



Pipeline & Heating Solutions

- Rollout of leading delivery management system in both CCF and Keyline to optimise route planning and enable customers to track deliveries
- Digital development and expanding BIM capability in BSS
- Expanding TF Solutions, the Group's specialist air conditioning and refrigeration business
- Continued modernisation of market-leading propositions through enhanced pricing tools and process simplification

With significant uncertainty regarding near term volumes, as part of the restructuring plans 140 Merchanting branches were closed. These closures, together with the restructuring of sales and above-branch support teams, are expected to generate around £90m of annualised cost savings. These changes have accelerated the planned network strategy to exit subscale branches, leading to an increase of 7% in the average turnover per branch across Merchanting which, complemented by investment in larger branches as the businesses rebuild, will drive longer term operational efficiencies.

These cost actions helped to soften the impact of lost sales volume but, with social distancing regulations driving inefficiencies, a relatively high fixed cost base and gross margins down as described above, operating margin for the year reduced by 270bps.

Throughout the pandemic the Merchant businesses have had a clear focus on cash, in particular the collection of monies due from credit customers. A successful collaboration between the credit, sales and branch teams to leverage the businesses' strong customer relationships has resulted in excellent cash collections throughout the year with the sales ledger in good shape going into 2021.

Business performance and priorities continued

Plumbing & Heating

Revenue

£1,069m

2019: £1,465m

Adjusted operating profit

£19m

2019: £48m

2021 strategic priorities



- Focus on “quality of sales” using significantly enhanced data to get the right mix of business
- Continuing to improve the business and earnings growth through cost reduction and improved efficiency
- Complementary online platforms providing breadth in specialist categories and increasing digital sales participation
- Operating as a stand-alone business with independent support functions, enabling a sale at the right time

	2020 ¹	2019 ²	Change
Total revenue	£1,069m	£1,465m	(27.0)%
Like-for-like growth	(11.2)%	(1.7)%	(9.5)ppt
Adjusted operating profit ³	£19m	£48m	(60.4)%
Adjusted operating margin	1.8%	3.3%	(150)bps
ROCE	5%	13%	(8)ppt
Branch network	354	375	(21)

1. 2020 figures include £28m of revenue and £0.7m of adjusted operating profit plus the £1.8m profit on sale of the business.
2. 2019 figures include £269m of revenue and £7.4m of adjusted operating profit from PF&P wholesale, which was sold in January 2020.
3. Segmental adjusted operating profit figures are presented excluding property profits.

During the initial lockdown, P&H was the most significantly impacted of the Group's businesses with branches initially being forced to close, customers restricted to essential maintenance work and the subsequent challenges faced by installers who had to adopt a very careful approach to working in domestic properties.

The recovery in the second half of the year has been robust, however, with like-for-like sales up 0.9% driven by strong demand through the branch and showroom network. The new build and social housing sectors have lagged though, as have sales on major contracts.

The performance of the specialist digital businesses - Underfloor Heating Store and Plumbnation - was particularly encouraging with total sales of £51m during the year representing a 7% growth.

Gross margins were ahead of prior year, with the impact of lower annual volume rebates offset by the shift in sales mix towards small installer customers and the business mix change following the sale of the PF&P wholesale business in January.

The combination of encouraging sales, higher gross margin and cost actions led to an operating profit in the second half of £27m, some 10.7% ahead of the previous year, which indicates the health of the business. Over the full year, the disruption of the first half led to an operating profit of £19m (2019: £48m).

It remains the intention of the Group to divest the P&H business when the market conditions are suitable. The Board will continue to focus on implementing strategic actions to improve the remaining Plumbing & Heating business further whilst assessing opportunities to optimise value for shareholders.

Toolstation

Revenue

£633m

2019: £445m

Like-for-like growth

22.2%

2019: 16.3%

2021
strategic priorities

- Continued network growth with a further 100 branches in 2021: 60 in the UK and 40 in Europe
- Trials of new formats, including click-and-collect only branches
- Launch of mobile app to further enhance digital capability
- Rollout of UK trade credit offer to appeal to an even wider customer base

Toolstation revenues increased by £188m in the year, with the consolidation of Toolstation Europe (following the acquisition in Q4 2019) accounting for £48m of the increase. Like-for-like growth of 20.9% in Toolstation UK represented an exceptional performance, especially given the level of disruption from the lockdown in late March and April.

Alongside the ongoing work to continue to ensure a compelling customer proposition, the Toolstation UK business also made significant progress in developing its infrastructure. With branches unable to serve customers directly during the initial lockdown, the branches operated as click & collect fulfilment centres.

	2020	2019	Change
Total revenue	£633m	£445m	42.2%
Like-for-like growth	22.2%	16.3%	5.9ppt
Adjusted operating profit*	£8m	£25m	(68.0)%
Adjusted operating margin	1.2%	5.5%	(430)bps
ROCE	2%	7%	(5)ppt
Branch network (UK)	460	400	60
Branch network (Europe)	83	66	17
Adjusted operating profit – UK	£24m	£29m	(17.2)%

* Segmental adjusted operating profit figures are presented excluding property profits

To support this the Toolstation website was rebuilt in a matter of days, before the wider IT infrastructure of the business was replatformed over following weeks in order to be scalable and more resilient as the business grows.

The pivot to digital trading required a significant increase in direct-to-customer deliveries, and to satisfy this demand the Redditch distribution centre was expanded and repurposed from store replenishment to customer fulfilment. Despite a pause in the network expansion programme between March and June as fitters could not access sites, 60 new branches were opened in the UK during the year as planned. New formats continue to be trialled, including smaller footprint branches and variations on the click & collect model to improve both the customer experience and operational efficiency. The number of new stores for 2021 is expected to be similar to 2020.

The costs involved in adapting and running the distribution network on a socially distanced basis, as well as the higher proportion of delivered sales and the costs to make the necessary improvements to the business' digital capabilities, increased the operating costs of the business during the year, more than offsetting the growth in gross profit generation in the UK.

For Toolstation Europe, the response to Covid-19 has differed across the countries in which the business operates but, in all cases, the strength of the customer proposition has driven further market share gains. The combination of the multichannel offering and consistent availability of stock has been extremely well received by tradespeople across the Netherlands, Belgium and France and has allowed branches to trade effectively throughout the pandemic when competitors have been forced to close.

These competitive advantages have seen underlying revenue* increase by 79% in the Netherlands and Belgium (60% on a like for like basis) where 9 new branches were opened, taking the total to 64. In France underlying revenue* grew by 92% with like-for-like sales up 75%. 8 new branches were added, taking the total to 19, and a new distribution centre in Lyon is now operational, laying the foundations for future expansion.

With the European business very much at the initial rollout stage, and with the disruption of the pandemic, a loss of £(16)m was recorded for 2020. Losses in 2021 are expected to be at a similar level as the rollout of new branches continues at pace.

Business performance and priorities continued



Wickes

Key highlights

£1.4bn

2020 revenue

5.5%

Like-for-like sales growth

2/3

sales digitally-led

233

stores with 142 stores in our new format

c.550k

TradePro members

28,000

sq ft

average store size



Digitally-led,
service-enabled, home
improvement business

Retail

	2020 ¹	2019 ²	Change
Total revenue	£1,391m	£1,342m	3.6%
Like-for-like growth ⁴	5.0%	8.6%	(3.6)ppt
Adjusted operating profit ³	£77m	£97m	(20.6)%
Adjusted operating margin	5.5%	7.2%	(170)bps
Return on capital employed	6%	7%	(1)ppt
Store network – Wickes	233	235	(2)

- 2020 figures include £31m of revenue and an adjusted operating loss of £0.2m, plus the £1.4m profit on sale of Tile Giant
- 2019 figures include £47m of revenue and £0.1m of adjusted operating profit from Tile Giant, which was sold in September 2020.
- Segmental adjusted operating profit figures are presented excluding property profits
- For the 52 weeks to 26th December 2020 Wickes like-for-like sales were +5.0% with Core +18.8% and Kitchens & Bathroom down (27.8)%

Demonstrating the strength of its balanced business model, Wickes delivered a highly credible 5.5% like-for-like sales growth for the full year, despite periods of lockdown and disruption to trading operations throughout the year.

This performance was driven by strong Core sales growth of 19.3% on a like-for-like basis, leveraging Wickes' well developed digital and flexible fulfilment capability and increasing market share across the year. Sales also benefited from heightened DIY customer demand across a broad range of categories as customers renewed their interest in home improvement.

Do It For Me sales were significantly impacted by restrictions in trading operations, ending the year down (27.4)% on a like-for-like basis. In-store kitchen and bathroom showrooms were, at times, completely closed and customers remained cautious throughout the year to progress installation projects in their homes. A fully digitally enabled virtual customer journey was developed and launched in the second half of the year, enabling Wickes to continue to trade despite ongoing showroom closures.

Gross profit margin was marginally higher year-on-year as a reduction in promotional activity outweighed an unfavourable shift in product mix, driven principally as a result of the loss of showroom driven business. The significant change in fulfilment methods, with delivery to customer order volumes more than doubling across the year and click and collect volumes increasing by over 450%, increased fulfilment costs. Work is underway to drive efficiencies in distribution overhead given the expectation that digital sales participation will continue to grow over time.

Overheads were impacted by £9m of costs directly as a result of the Covid-19 pandemic to ensure customers and colleagues remained safe. The business also had to carry around £7m of unproductive labour costs during the first lockdown period, principally relating to Kitchen & Bathroom sales, delivery and installation colleagues. Following the strong sales performance of Wickes, the decision was taken in December 2020 to repay all government support, which is therefore excluded from the Retail segment results.

With the continued strong performance of the Wickes business and more stable market conditions, the Board has re-commenced the demerger process with a view to completion in Q2 2021.

In September 2020, the Group completed the sale of its Tile Giant business.

Wickes has a compelling investment case and a clear framework to win

Investment case



Distinctive and hard to replicate customer proposition



Uniquely balanced business



Low cost and efficient operating model

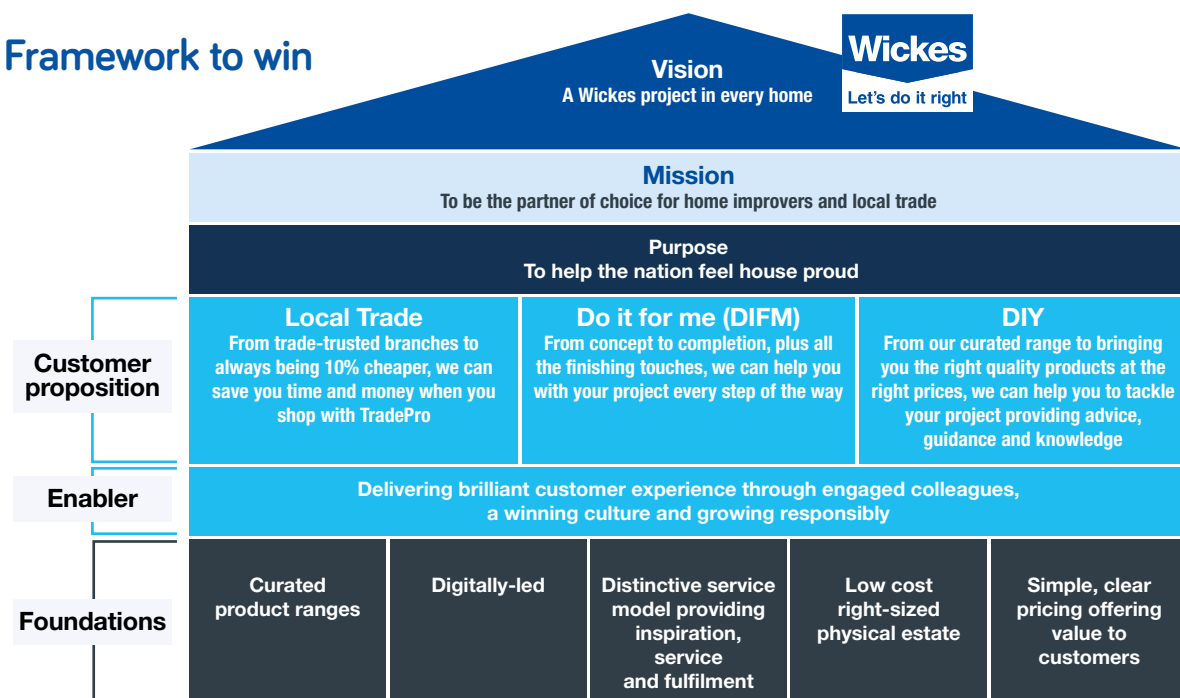


Proven levers for growth



Our mission is to be the partner of choice for home improvers and local trade

Framework to win



The store model is complementary to the digital journey with c.95% of sales touching the stores

3. Assisted selling

Support to find exactly what you need

4. DIFM

Space to dream and visualise your project with expert help at hand

1. Order fulfilment

Orders picked and ready for collection or delivery



2. Self service

Simple, quick and easy to shop

2021 strategic objectives

- Store model – Enhanced service and estate refresh
- Accelerating DIFM – Natural growth extensions
- Developing digital capability
- DIY category wins – Getting fair share in underweight categories
- Winning for the trade – TradePro growth
- Growing responsibly

Guided by strong leadership



Christopher Rogers
Chairman Designate

Chris has served as a Non-executive Director of Travis Perkins plc since 2013 and was the Senior Independent Director until 28 April 2020. He is currently a Non-executive Director of Sanderson Design Group plc (formerly Walker Greenbank plc), Vivo plc and Kerry Group. He is a visiting fellow at Durham University. From 2005 to 2016 Chris was an Executive Director of Whitbread plc, serving as Group Finance Director and Global Managing Director of Costa Coffee. He was Group Finance Director of Woolworths Group plc and Chairman of the Woolworths Entertainment businesses from 2001 to 2005. Prior to that, he held senior roles in the finance and commercial functions of Kingfisher plc.



David Wood
Chief Executive Officer

David joined the Wickes Group in May 2019. With almost 30 years in the retail and consumer sector, David is a highly experienced executive and CEO with extensive board level experience in the UK, Europe and North America, having spent the majority of his career with Tesco, Unilever and Mondelez. David served as Commercial Director on the Board of Tesco Hungary from 2010 to 2012 and between 2012 and 2015 David served on the UK Operating Board of Tesco PLC as Chief Marketing Officer and Group Managing Director. More recently David was Group President of Kmart Holding Corp from 2015 to 2017, followed by a brief tenure as CEO of Mothercare PLC in 2018.



Julie Wirth
Chief Financial Officer

Julie joined the Wickes Group as CFO in November 2018 having held Board and senior finance roles at Group and divisional level in the retail sector. This included 20 years at Home Retail Group plc, five years at Musgrave GB Ltd and three years at Countrywide Farmers plc, with responsibility across finance, IT, legal and secretariat, and change management.

Financial performance

Revenue analysis

Sales across the Merchanting and P&H businesses were hit hard by the initial lockdown but recovered well through the second half of the year. As described above, Toolstation was able to adapt its business model during lockdown to maintain trade and subsequently to build on those changes to drive exceptional growth during the balance of the year.

Retail was impacted by the closure of Kitchen & Bathroom showrooms during the first lockdown, which account for around one third of sales. The Wickes core business, however, was ideally placed to benefit from the surge in DIY demand and delivered excellent growth from June onwards.

Volume, price and mix analysis

Total revenue	Merchanting	Toolstation	Retail	Plumbing & Heating	Group
Volume	(13.4)%	23.6%	5.3%	(15.0)%	(7.2)%
Price and mix	(0.6)%	(1.4)%	(0.3)%	3.8%	0.1%
Like-for-like revenue growth	(14.0)%	22.2%	5.0%	(11.2)%	(7.1)%
Network expansion and acquisitions / disposals	(3.5)%	19.6%	(1.7)%	(16.2)%	(4.7)%
Trading days	0.3%	0.3%	0.3%	0.4%	0.3%
Total revenue (decline) / growth	(17.2)%	42.1%	3.6%	(27.0)%	(11.5)%

Quarterly like-for-like revenue analysis

Like-for-like revenue grow	Merchanting	Toolstation	Retail	Plumbing & Heating	Total Group
Q1 2020	(8.7)%	9.1%	4.5%	(1.9)%	(3.8)%
Q2 2020	(42.8)%	16.5%	(19.8)%	(48.4)%	(34.8)%
Q3 2020	(3.1)%	25.5%	18.3%	0.4%	3.9%
Q4 2020	1.3%	34.7%	20.0%	1.4%	7.7%
H1 2020	(25.8)%	12.9%	(8.2)%	(22.8)%	(19.3)%
H2 2020	(1.0)%	30.4%	19.6%	0.9%	5.9%
FY 2020	(14.0)%	22.2%	5.0%	(11.2)%	(7.1)%

At a Group level, price inflation was neutral across the year reflecting a benign input cost environment. There was one extra trading day in the year but the merchant businesses closed earlier than usual in December, as management teams wished to ensure that colleagues could take a longer break after a challenging year. This is reflected in the December like-for-like sales which saw a slight dip after a strong upward trajectory in the second half.

Toolstation total sales include fully consolidated sales from Toolstation Europe from 1 October 2019, partly driving the significant step up in growth between like-for-like and total sales alongside expansion of the Toolstation network. Conversely, P&H total sales figures were impacted by the disposal of the PF&P Wholesale business in January 2020 and Retail by the sale of Tile Giant in September 2020.

Operating profit and margin

The significant drop in revenue, combined with a predominantly fixed overhead base, negatively impacted on profitability. As outlined above, the Group therefore took swift and appropriate actions to reduce costs, tightly controlling discretionary spend and implementing a restructuring programme in June 2020. As a result of these actions, adjusted operating profit for the year was £227m (2019: £442m).

£m	FY 2020	FY 2019	Change
Merchanting	152	284	(46.5)%
Toolstation	8	25	(68.0)%
Retail	77	97	(20.6)%
Plumbing & Heating	19	48	(60.4)%
Property	11	21	(47.6)%
Unallocated costs	(40)	(33)	(21.2)%
Adjusted operating profit	227	442	(48.6)%
Amortisation of acquired intangible assets	(9)	(9)	
Adjusting items	(140)	(200)	
Operating profit	77	232	

Adjusting items in 2020 are primarily related to the restructuring programme at a cost of £121m. In addition, the Group recognised adjusting items of £13m in relation to Wickes store impairments and £11m in relation to costs to separate Wickes from the Group ahead of the planned demerger. Further details are provided in note 3.

Adjusting items in 2019 primarily related to the impairment charge taken against the IT improvement programme, and the costs to separate the P&H business from the Group.

Finance charge

Net finance charges, shown in note 6, were £85m (2019: £87m). In the year, £10m of accelerated interest was incurred on the early repayment of the 2014 bond but this was more than offset by a £12m favourable year-on-year movement on the remeasurement of foreign exchange and derivatives.

Interest costs overall were in line with the previous year as was interest recognised on lease liabilities at £59m.

Taxation

The tax charge for continuing activities for the period to 31 December 2020, including the effect of adjusting items, is £14m (2019: £58m). This represents an effective tax rate ("ETR") of negative 184.4% (2019: 32.1%).

The tax charge for the year before adjusting items is £37m (2019: £69m) giving an adjusted ETR of 25.7% (standard rate 19%, 2019 actual 19.7%). The adjusted ETR rate is higher than the standard rate due to the effect of expenses not deductible for tax purposes (such as depreciation of property), unutilised overseas losses and a decrease in the deferred tax asset related to employee share schemes following a decrease in the share price in 2020.

Earnings per share

The Group reported a statutory loss after tax of £22m (2019: profit of £123m) resulting in a basic loss per share of 8.8 pence (2019: earnings of 48.9 pence). There is no difference between basic and diluted basic earnings per share.

Adjusted profit after tax was £105m resulting in adjusted earnings per share (note 20(b)) of 42.4p (2019: 112.7 pence). There is no difference between adjusted basic and adjusted diluted earnings per share.

Cash flow and balance sheet

Throughout the Covid-19 crisis the Group has maintained a close focus on cash flow and its liquidity position. The actions taken by the Group have protected liquidity throughout, generating significant cash from working capital during the year and maintaining a strong balance sheet.

As a result of the Government's decision to allow deferral of VAT payments due on or before 30 June 2020 as a result of the Covid-19 crisis, the Group received a deferred cash benefit on tax payments of £107m in H1 2020. This amount was required to be paid to HMRC on or before 31 March 2021. Given the strength of the Group's liquidity position, this amount was paid in full during December 2020.

Free cash flow

(£m)	FY 2020	FY 2019
Group adjusted operating profit excluding property profits	215	421
Depreciation of PPE and other non-cash movements	122	141
Change in working capital	195	(129)
Net interest paid (excluding lease interest)	(28)	(26)
Interest on lease liabilities	(59)	(57)
Tax paid	(45)	(53)
Adjusted operating cash flow	400	297
Capital investments		
Capex excluding freehold transactions	(108)	(121)
Proceeds from disposals excluding freehold transactions	12	19
Free cash flow before freehold transactions	304	195

The key driver of the improvement in free cash flow was a significant reduction in working capital during the year, partially offset by the reduction in adjusted operating profits previously outlined.

The significant cash inflow from working capital was driven primarily by:

- A reduction in inventory of £97m, principally the result of the utilisation of around £60m of additional stock held at the end of 2019 to mitigate a possible no-deal exit from the EU. The remainder of the working capital movement largely related to the efficient use of stock from branches closed as part of the restructuring and tight controls in place to manage stock holding over the second half of the year, offsetting increases from the expansion of the Toolstation network; and lower receivables balances, driven by an ongoing focus on cash collections throughout the second half of the year and building on the excellent work of the credit teams during the first phase of the pandemic.

Capital investment

Net capital expenditure was £9m higher than previous year, driven primarily by lower disposal proceeds as property transactions were paused during the initial lockdown.

(£m)	FY 2020	FY 2019
Maintenance	(42)	(56)
IT	(15)	(12)
Growth capex	(51)	(53)
Base capital expenditure	(108)	(121)
Freehold property	(26)	(22)
Gross capital expenditure	(134)	(143)
Disposals	64	82
Net capital expenditure	(70)	(61)

Overall base capital spend was £13m lower during the year driven by lower spend during the early phases of the pandemic.

Financial performance continued

Capital investment continued

The reduction was driven by maintenance capital expenditure where the Group has taken the opportunity to rephase planned vehicle replacements, including the reallocation of vehicles previously aligned to branches which have now been closed.

IT programme spend was slightly ahead of last year, reflecting the investment in projects to modernise the Group's infrastructure, both as a response to the Covid crisis and to accelerate planned changes to enhance the Group's customer proposition.

Growth capex investment was in line with previous year after a drive during the second half of the year to get the Toolstation UK branch rollout back on track following delays during the first lockdown. Two larger footprint Travis Perkins General Merchant branches were also opened during the year.

Uses of free cash flow

	FY 2020	FY 2019
Free cash flow (£m)	304	195
Investments in freehold property	(26)	(22)
Disposal proceeds from freehold transactions	52	64
Acquisitions / disposals	54	(43)
Dividends	–	(116)
Pensions payments	(12)	(10)
Sale / (purchase) of own shares	6	(8)
Cash payments on adjusting items	(65)	(90)
Other	(15)	(18)
Change in cash and cash equivalents	298	(48)

During the year, the focus on protecting the liquidity position of the Group was highly successful and led to an increase in cash and cash equivalents of £298m. The key drivers of the improvement were:

- Strong free cash flow driven by working capital management
- Suspension of dividend payments during the year
- £50m from the sale of Primaflow F&P

Net debt and funding

The strong focus on cash and liquidity, and the resulting cash position of the Group, has driven a significant improvement in the net debt position.

	FY 2020	FY 2019	Change
Covenant net debt	£40m	£344m	£(304)m
Covenant net debt / adjusted EBITDA	0.13x	0.49x	
Net debt	£1,397m	£1,788m	£(391)m
Net debt / adjusted EBITDA	2.8x	2.5x	0.3x

Note - the covenant test under financing agreements is based on 'frozen GAAP' before the introduction of IFRS16. Leverage covenant for June 2020 was relaxed from 3.0x to 3.5x. It was waived for December 2020 and will be reinstated at 3.0x at June 2021.

Covenant net debt reduced by £304m from 31 December 2019 to £40m. As described above, this movement was a result of increased cash balances primarily due to excellent working capital management through the year. This was also the principal driver of the corresponding reduction in net debt under IFRS 16. Despite the significant step down in profitability of the Group, the reduction in IFRS 16 net debt caused the rolling 12-month net debt / adjusted EBITDA ratio to increase only modestly year-on-year to 2.8x.

In May 2020 the Group took the prudent step to agree with its lenders a relaxation of its financial covenants for the test dates at the end of June and December 2020:

- The interest cover covenant was waived for both June and December 2020
- The net leverage covenant was relaxed to 3.5x for June 2020
- The net leverage covenant was waived for December 2020
- A minimum liquidity headroom covenant was established for September and December 2020

Funding

As at 31 December 2020, 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. These notes were issued in November 2020 at a coupon of 3.75%. Proceeds were used to buy in notes due to mature in September 2021
- 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 2020, the Group had undrawn committed facilities of £400m (2019: £400m) and deposited cash of £455m (2019: £140m), giving overall liquidity headroom of £855m. The Group's credit rating, issued by Standard and Poor's, was maintained at BB+ negative watch following its review in April 2020. In November 2020, Fitch Ratings assigned the Group an investment grade rating of BBB- with stable outlook.

Building a sustainable business framework

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 and matures in January 2024. Built into the agreement is an option to extend the size of the facility to £550m, and a further one-year extension option which can be activated in March 2021.

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 2020 the nominal value of currency forward contracts, all of which were US dollar denominated, was \$85m (2019: \$35m).

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 2020 was approximately 0.9% (2019: 0.4%) of credit sales.

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

- Run the business to investment grade credit parameters
- Reduce reliance on the bank market for funding by having a diverse mix of funding sources with a spread of maturities
- Seek to maintain a strong balance sheet
- Place a high priority on effective cash and working capital management
- Maintain liquidity headroom of over £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 has to be lower than 3.0x and it was 0.13x (2019: 0.71x) 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 to reduce its 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 to manage tax risks and takes appropriate tax advice from reputable professional firms where it is considered to be necessary. 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 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 44 to 51 of the Annual Report. The Board believes the Group is well placed to manage those risks successfully.

Board has decided that it is appropriate to assess the performance of the Group over a three year period from 28 February 2021, the month-end date closest to the approval of the 2020 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 not will 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 the business would take to protect the Group's viability. These actions include restricting credit and reducing costs, capital and revenue investment and payments to shareholders. In undertaking this analysis, the Board considered the direct impacts of ongoing Covid-19 restrictions and potential further restrictions, as well as secondary effects on the wider economy and property market and the potential impact of the withdrawal of the government support schemes. Given the Group's trading experience throughout the Covid-19 pandemic to date 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

In an exceptional year dominated by the global pandemic, we have demonstrated a clear understanding of the risks we face and taken a proactive approach to risk management to identify and pursue opportunities, drive better decision making and, most importantly, prioritise the safety and well-being of the Group's colleagues and customers.

The pandemic has required an ongoing and agile assessment of risks, challenges and issues, adjusting to the development of Covid-19 in real time. The pandemic and its wider economic effects continue to bring uncertainty to our operations and the delivery of our strategic objectives. Even with a mass vaccination programme, this uncertainty is likely to persist.

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. Further details on risk management responsibilities and oversight are given in the Corporate Governance Report on page 79.

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.

In addition to its annual review in September, earlier in the year the Board also assessed whether the level of change prompted by Covid-19 might lead it to revise its risk appetite.

This review concluded that the Group's response to Covid-19 had not sought to take additional risk and that its risk appetite in related risk categories was already, and remained, one of low risk.

Risk assessment and reporting

Our risk management processes aim to identify and assess risks before they impact on activities, 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 dominated risk activities for much of 2020, there has also been a focus on developing and delivering the risk assessments required by the newly developed minimum standards that underpin our 12 material ESG focus areas. This work will continue into 2021. In addition, a plan has been developed to further embed risk assessment into key strategic and performance reviews in 2021, bringing an increased and regular focus on risk and opportunity management at key decision points.

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

Principal risks

The Board and Group Leadership Team robustly assesses the Group's principal and emerging risks at least twice a year. During 2020 the Board has considered principal risks at four meetings, including detailed assessments of the impact of Covid-19 on the risk set.

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. They are ordered by risk category rather than relative size of risk. The inherent risk (before the operation of mitigating controls) is stated for each risk together with an indication of

the current trend for that risk and strategic objectives that are potentially impacted. 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
			2020	2019	
External	Market conditions	ABC	↑	↔	High
	Pandemic NEW	AE	N		High
	Changing customer & competitor landscape	ABC	↑	↔	High
	Supplier risks	ABDE	↑	↔	Medium
Strategic	Portfolio management	BCDE	↔	↔	Medium
	Change management	ACDE	↔	↑	High
	ESG NEW	ABCE	N		High
Technological	IT systems and infrastructure	AD	↔	↑	High
	Cyber threat and data security	AE	↑	↑	High
Operational	People	ABC	↔	↔	Medium
	Health, safety & well-being	AE	↔	↔	Medium
	Legal compliance	ABCDE	↑	↑	Medium

Key

A Best-in-class services	N New
B Focus on trade	↑ Increasing
C Advantaged businesses	↓ Decreasing
D Simplify the Group	↔ Limited change year-on-year
E Financial strength	

Key disruptive risks that may impact the viability of a strategy or business model are also identified and managed. Whilst several principal risks, including market conditions, supplier risks and the changing customer and competitor landscape, include elements that are considered disruptive in nature, they are categorised above according to the primary driver of the risk.

Key changes in the year

The risk environment in which we operate does not remain static and the Board has made the following changes to the principal risk set in 2020:

- **Covid-19** was identified as an emerging risk in the 2019 report and has been the dominant area of focus for our risk management activities throughout 2020. Pandemic risk, specifically in relation to Covid-19, is now recognised as a new principal risk due to the inherent uncertainty associated with it. A pandemic is one of the very few risks that could result in the complete shutdown of our operations. Covid-19 has the potential to amplify or accelerate the onset of certain of our other principal risks and this potential for risk interdependencies has been kept under review during 2020, alongside the additional mitigation measures implemented.
- **Brexit** risk assessment and contingency planning remained a focus in 2020. In preparation for the end of the transition period, to offset potential disruption to the flow of goods in the event of "no deal", the business units again built targeted contingency stocks in the categories deemed most at risk, to ensure stock remained available to customers. To date, there has been little Brexit-related impact to the flow of goods although Covid-19 related disruption at certain ports has impacted us in a limited way. The Board no longer considers Brexit to be a principal risk.

Management have prepared for, and will continue to implement, the required changes to customs procedures, product standards and the recruitment of EU citizens, which remain the more significant areas of Brexit impact for the Group. Where relevant, Brexit-related risks have been incorporated into our other principal risks, and the underlying "bottom up" risk management processes.

- **ESG** is an area of increasing importance, as we recognise our impact and potential influence on the environment, the construction industry and wider society. We are seeking to take a leading position on ESG matters, which both addresses our responsibilities and an increasing level of interest and expectations from our customers, investors and other stakeholders. Accordingly ESG matters have been added as a principal risk.
- The risks in relation to **Portfolio Management** and **Capital Allocation** have been combined.
- In relation to principal risks brought forward from 2019, the Board considers that the market conditions risk, supplier risks and the changing customer and competitor landscape risk are increasing. All other risk trends are unchanged.

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 2020 included sustainability and climate change matters, digital technologies and, as a result of the pandemic, the impacts of changes to working locations and ways of working.

Statement of principal risks and uncertainties continued

	Market conditions	Pandemic
Risk description	<p>Our markets are highly fragmented and cyclical in nature and performance is affected by general economic conditions and a number of specific drivers of construction, repairs, maintenance and improvement and DIY activity. These include the volume of housing transactions, driven by mortgage availability and affordability, house price inflation, the timing and nature of government activity to stimulate activity, net disposable income, consumer confidence, interest rates and unemployment levels.</p> <p>The fundamental long-term market drivers remain robust despite Covid-19 related uncertainty in the short-term. Whilst a number of longer-term themes are beginning to impact the industry, these present us with both opportunities and risks in responding to the changes:</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, which will hinder industry growth if unaddressed. There is a drive for greater digitisation, which has accelerated as a result of the pandemic. The ability to deliver and measure social value will become fundamental to long-term success. <p>We must also manage the impacts of changing building standards and the UK Government's future framework for heat in buildings through the products and services that we offer.</p>	<p>The Covid-19 pandemic has significantly impacted our operations and results in 2020. It is not clear how long the pandemic will last, how much more extensive it may yet become, what impact further virus variants could have, how quickly approved vaccines will be distributed and how effective they prove to be, or what further measures may be introduced by governments to mitigate the associated health, economic and societal impacts.</p> <p>Central UK Government, and the devolved authorities in other parts of the UK, have 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.</p> <p>The pandemic may lead to a significant and prolonged impact for the Group in respect of:</p> <ul style="list-style-type: none"> Operational disruption resulting from high levels of colleague absence, attempts to contain an outbreak at a Group location or further measures taken to contain virus peaks, whether localised or national. This could impact our ability to operate our branch and distribution network, or provide functional support to the business, if this cannot be delivered remotely. Pressure on colleagues to adapt to rapidly changing circumstances, ways of working and resourcing levels, which may impact their health and well-being. Disruption to our supply chain, which operates across multiple territories. In addition to the proximate disruptive effects of the pandemic, the supply chain may also be impacted by business closures and consolidation activity. Levels of consumer confidence in an uncertain economic environment, which may adversely impact demand for our products and services.
Impact	<ul style="list-style-type: none"> Adverse effect on financial results Loss of market share 	<ul style="list-style-type: none"> Detrimental impact to health and well-being Adverse effect on operations, financial condition and results
Risk mitigation	<p>Our businesses all hold #1 or #2 positions in their chosen markets.</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 and customer behaviour.</p> <p>Significant events that may affect the Group are monitored by the Group Leadership Team and reported to the Board monthly by the Group CEO. Should market conditions deteriorate then the Board has a range of options dependent upon the severity of the change. Historically these have included amending the Group's trading stance, cost reduction, changing the focus or lowering capital investment and reducing the dividend.</p> <p>We have established a number of partnerships to explore opportunities to work with companies involved in modern methods of construction.</p>	<p>We acted quickly to respond to the challenges posed by Covid-19 with the safety and well-being of colleagues and customers our 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>Colleagues have been regularly consulted with throughout the pandemic and are empowered to call out unsafe practices. Several incidents in recent months suggest that Covid-19 has been an influencing factor both in terms of the physical and mental impacts to colleagues of adapting to changed ways of working, and as a necessary area of focus which may divert attention from more typical operational hazards. Organisation-wide safety stand down briefings were run in 2020 for colleagues to reflect and consider individual and collective actions that can be undertaken to take responsibility for their own and each other's safety. Other major response measures include:</p> <ul style="list-style-type: none"> Rapid changes to the network to enable contactless collections and socially distanced service. Enhanced hygiene routines and provision of PPE. Supporting all colleagues able to work from home to do so, which will continue for the foreseeable future. Active, detailed management of cost and cash flow, including the suspension of the 2019 final dividend, a 20% reduction in Board and Executive pay for three months and the deferral of rates and VAT payments. Regular communications to colleagues including a weekly pulse survey and extended well-being support.

	Changing customer & competitor landscape	Supplier risks
Risk description	<p>The evolution of customer behaviours has accelerated through the pandemic and this is expected to continue. Forced to move to more remote transactions, customers looked for digitally-enabled solutions. Whilst this drove an immediate focus on our digital transaction capabilities, the ability of these platforms to meet customer demand and keep pace with competitor developments will impact longer-term growth and delivery of our strategy.</p> <p>The process of digitisation introduces alternatives beyond our traditional competitors and, through the move to more online purchasing, there is increasing price transparency. This puts pressure on the margin that can be achieved on distributed products in some instances.</p> <p>The balance of delivered sales has moved significantly during the pandemic and our ability to develop this area and provide innovative fulfilment solutions will be a key differentiator. Customers also increasingly value the ability to procure services that complement their project, presenting us with both an opportunity and risk to meet that expectation.</p> <p>Increased focus on delivery and fulfilment may draw other new entrants into the market who operate business models which differ significantly from the traditional merchanting, retail and online formats from which we currently operate. There is also an ongoing level of portfolio change among our more established competitors. Both present potential threats to the leading market share positions of our businesses.</p> <p>These changes in the customer and competitor landscape, individually or in combination, may adversely impact the profitability of branch-based operations, impact pricing perceptions and, as a result, negatively impact our overall performance.</p>	<p>We face a number of risks in relation to key supplier dependencies and relationships, overseas sourcing and disintermediation, all of which could adversely impact upon ranging and price.</p> <p>We are the largest customer to a number of our suppliers. In some cases, those suppliers are large enough to cause us significant difficulties and disruption if they are unable to meet their supply obligations, whether due to economic or operational factors. Alternative sourcing may be available, but the volumes required and the time it may take those suppliers to increase production could result in significant and prolonged stock-outs, adversely impacting customer service and, potentially, leading customers to switch to a competitor in the short- or long-term.</p> <p>We source a number of products from overseas factories, which increases our exposure to quality, warranty, ethical and currency issues. This again may adversely impact customer service and choice.</p> <p>Manufacturers of the materials and products that we sell may also look to sell directly to end customers in the future, diminishing the role of distributors.</p>
Impact	<ul style="list-style-type: none"> • Adverse effect on financial results • Loss of market share 	<ul style="list-style-type: none"> • Adverse effect on financial results • Adverse effect on reputation
Risk mitigation	<p>The Board is cognisant of the risks presented by the changing customer and competitor landscape and evaluates developments both in terms of threats and opportunities for the Group. Competitor activity is closely monitored, including potential consolidation activity.</p> <p>We have made significant progress in 2020 towards digitising key customer journeys and building tools that complement our existing operations and enable customers to transact with us through channels that best suit their needs. Initially focused on the General Merchant business, these tools build on the existing high levels of digital engagement enjoyed by the Wickes and Toolstation businesses.</p> <p>High quality fulfilment of customer orders remains the main service differentiator across Trade businesses. This is an area of ongoing focus for us and will combine with the digital enablement initiatives to give better visibility and more choice to customers. The Group appointed a Fulfilment Director in 2020 to focus these efforts.</p> <p>We are able to use our sites flexibly to respond to changes. Alternative space utilisation models are possible, including maintaining smaller stores and implanting additional services into existing branches. The programme of restructuring announced in June 2020 progressed our existing strategy to operate from fewer, larger branches with a greater breadth and depth of product range.</p> <p>Pricing strategies across the Group are regularly reviewed and refined to ensure they remain competitive.</p>	<p>Making decent returns is one of our cornerstones and drives us to treat both customers and suppliers fairly. We have established strong relationships with our key suppliers and work closely with them to agree contracts that are mutually beneficial. We conduct due diligence in line with our commitment to responsible sourcing, and to 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>Activities undertaken in preparation for Brexit and the end of the transition period, including increased supplier liaison, mapping in-bound supply chains to identify potential exposures and holding buffer stocks in certain categories, has assisted in the understanding and mitigation of our supplier risks.</p> <p>We have made a significant investment in our Far East infrastructure to support our direct sourcing operation. This allows the development of own brand products, thereby reducing the reliance on branded suppliers. We have also adopted a conservative hedging policy to reduce our exposure to currency fluctuations.</p> <p>Independent checks are undertaken on the factories producing products for the Group, including the ethical, safety and environmental performance of the site and the quality and suitability of products before they are shipped to the UK. The results of these checks are kept under review with action taken as necessary to address any concerns.</p>

Statement of principal risks and uncertainties continued

	Portfolio management	Change management
Risk description	<p>We manage a number of businesses in the UK which operate in different, but complementary sectors. As the markets we serve continue to develop, we are investing to enhance our existing businesses and also to develop new propositions to better serve our customers.</p> <p>We undertake acquisition and disposal activity to optimise our portfolio of businesses and drive shareholder returns. In December 2018, we announced a strategy to simplify the Group and concentrate on our trade-focused businesses. Although the Covid-19 pandemic led us to pause the planned demerger of Wickes during 2020, we completed the disposal of the Tile Giant retail business in September 2020.</p> <p>Programmes to separate and prepare businesses for sale or demerger can be complex given the many linkages to our systems and processes. More generally, the projected benefits, costs and timescale for portfolio management activities may deviate from those originally planned, which could in turn impact the progression of the process and the value realised or price paid.</p> <p>Although we operate a disciplined capital allocation process, there is a risk that we over-invest in channels which may decline or are non-core. It is also possible that we may not allocate sufficient capital to new propositions and advantaged businesses resulting in suboptimal returns on capital.</p>	<p>We undertake a variety of projects throughout our businesses in order to generate returns for our shareholders. These projects include the modernisation of the Group's core IT systems and infrastructure and, in direct response to the challenges of the pandemic, changes to methods of customer fulfilment and a drive for process simplification in relation to rebates and simplified pricing templates.</p> <p>By their nature, major change programmes are often complicated, interlinked and may require considerable resource or specialist expertise to deliver. As a result, the expected benefits, timescale for delivery and the costs of implementation of each project may deviate from those anticipated at the outset. Colleague engagement may be impacted during a period of significant change and cost-focus.</p>
Impact	<ul style="list-style-type: none"> • Adverse effect on financial results • Adverse effect on shareholder value • Adverse effect on reputation 	<ul style="list-style-type: none"> • Adverse effect on financial results • Adverse effect on shareholder value • Adverse effect on colleague engagement
Risk mitigation	<p>All merger, acquisition and disposal activities are subject to a detailed appraisal process and ultimate approval by the Board.</p> <p>We put in place a formal programme of work, with dedicated resources, for larger-scale transactions. External expertise and advisors are involved as required to support the programme teams.</p> <p>All activity of this kind is supported by robust governance and monitoring. The largest programmes are closely monitored by a programme Steering Committee, with sponsorship and representation from members of the Group Leadership Team and, when appropriate based on the significance of a transaction, the Board. Both the Group Leadership Team and the Board receive regular updates on all portfolio management activities.</p> <p>Responsibility for identifying and implementing opportunities to expand, improve or modify our operations rests with each of the business unit leadership teams. We deploy or redeploy capital through a Group-level forum to strategically-aligned projects expected to achieve the best return on capital. Projects are required to present a comprehensive business case and, for the largest investments, Board approval is sought.</p> <p>Major projects are reviewed monthly by the Group Leadership Team.</p> <p>Post implementation reviews are undertaken of all major projects and returns are monitored on an on-going basis to ensure that the expected returns are achieved, but also to allow us to modify the allocation of capital when appropriate.</p>	<p>All potentially significant projects are subject to detailed investigation, assessment and approval prior to commencement.</p> <p>We allocate dedicated teams, including finance colleagues, to each project, with additional expertise being brought in to supplement existing resources when necessary. Regular communications are undertaken to keep colleagues informed.</p> <p>All major programmes are supported by an appropriate governance structure and are closely monitored through the Group Leadership Team's monthly programme review with regular reporting to the Board. When projects do not deliver against expectations, we undertake exercises to capture the 'lessons learned' which are fed into future projects.</p> <p>Recent enhancements of the Group's digital capabilities have been delivered using a more agile, incremental approach to change. Whilst we continue to embed the approach, it has been successful in supporting a more rapid development of solutions which can be ring-fenced, trialled and assessed before wider deployment. Although this approach is lighter on formal project management and governance in the earlier stages, we have implemented robust gateways to manage the risks of wider deployment.</p>

	ESG	IT systems and infrastructure
Risk description	<p>Our operations are impacted by, and impact upon, the environment, society and the economy and we are committed to the promotion of sustainable, ethical and inclusive business practices amongst our customers, suppliers and colleagues. This commitment promotes a sustainable and value-generating business model, underpinning our strategy, and more fundamentally recognises our responsibility to take action and influence the wider industry now, to mitigate the significant threats to the planet posed by climate change.</p> <p>Growing risks in relation to Environmental, Social and Governance (“ESG”) matters require us to regularly identify our most material responsibilities and challenges in order to target investment and manage them well. This includes investment in the decarbonisation of the fleet and estate, and engagement with the wider construction products industry to reduce supply-chain and product carbon, taking action to prevent the worst impacts of climate change.</p> <p>In addition, ESG matters are increasingly of interest to our customers, investors and other stakeholders, driving changes to demand and expectations, which we must identify and respond to.</p>	<p>In our day-to-day operations we are dependent on a wide range of IT systems and supporting infrastructure and technology plays a significant role in our strategic ambitions.</p> <p>Our current IT landscape is complex and includes legacy systems that lack the functionality of modern software and where expertise is diminishing.</p> <p>Whilst older systems present an increasing risk of failures or outages and require more effort to maintain, of greater significance is the risk that our current systems hinder the delivery of the strategy, whether technologically or in diverting resources.</p> <p>In adopting a more agile, incremental approach to business change, enabled by technology, we will need to manage an extended period of change 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>
Impact	<ul style="list-style-type: none"> • Adverse effect on reputation • Competitive disadvantage • Adverse effect on financial and operational performance • Less attractive as an investment proposition • Potential legal action, fines and penalties 	<ul style="list-style-type: none"> • Adverse effect on financial and operational performance • Adverse effect on delivery of strategy • Competitive disadvantage
Risk mitigation	<p>A Group Code of Conduct is in place, underpinned by policies, which cover our ESG and ethical requirements.</p> <p>Our Head of Sustainability undertakes regular materiality assessments, consulting with broad stakeholder groups, to determine the most material ESG risks and opportunities facing the Group. These are agreed by the Group Leadership Team and the Board. We have determined accountabilities throughout our businesses to manage ESG material focus areas, including Group Leadership Team sponsorship of each topic. A suite of Minimum Standards is being implemented to maintain a strong core.</p> <p>We have set commitments for each focus area including an industry-leading commitment on carbon reduction. We allocate budget to meet the stated commitments and progress on key strategic initiatives is regularly monitored by the Group Leadership Team.</p> <p>We have put in place a programme of independent audits to assure compliance with our most significant regulatory requirements in relation to ESG matters.</p>	<p>Whilst we are currently reliant on older infrastructure and applications, adequate resources and processes are in place to keep the current state well maintained and operational.</p> <p>To mitigate the risk of disruption in the event of a system failure, an IT disaster recovery plan is in place, together with broader business continuity plans. Arrangements are in place for alternative data sites. Off-site back-up routines are in place. 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>We have an evolving modernisation plan that will drive business benefits and lead to the replacement of a number of legacy systems. This will bring greater capability and longevity to our systems and infrastructure.</p> <p>A governance structure is in place for IT change programmes from idea generation through to deployment. This includes protocols, to ensure that upgrades and improvements are delivered to the business in a controlled manner that limits the potential for disruption. The Group Leadership Team receives regular progress reports and larger programmes are reported to the Board.</p> <p>Every programme is assessed at completion as to the lessons learned. Insights are rolled into future change programmes.</p>

Statement of principal risks and uncertainties continued

	Cyber threat & data security	People
Risk description	<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 from the theft and sale of personal data. During 2020, the Covid-19 pandemic appears to have heightened this risk and we have seen an increase in the volume, frequency and sophistication of attempted cyber-attacks during this period, which is expected to continue. We also face internal risks of data loss or leakage as a result of actions taken by colleagues, whether accidental or deliberate. Our strategy to modernise and digitise capabilities also presents a further dimension to cyber and data security risk.</p>	<p>People are key to our success. Our ability to recruit, develop, retain and motivate suitably qualified and experienced staff is an important driver of our overall performance.</p> <p>The strength of our customer proposition is underpinned by the quality of our people, particularly those in branch and other customer facing roles. Many colleagues have worked for us for many years, during which time they have amassed valuable product and customer knowledge and expertise. Retaining those colleagues is key to continuing high levels of customer service and maintaining our competitive advantage.</p> <p>Ensuring the retention and development of our employees, and that robust succession plans exist for key positions, is important for us to ensure that we have the right skills and experience to deliver on our strategic objectives.</p> <p>We are exposed to skills shortages in certain areas which can result in salary cost pressures. In particular, the availability of suitably qualified commercial drivers remains an area of ongoing focus, which is critical to the operation of our fleet to meet customer delivery expectations.</p> <p>We recognise the benefits of a diverse workforce and an inclusive workplace, to ensure that everyone feels welcome, valued for their contribution and able to perform at their best. Making progress in this area will take time and there is a risk that we are unable to move quickly enough to capture the benefits or meet colleague and customer expectations.</p>
Impact	<ul style="list-style-type: none"> Operational disruption Adverse effect on reputation Potential legal action, fines and penalties 	<ul style="list-style-type: none"> Adverse effect on delivery of strategy Competitive disadvantage Adverse effect on reputation
Risk mitigation	<p>We take our responsibilities and legal obligations in respect of data security and protection seriously and continue to focus on a combination of people, process and technology to help minimise the likelihood and impact of cyber incidents.</p> <p>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, intrusion detection and vulnerability scanning. All changes to technology solutions require Information Security review and approval.</p> <p>Action was taken this year to further develop our security profile and maturity against the internationally recognised National Institute of Standards and Technology – Cyber Security Framework. During 2020 we successfully introduced a 24/7 security operations centre capability to monitor for suspicious activity and behaviours and work with resolver teams as required.</p> <p>We have a cyber-incident response protocol, which is updated with lessons learned from responses to attempted attacks on the Group and external cases. Third party forensic capability is in place, should it be needed, to support our ability to respond rapidly and effectively to an incident, restore systems and demonstrate compliance.</p> <p>We will prioritise a number of security focused programmes in 2021 to further minimise the risk profile. This includes programmes focused on maintaining GDPR compliance and the optimisation of security technology.</p>	<p>Strategic initiatives are in place in relation to diversity and inclusion and knowledge management. Further information on progress made during the year can be found in the Diversity and inclusion report on page 62.</p> <p>The Group's employment policies and practices are kept under regular review.</p> <p>Staff engagement and turnover by job type is reported regularly to the Group Leadership Team and the Board.</p> <p>An established talent and succession process is in place, which will be reviewed and refreshed in 2021. The process is run annually with plans for the most senior and critical roles reviewed by the Board.</p> <p>The Group's reward and recognition systems are actively managed to ensure high levels of employee engagement. Salaries and other benefits are benchmarked regularly to ensure that the Group offering remains competitive and the Group operates incentive structures to ensure that high performing colleagues are adequately rewarded and encouraged to remain with the Group.</p> <p>A wide range of training programmes are in place to encourage staff development. Management development programmes are available to those identified for more senior positions. The Group's award-winning "Learn and Earn" Apprenticeship Programme ("LEAP") has been in place for a number of years and has a track record of successful delivery of apprenticeships in both branch-based and functional roles.</p>

	Health, safety & well-being	Legal compliance
Risk description	<p>Keeping our colleagues, customers, suppliers and the public safe is a cornerstone of the business and at the heart of how we operate. We expect everyone to go home to their families safely every 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 has had a profound impact on the Group and presents new risks to the health and well-being 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>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>
Impact	<ul style="list-style-type: none"> • Harm to our colleagues, customers or the public • Potential legal action, fines and penalties • Adverse effect on reputation 	<ul style="list-style-type: none"> • Adverse effect on reputation • Adverse effect on financial and operational performance • Potential legal action, fines and penalties
Risk mitigation	<p>Health, safety and well-being is one of our fundamental values. We continue to challenge our thinking and approach to improving safety performance through our well established "Stay Safe" brand. Steps have been taken in 2020 to build on our reporting programme and empower colleagues to "Call It Out" if they see anything that they consider to be unsafe. Guidance has been issued to support colleagues through difficult customer conversations. Regular communications highlight examples where "calling it out" has avoided a safety issue, which is helping to generate an even more open reporting culture around safety.</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 recently been restructured and is in the process of delivering improvements against a Fleet and Driver roadmap, continuing into 2021.</p> <p>Incidents are monitored, investigated and corrective action taken to address the root cause. For more significant incidents, an Incident Review Board is held, with the lessons shared across the Group.</p> <p>We have increased our focus on mental health and well-being in 2020, introducing a range of resources to colleagues and supporting the wider construction industry's "Stop. Make a Change" campaign in October.</p> <p>De-risking our operations and improving health, safety and well-being awareness are at the forefront of our activities. Further information on progress made during the year can be found in the Safety and well-being Report on pages 56 to 57</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>We have implemented a new Code of Conduct that sets out our requirements for doing business in the right way. This is underpinned by a comprehensive framework of policies. Those expectations are disseminated using a range of methods to ensure that our colleagues understand their responsibilities to comply with the law and other regulations affecting the Group at all times. 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 appointed a Corporate & Regulatory Risk Business Partner in late 2019 to support the business in meeting new requirements and to continue to develop and improve the existing framework.</p> <p>Our new Code of Conduct is the first phase in our strategy to deliver an enhanced assurance framework to further support regulatory compliance across the Group. Areas of initial focus include Money Laundering, Competition Law, Anti-Bribery and Corruption and Corporate Criminal Offences. The second phase, already underway, is to implement a suite of Minimum Standards that support policy adherence. Crucially this will also assist in our assessment of the maturity of Group-wide processes and controls across the 12 ESG material focus areas identified by the Board, of which Legal Compliance is one.</p> <p>We provide online training to colleagues in key areas of legal and regulatory compliance, including mandatory modules for those joining the Group.</p> <p>We operate a speaking up process that allows anonymous reporting, through an independent hotline, of any suspected wrongdoing, unethical behaviour or instances of non-compliance with laws and regulations. All reported cases are investigated. This is being updated following the implementation of our new Code of Conduct in order to further improve awareness and access across our businesses and supply chain in all relevant countries.</p>

Sustainability overview

Doing the right thing

The Group is committed to lead on the Environmental, Social and Governance (“ESG”) agenda. A leadership position in ESG is essential to drive meaningful change across the industry and to meet stakeholders’ growing expectations. The framework below highlights 12 material ESG focus areas for the Group and demonstrates the supply-chain wide approach. Progress will build resilience in the business, underpin a robust social value offer to customers and improve behaviours in the supply chain.

A year of change

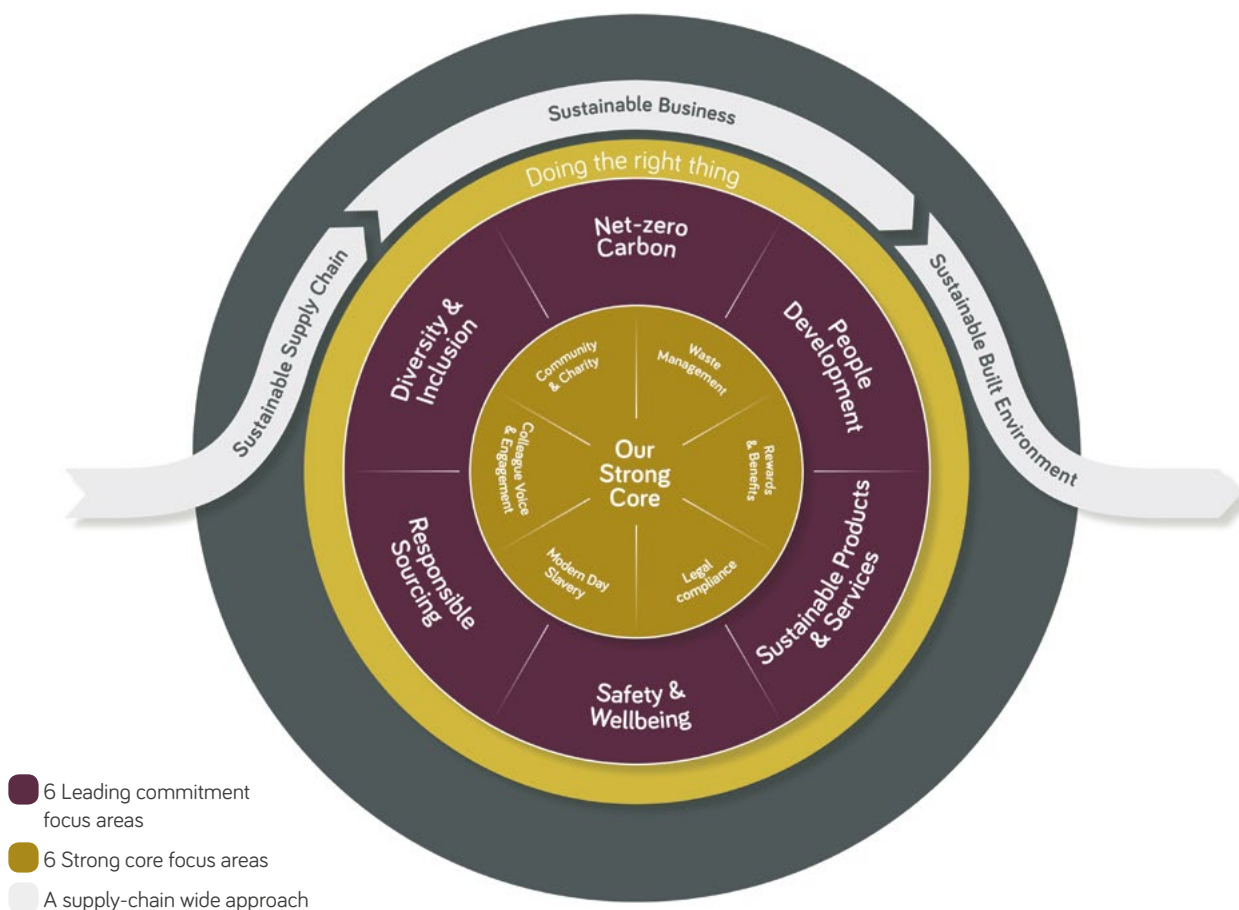
Set an appetite to lead on ESG in the industry and defined six leading commitments

Committed to achieve Net Zero for Scope 1 and 2 carbon by 2035

Strengthened ESG governance with a new Code of Conduct and Minimum Standards framework

During the year the Group stepped up its focus on ESG, building upon its progress to date. Leading ambitions were set in carbon, diversity and inclusion, people development, safety and well-being, sustainable products and services, and responsible sourcing. This included the development of a new, ambitious net zero carbon target. The Group Leadership Team and the Board have approved the Group’s commitments and leading ambitions as shown in the framework.

2020 rightly had a strong focus on health, safety and well-being as the Group navigated the pandemic, always putting colleagues’ and others’ safety first. The Group also took the opportunity to “strengthen the core” across all material focus areas, developing new policies and minimum standards to support the Group’s businesses.



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. The Group's approach has been benchmarked against competitors, supply chain partners and leaders from other industries. Changing industry needs, upcoming regulation and macro-economic trends have been taken into account. The Group's material focus areas will be reviewed on an ongoing basis to keep the Group focused on the most important topics for the business and its stakeholders.

Engaging with stakeholders

The Group actively engages with stakeholders to share progress, inform plans, listen to feedback and seek views. Shareholders are encouraged to attend the Annual General Meeting to understand and ask questions about the Group's performance, challenges and opportunities. Colleagues, customers, suppliers and investors were consulted on our new framework and targets in 2020. We conducted pulse surveys throughout the Covid-19 pandemic to understand and support our colleagues' needs. We have adapted to new ways of working due to Covid-19 restrictions, engaging with our stakeholders virtually to ensure the conversations continued.

Governance of sustainability

The Board has overall responsibility for sustainability. The Head of Sustainability supports the Group in evolving 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.

Our leading commitments

Focus area

Safety and well-being	Carbon	Development	Diversity and inclusion	Sustainable products and services	Responsible sourcing
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Relevance to the Group – managing key risks and opportunities

The safety and well-being of colleagues is the Group's first priority. A workforce that is safe, and physically and mentally healthy, is the foundation of everything the Group does.	The Group operates a large vehicle fleet and property estate. The Group has a responsibility to address rising stakeholder concern around climate change and mitigate the impact of increasing energy prices and carbon taxes.	A strong pipeline of talented people protects the current and future success of the Group. In an industry that is keen to attract young talent, development programmes allow the Group to retain existing colleagues and nurture new recruits.	A diverse workforce and an inclusive workplace ensures everyone feels welcome, valued for their contribution and can perform at their best. It also allows the Group to build employee pride and to mirror and better serve its customer base.	Building regulations, national commitments and construction methods are always evolving. The Group can support its customers with information, products and services to meet changing requirements.	The Group sources products and services from thousands of suppliers. Responsible sourcing of quality products from approved suppliers is essential to establish resilient and transparent supply chains and protect the Group from interruption or reputational damage.
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Our desired outcomes

Everyone home safe and well, every single day	Lead the industry in tackling climate change	Upskilled colleagues delivering outstanding service	Industry-leading inclusive and diverse employer	Facilitate customers to "build back better"	Known, trusted, ethical and sustainable supply chains
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Our 2021 commitments

Continue to safeguard colleagues and support mental well-being, driving a culture of "Calling It Out"	Net zero carbon by 2035 (Scope 1 and 2), with 80% reduction and 20% offset	Make TP a career destination of choice for the best people and build a development curriculum and framework to achieve this	Establish a diversity and inclusion advisory board to work with the GLT and define appropriate targets	Work with customers to understand their sustainability needs so that the Group can develop ESG value-add services and better promote sustainable products to them	Source 100% sustainable timber (FSC or PEFC)
Develop a network of mental-health first aiders and implement business-led well-being plans	Set a Scope 3 carbon target by July 2021	Thousands more apprenticeships in 2021: 500 internal and 500 new recruits	Build business-level plans that increase focus on diversity and inclusion		Continue to roll out the improved online risk assessment and the new site audit formats

Sustainability overview continued

Our strong core

Focus area

Colleague voice and engagement	Modern slavery and human rights	Legal compliance	Waste	Reward and benefits	Community and charity
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Relevance to the Group – managing key risks and opportunities

A business should meet the needs of multiple stakeholders, not just shareholders. Colleague opinion and input is sought to support and inform decision-making, increase engagement and drive innovation.	The Group employs 28,710 people. Ensuring colleagues and workers within the supply chain are protected from abuse of their human rights is a fundamental aspect of the Group's social responsibility.	As a responsible business, it is Company policy to comply with all applicable laws in the countries in which the Group operates. Whether anti-bribery and corruption, General Data Protection Regulation ("GDPR"), competition compliance or any other area of law, the Group will do the right thing.	Millions of products pass through the Group's businesses each year, generating operational, product and packaging waste. Public interest in plastics and packaging, increasing waste costs and new taxes all drive this agenda.	Effective reward and benefits programmes allow the Group to attract, motivate and retain the best talent in a competitive marketplace. Well-structured and strategy-aligned reward and benefits packages support colleagues to meet their current and future financial, emotional and physical well-being needs.	The Group's businesses are based on relationships. Local branches forge strong bonds with local communities. Sales teams collaborate with customers on Social Value propositions. Colleagues devote time and money to chosen charities. Being a good corporate citizen is core to the Travis Perkins Group.
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Our desired outcomes

Committed colleagues, empowered to drive change	Slavery-free business and supply chains	Consciously doing the right thing	Play our role in the move to a circular economy	Simple, transparent and effective rewards which engage and motivate colleagues	Partnerships that optimise social value
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Our 2021 commitments

Review colleague engagement surveys and continue to engage colleagues through existing forums Enhance the Group's feedback strategy	Continue to train key colleagues on identifying and managing slavery risks Continue to roll out the improved online risk assessment and site audit formats	Launch refreshed training on key legal compliance topics in 2021	Eliminate avoidable single-use packaging by 2025 Work with suppliers to meet the new plastic tax requirements and reduce packaging	Simplify and refocus incentives and bonuses Increase colleague confidence in managing pensions and finances through targeted communication and education	Extend the focus on community and charity beyond fundraising to create positive impacts in the communities where the Group's colleagues and customers live and work
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How does this support the strategy?

By doing the right thing, the Group has confidence in a sustainable and value generating business model. The sustainability programme supports the Group's long-term strategy, building on its 200+ year heritage.

The Group delivers best-in-class service by investing in its colleagues and its unique and open culture, continually striving to be the best employer. The Group operates through a nationwide network of around 2,000 branches who win the custom of the "best builders in town" by building strong bonds with their customers and their local communities.

Being at the forefront of evolving industry trends and regulations is important for the Group's customers and for maintaining the leadership positions of the Group's businesses. The commitment to responsible sourcing supports the deep and lasting supplier relationships that enable the Group to provide quality products and services to its customers. For more information on the business model and strategy see pages 16 to 25.

How does this align with the cornerstones?

Everything the Group does is underpinned by the five cornerstones, or principles, of the business. The material focus areas highlight **what** the Group does on sustainability and the cornerstones define **how** the Group does it.

Upholding family values

Keeping people safe

Making decent returns

Working for our customers

Being the best

Assessing climate-related financial risks and opportunities

The Group has submitted an annual climate disclosure to the Carbon Disclosure Project ("CDP") for 11 years, including a financial assessment of climate-related risks and opportunities. Work is underway to disclose climate-related financial risk in the Annual Report and Accounts by 2022, in line with the Taskforce for Climate-related Financial Disclosure ("TCFD") recommendations. During 2020 the Group developed a new Climate Change Risk Assessment process and a training webinar to better engage business leaders in this assessment. In 2021 the full TCFD analysis will be completed, assessing risks against different climate scenarios.

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 .



Safety and well-being

2020 objectives

- Maintain focus on reducing and managing key safety risks and continue to externally benchmark performance and improvement activities.
- Raise the bar on mental health awareness and progress defined business improvement plans.
- Share learnings externally from strengthened controls to address compact yellow plant safety in order to improve industry standards.

2020 progress

The Group's safety performance during 2020 was adversely affected by Covid-19, particularly between March and June when there was a sharp rise in the number of lost time incidents ("LTIs"). LTIs increased as a result of illness and shielding reducing the number of colleagues in branches, and the disruption of the rhythm of work created by lockdown and furlough.

The business responded to this in a number of ways including:

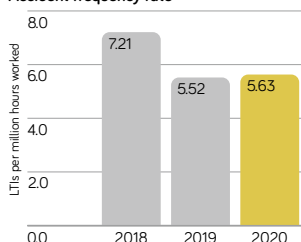
- Closing Travis Perkins branches on Saturday mornings in the summer to give colleagues extra recovery time
- Keeping branches closed where there were not enough colleagues available to operate safely
- Holding "safety stand-downs" to help colleagues renew the focus on safe working.

As a result of these factors, the Group's LTI frequency rate in the year increased by 2% to 5.63 LTIs per million hours worked (2019: 5.52). The severity rate outperformed 2019, reducing by 12.5% to 0.07 lost work days per thousand hours worked (2019: 0.08).

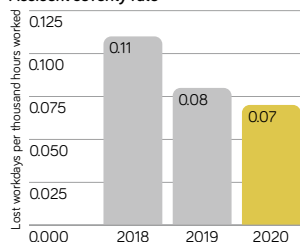
Regrettably, the Group was involved in five fatal incidents in 2020. These dreadfully sad incidents have strengthened everyone's resolve to do even more to improve safety. As a result a number of changes have been introduced:

- The overhaul of the Group's fleet function and introduction of a new Fleet and Driver Roadmap which focuses on compliance, professionalising the role of the driver and creating a fleet fit for the future. Business units are supported by a dedicated, expert shared service team.
- The introduction of Incident Review Boards at all levels of the business, including with the Group Leadership Team, to ensure that the cultural root causes of incidents are understood and action is taken to address them.
- "Lessons Learnt" sessions at business leadership team meetings to share lessons from incidents that happened across the Group.

Accident frequency rate



Accident severity rate



Responding to Covid-19

The majority of the Group's safety and well-being activities during the year related to the impact of Covid-19.

The Group's operations were more prepared than most for the virus, having learnt from how colleagues in the Group's Shanghai-based sourcing office coped with the initial outbreak in China. The Group's activities spanned from day-to-day crisis management to industry leadership and included:

- Working with the government and trade associations to develop safe working guidance for the sector
- Putting in place robust safety management arrangements at a local level to ensure that branches could provide materials to essential services safely during lockdown
- Rapidly changing the operating models of all business units to allow them to continue to trade safely through the different phases of the pandemic. For example:
 - Toolstation and Wickes moved to click and collect only
 - Travis Perkins, Keyline and CCF operated delivery-only models
 - BSS operated robust controls to remain open to customers and support essential works including those in hospitals
 - Travis Perkins and City Plumbing coordinated a considered and gradual reopening of trade counter areas
 - Wickes, Benchmarx and City Plumbing introduced a "virtual" customer journey to support the design and purchase of kitchens and bathrooms
- The application of the Group's "3 lines of defence for safety" assurance programme to Covid-19 management, including an independent audit of the Group's social distancing principles
- Enhanced mental health support for all colleagues
- Weekly "pulse" surveys to help to understand the mood and worries of colleagues and enable individual businesses to rapidly address any well-being concerns.

Case study: HAE Awards

The Travis Perkins Tool Hire business won the SafeHire Plant, Tool & Equipment Hire Company of the Year category in the Hire Association of Europe ("HAE") 2020 annual awards.

Catherine Gibson, Managing Director of Tool Hire said: "This category is judged by the results of external HAE SafeHire branch audits and is recognition of the improvements made in both the safety and wider culture of the business in recent years."

Accident frequency rate (per million hours worked)

5.63

2020 improvement activities

In addition to managing the risks arising from the Covid-19 crisis, various other safety and well-being improvement activities took place during 2020:

- Continuing the programme of “safety deep dives” to understand how effectively key risks are managed and externally benchmark performance. This year the reduced programme focused on Covid-19 management and night-working
- Supported the construction industry’s “Stop. Make a Change” campaign and appointed Mental Health First Aiders in Benchmark and CCF to help grow the network already established in Wickes and BSS
- Relaunched the Group’s “safety expectations for suppliers delivering to branches, stores, distribution centres and customers”, strengthening requirements and increasing scrutiny.

What’s next?

- 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 well-being plans.

Accident severity rate improved by

12.5%

Case study:

Supporting Toolstation Europe

With a growing number of Toolstation branches across France, Holland and Belgium, a formalised structure to health and safety was needed. Lucy Lynch, Managing Director of Toolstation France, explains: “Taking the Group’s UK-centric approach and working with local teams and safety experts means that the business now has a rapidly scalable approach to safety management across all European countries which will help keep our colleagues and customers safe whilst we continue to grow.”

Case study:

Calling it out

The Group continuously strives to improve its safety culture. Incidents in 2020 have shown that the next focus needs to be helping colleagues have the confidence and trust to “call things out” and for their managers to receive their message positively and do something about it.

“The basic mantra is simple - if something doesn’t look or sound right, it probably isn’t so call it out!”, explains Richard Byrne, Group HSE & Fleet Director. “It covers a whole host of areas including diversity and inclusion, data security and safety.”

CALL IT OUT



Safety is something we cannot compromise on, and nothing is so important that it cannot be done safely. That people lost their lives as a result of being in contact with our business in 2020 is devastating to us all. We are a close family and these incidents have had a profound effect on all of us across the Group. While nothing we do will bring these people back, we have dedicated a lot of time and effort to think about what each and every one of us must do to make our business safer, and to prevent incidents like this ever happening again.

Blair Illingworth

Chairman of Stay Safe Committee
Non-executive Director

Carbon

2020 objectives

- Set a new long-term carbon reduction target, taking into account the UK's commitments to net-zero carbon. Develop a detailed roadmap to support achievement of the new target.
- Complete planned LED replacements, heat pump trials and lighting and heating “Master switch” trials.
- Engage with commercial vehicle manufacturers to introduce commercial electric vehicles to the fleet.
- Roll out the Fleet Management System to the Travis Perkins General Merchant to monitor driver performance, help increase fuel efficiency and reduce carbon emissions.
- Launch new environmental training packages for colleagues across a range of roles within the business.

2020 progress

This year saw a significant decrease in the Group's carbon footprint. An improvement of 12% on 2019 means an improvement of 45% against the target of a 28% reduction from 2013 to 2020. Whilst this has been impacted by Covid-19, the Group had already achieved a 38% reduction by 2019 so the results also reflect the significant efforts made on decarbonisation over the previous seven years.

During 2020 the Group took the opportunity to develop its environmental strategy and “build back better”. A net-zero carbon (“NZC”) plan was developed, outlining how the Group could achieve its NZC Scope 1 and 2 target by 2035. The key challenge is a vehicle fleet that accounts for 60% of the Group's carbon footprint. Solutions will depend on vehicle development and infrastructure support. The Group is ready to face this challenge and has engaged with vehicle manufacturers, fleet operators and leading NZC organisations to develop the NZC plan.

The Group continued its LED replacement programme despite the difficult conditions. This included replacing the lighting in 67 branches and two distribution centres. The Group also installed a further 62 smart electricity meters as part of the wider roll-out programme to improve monitoring across the estate. A new Fleet Management System was deployed into the Travis Perkins General Merchant, saving on fuel consumption through improved driving behaviours.

Case study:

Net zero carbon commitments

The Group is proud to have developed a net-zero carbon plan during a difficult year. The target is net-zero carbon by 2035 for Scope 1 and Scope 2 emissions, with a Scope 3 target to be set by July 2021. The plan was developed by a team of specialist colleagues and outlines the key actions needed across the Group's built estate and vehicle fleet and is supported by a financial business case. The Group is also aiming to go beyond reducing the Group's operational carbon emissions by engaging the Group's supply chain to reduce Scope 3 emissions.

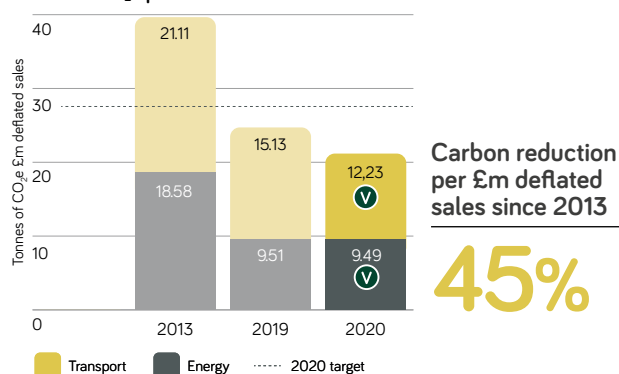


Although it has been an incredibly difficult year, we've emerged with an environmental strategy that includes a clear pathway to net-zero carbon for Scopes 1 and 2 by 2035. This demonstrates our commitment to the “green recovery” as part of our wider aspirations of protecting the environment, influencing our supply chain and promoting environmental opportunities.

James Vance

Group Head of Environment

Tonnes of CO₂e per £m deflated sales



	2020			2019
	UK	Non-UK	Total	Total
Energy				
kWh energy	531	5	536	
Annual energy use relating to gas, purchased electricity and transport fuel				-
Carbon Dioxide Equivalent (CO ₂ e) Tonnes				
Scope 1⁴	88,372	641	89,013	116,689
Direct emissions from burning gas and solid fuel for heating and from road fuel use for distribution			✓	
Scope 2	32,380	461	32,841	38,736
Indirect emissions from our use of electricity			✓	
Intensity⁵	21.5	0.2	21.7	24.6
Emissions from scope 1 and 2 sources per £m of inflation adjusted sales			✓	
Scope 3	Scope 3 emissions are presented in our publicly available CDP Climate Change disclosure. Full recalculation is planned in 2021.			
Indirect emissions from our supply chain				

Case study:**Decarbonising our fleet: The road to net zero carbon**

The emissions from the vehicle fleet represent approximately 60% of the Group's Scope 1 and 2 carbon footprint. Progress has already been made in tackling these emissions through the implementation of a fleet management system for the commercial fleet to monitor driver performance. Fuel consumption is optimised through the reduction of idling and harsh acceleration or braking. In 2020, a full review was conducted of carbon from the vehicle fleet and a roadmap to Net Zero Carbon ("NZC") by 2035 was developed. The roadmap includes the introduction of alternate fuels and new technology, beginning with trials in 2021. The NZC Transport Working Group consults with vehicle manufacturers to keep abreast of new and developing technologies and also engages with the UK Government to improve the UK's charging infrastructure.


**What's next?**

- Implementation of the NZC 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.

Case study:**Decarbonising our estate: The building blocks of net zero carbon**

With an estate of over 2000 sites, the Group has a challenge in decarbonising its building stock and an opportunity to lead by example, adopting the low carbon systems and solutions it sells to its customers. An NZC mapping exercise was completed in 2020 to identify the low carbon technology and investment needed to meet the Group's NZC target. The NZC Buildings Working Group is developing projects to ensure that the commitment of NZC by 2035 is met. Identified projects include installations of air source heat pumps, solar PV systems and a new "low carbon building standard", setting the bar for all future new-build projects. Besides new technology, sometimes the simplest measures save energy, carbon and costs. For example, in 2020 at a Travis Perkins branch in Milton Keynes, all lighting and heating controls were interfaced to the intruder alarm, automatically switching them off when the alarm is set at the end of the day, preventing wasted energy overnight. Additionally infrared security cameras, which trigger with motion, removed the need to flood light the yard throughout the night. These simple measures saved that one site over £2,000 per year in energy costs and reduced the site's carbon footprint.

**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 2020² on an operational control basis. 95% of Scope 1 and 2 data is from measured sources³ 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 , have been assured against Lloyd's Register verification procedures. For a link to the assurance report see page 64.

1. The 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. 5% of data underpinning the 2020 carbon numbers is estimated due to supplier data provision issues.
4. Scope 1 CO₂e emissions include 20,402 tonnes from buildings and 68,611 tonnes from transport
5. Carbon intensity is reference to turnover, adjusted to allow for inflation, relative to baseline year. Adjusted sales figures use 2020 Office of National Statistics inflation data.

Sustainability overview continued

Development

Apprenticeships

2020 objectives

- Develop new brand-specific, entry-level apprenticeships for each of the trade merchanting businesses, applying the “Branch Counter to Boardroom” approach.
- Create a suite of apprenticeship programmes to support the growth of the Toolstation business.

2020 progress

Despite the impact of Covid-19, the Group launched 14 new apprenticeship programmes in 2020, including brand-specific, entry-level schemes for the Group’s trade businesses. The Group now has 38 different apprenticeship programmes and has introduced the “Branch Counter to Boardroom” concept to all the trade businesses.

In 2020 the Group extended the apprenticeship programmes into the Toolstation and Wickes businesses and the Group enrolled 783 colleagues onto new apprenticeship programmes and 179 colleagues graduated with an 93% distinction rate. In total the Group was able to invest £2.4m into training colleagues on apprenticeship programmes in 2020.

Following the impact of Covid-19 we transferred all apprenticeship programmes online to ensure they could continue. We were awarded with the Chartered Management Institute’s award for “Innovation in delivery” for the Group’s work in this area.

What’s next?

- The Group will continue to grow its apprenticeship offering in 2021, adding an additional six new programmes to ensure that there are appropriate programmes for all colleagues.
- The Group plans to recruit 500 new apprentices in 2021 and develop 500 existing colleagues to enable them to progress to a new role through our “Branch Counter to Boardroom” career pathways.

Colleagues enrolled onto apprenticeship programmes

783

Graduates passing with “distinction” in 2020

93%

Case study:

Diversity in apprenticeships

The Group has developed award-winning apprenticeship programmes aligned to each job role in the branch network. This has allowed the Group to recruit new colleagues from outside the Group’s sector and train them to succeed. In 2020 39% of successful candidates were female and 66% were under 25.

In 2021 the Group aims to recruit 500 new colleagues using the apprenticeship programmes, allowing recruitment from outside the sector and positively impacting the diversity mix of the workforce.



Case study:

Jessica Potter

Jessica Potter joined CCF on a management apprenticeship programme in February 2019 from Debenhams, and therefore had no previous experience of the construction materials industry.

The apprenticeship programme quickly provided her with the skills, knowledge and behaviours to be a valued colleague in the Group’s branch network and within 12 months of joining us Jess was promoted to Assistant Branch Manager at CCF Sheffield.

Management and leadership development

2020 objectives

- Roll out of the new Winning Leaders curriculum across Travis Perkins merchanting businesses, with tailored versions for the specialist merchanting businesses (BSS, CCF, Keyline and Benchmark), as well as support functions.
- Design and pilot phase two of the curriculum in the trade merchanting businesses.

2020 progress

Despite the challenges presented by Covid-19, progress has been made against the Group's management and leadership development objectives:

- Early in 2020 all senior leaders in the merchanting businesses attended a one-day Employee Relations masterclass to increase their capability and self-sufficiency.
- Regional directors and senior leaders across Travis Perkins General Merchant completed two days of "performance coaching" training.
- The Group invested in an innovative "leadership resilience and well-being" programme. The programme allows each senior leader in the business to work with a recognised expert in this field to complete a "Resilience Quotient Inventory" questionnaire, receive one-to-one coaching on the results and participate in four half-day, virtual workshops. The aim is to build self-awareness, resilience and well-being for themselves and their teams.
- Toolstation launched a Learning and Development framework in 2020, the "Toolstation Academy". This framework will provide colleagues with the knowledge and skills to perform at their best and provide them with opportunities for growth. Two Management Development programmes were launched during 2020, focused on developing store supervisors and store managers of the future.

What's next?

- Focus on the Group's leadership culture, with pro-active 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.

Talent and succession

2020 objectives

- Ensure a well-balanced representation of backgrounds, nationalities, cultures, skills and experiences within succession pipelines and talent pools at all levels.
- Continually improve the employee value proposition to offer a unique, competitive and compelling colleague experience to support the Group's external talent attraction strategy.

2020 progress

The Group's talent and succession practices were reviewed to ensure the Group's colleagues are well-placed to benefit from the Group's career development opportunities and to increase the focus on inclusion. The variety of businesses in the Travis Perkins family and the broad national coverage ensures that the Group continues to offer market-leading career development opportunities.

The Group's rich heritage of progression from "Branch counter to Boardroom" encourages colleagues at all levels to build fantastic careers. There was a focus on highlighting this unique competitive advantage in 2020 and this will continue to be a priority.

In 2020 the succession plans for the Group's leadership roles were rigorously challenged and improved. The focus in 2021 is to hone development and career plans and benchmark potential in this group to ensure key appointments can be facilitated at the right time.

All retail senior leaders at Toolstation attended a one-day strength-based development session in 2020. Toolstation's new Core Strengths and Core Capabilities programme, within the new Toolstation Academy, focuses on colleagues playing to their strengths and being at their best every day.

What's next?

- 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.

Sustainability overview continued

Diversity and inclusion

2020 objectives

- Map the experience of current and future colleagues to identify focus areas to support the “Workforce with a Difference” programme.
- Establish a “Women’s Network” to create an inclusive environment for all colleagues to sell the benefits of working for Travis Perkins and to attract talent and build more diverse teams.
- Align apprenticeship programmes and local recruitment support to this agenda to enable the business to attract and select from more diverse backgrounds.

2020 progress

The Group continues to learn about colleagues’ experiences and use this to drive change through the Group’s expanding networks. The Wickes LGBTQ+, BAME, Ability and Well-being networks have continued to lead change and generate activity and energy around the inclusion agenda. Their “Balance for Better” gender network has led to an improved approach to family leave.

The TP Inc Women’s Network, the LGBTQ+ network, TP Proud and the BAME and allies networks were also launched in 2020. The TP Inc Women’s Network brings women from across the Merchant businesses together, with the aim of building a broader network of role models, change agents and allies focussed on equality. The network is acting to improve the Group’s gender balance, with on-going work on uniform, tolerance and behaviours, and flexible working.

The Group proudly announced its commitment to putting disability on the leadership agenda with a partnership with the Valuable 500. The Group also put forward 10 mentees and 10 mentors for the 30% club, which gathers together nearly 2,000 mentors and mentees from across the business community each year to support each other to develop. The programme is focused on accelerating the development of women into senior leadership roles.

What’s next?

- 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.
- In 2021 all the Group’s businesses will create a diversity and inclusion action plan.



Diversity and inclusion will be fundamental to our future success, and we have signed up to The Valuable 500 as part of our commitment to changing our business for the better and to tap into this rich network to learn and share best practice. Around 80% of disabilities are hidden, and we want our colleagues to feel able to bring their whole selves to work and be confident and open about their disabilities without being judged or defined by that.

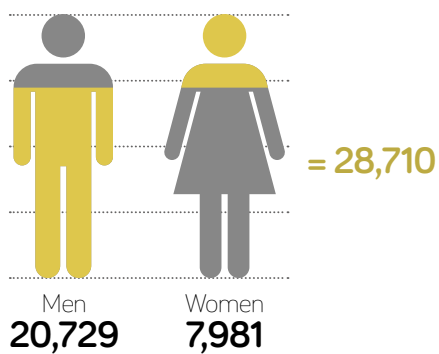
Nick Roberts
Chief Executive



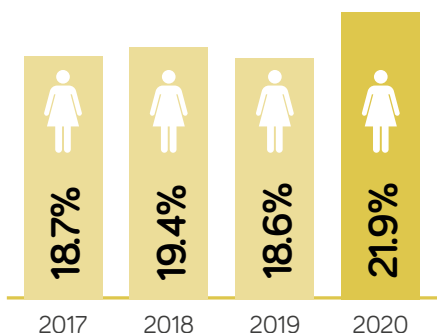
Gender diversity						
	Female	%	Male	%	Total	%
Director	2	22%	7	78%	9	100%
Manager	76	22%	272	78%	348	100%
Colleague	7,903	28%	20,450	72%	28,353	100%
Total	7,981	28%	20,729	72%	28,710	100%

	Female	%	Male	%	Total	%
Central Services	306	45%	372	55%	678	100%
Retail	3,181	38%	5,142	62%	8,323	100%
Toolstation	2,129	40%	3,247	60%	5,376	100%
Plumbing & Heating	609	19%	2,632	81%	3,241	100%
Merchanting	1,756	16%	9,336	84%	11,092	100%
Total	7,981	28%	20,729	72%	28,710	100%

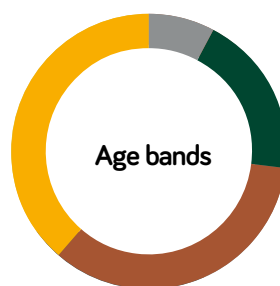
Group head count



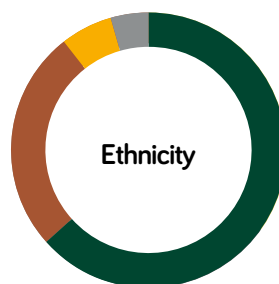
Women in senior management*



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



- Under 25 **5,559**
- 28 - 39 **9,835**
- 40 - 59 **11,142**
- 60 and over **2,174**



- White British **18,184**
- Unknown **7,545**
- Non British **1,729**
- Non-White British **1,252**

Sustainability overview continued

Sustainable products and services

2020 objectives

- Continue to evolve product ranges and services to support customers to deliver against government plans for Zero Carbon Homes. This includes improved information on business websites to more easily identify relevant products.
- Set up an internal working group to ensure best practice is shared across the Group's brands for wider implementation.
- Develop strategy and plans to optimise the solutions provided to customers.

2020 progress

A new strategic workstream was established in 2020 to assess the ESG needs of customers and develop value-add services. The Group already stocks and sells sustainable products and provides ESG services such as waste management, development training and Social Value fund management to its larger customers. Research began in 2020 into opportunities for improvement or expansion of existing services or the introduction of new services.

Specific initiatives during 2020 included:

- Supporting customers to engage with the Green Homes Grant, showcasing the Group's range of sustainable products and providing services such as training to increase uptake;
- Engaging with a group of regional, bespoke builders to understand how they can win with ESG, embedding sustainable products in their developments and home buyer marketing;
- Providing tailored ESG solutions for Managed Services customers including carbon reporting, electric vehicles and ESG advice; and
- Developing information and guidance sheets on sustainability and energy efficiency to support a community in North Wales, in partnership with a local housing association.

Case study:

Supporting customers to benefit from the Green Homes Grant

The government launched the Green Homes Grant during 2020. This scheme enables customers to receive a grant from the government to cover up to two thirds of the costs of energy efficiency home improvements. The improvement measures in scope include low-carbon heating, insulation, heating controls, energy-efficient doors and draft proofing. The Group is well positioned to support the trade to take advantage of this scheme. Relevant products have been highlighted on the business websites. Installers have been offered training to help them expand their skills. City Plumbing Supplies offers indemnified designs for renewable heating systems through their expert in-house team.

"City Plumbing Supplies are already seeing an upturn in Energy Efficiency product sales around the scheme. Our dedicated team in this sector are providing support to installers in specifying solutions to enable homeowners to apply for the government's Green Homes Grant vouchers." Steve Alldritt, Technical Director, Travis Perkins Plumbing and Heating Division.

Assurance

Specific data points in the Sustainability (or "Doing the Right Thing") 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/responsibility/environment>.



What's next?

- 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.

Case study:

Deep-dive on ESG with regional builders

Regular forums were held with a select group of regional, bespoke builders throughout 2020 to determine the ways in which the Group can support their success through ESG products and services. Access to the right sustainable products and ESG information (on both products and suppliers) provides a number of benefits to house builders:

- The adoption of sustainable products and modern methods of construction can save time on the construction site and therefore the cost of builds.
- The inclusion of information on a proposed development's sustainable product and supplier mix can support success in securing finance and in land and planning applications.
- The promotion of the sustainable features of a new home to potential buyers can secure sales.

Work began in 2020 with a number of large manufacturers and regional builders to categorise products, collate ESG information and develop marketing materials.

Responsible sourcing

2020 objectives

- Assess all suppliers (whether product or service, for resale or not) against the new risk assessment approach.
- Improve and relaunch the Online Risk Assessment tool to suppliers based on their risk level.
- Continue the transition to separate technical and ethical audits for own-brand manufacturing sites.
- Develop a Timber Road Map to further increase the percentage of timber purchases from certified sources.

2020 progress

The Group has partnered with an expert third party to support supplier assessments, with a new online risk assessment (“ORA”) developed and launched to over 1,000 suppliers during 2020. The ORA covers environmental, social and quality questions.

The Group completed the move of all ethical audits of own-brand factory sites to best-practice standards, providing more confidence in the labour standards and ethical behaviours in the supply chain. The audits are now Sedex Members Ethical Trade Audit (“SMETA”), Business Social Compliance Initiative (“BSCI”) audits or in-house audits aligned to SMETA.

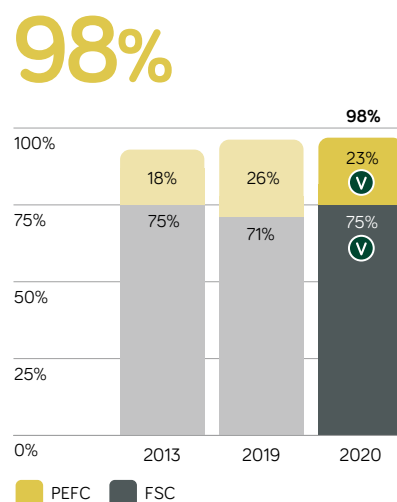
Internal controls on timber have been strengthened, not least in readiness for the transition from European Timber Regulations to UK Timber Regulations. The transition will require additional due diligence on higher risk timber coming into the UK from European countries.

A new responsible sourcing policy and group minimum standard was launched in 2020 and will support a joined-up approach across the Group’s businesses, sharing best practices to improve controls.

What’s next?

- 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.

FSC or PEFC certified timber purchased in 2020



Case study:

New responsible sourcing expert partner

The Group is proud to have begun a new partnership with Verisio, an expert in social auditing and supplier assessment. Verisio is hosting the Group’s supplier online risk assessment, allowing suppliers to easily submit information and provide updates for corrective actions. The site auditing programme and pre-shipment inspections are also now managed in the new system, giving a consolidated view of supplier risk so enabling the Group to manage risk out of the supply chain.

Case study:

Readying the business for post-Brexit timber regulations

The transition from EU Timber Regulations to UK Timber Regulations is being carefully managed across the Group. Alongside the Group’s partner, Track Record Global, this is ensuring that enhanced due diligence is conducted where the Group is the first placer of timber onto the UK market. The Group remains committed to only sourcing certified timber, which is an added reassurance for customers of the sustainability of the timber we sell.

✓ indicates that the data point has been assured. Please see page 64 for more information.

Colleague voice and engagement

2020 objectives

- Ensure colleague engagement surveys are undertaken for all businesses and functions every 12–18 months.
- Continue with the “Colleague Voice” panel to listen to colleagues and understand how well our culture and values are embedded, the key issues that they are facing and the plans in place to address them.
- Continue to offer a variety of “Colleague Voice” forums and two-way feedback opportunities, ensuring colleagues’ views and opinions are contributing to business decisions.

2020 progress

During the Covid-19 pandemic the Group had to be agile and make colleague engagement more accessible as an integral part of decision-making. A weekly “Pulse” survey was introduced for all working and furloughed colleagues to ensure their safety and well-being could be prioritised. This feedback directly influenced business decisions, particularly around well-being.

New Group-wide information channels were launched, including a new intranet site and weekly newsletter. This enabled the Group to unite colleagues in new ways and to quickly respond to their concerns. Internal feedback suggested colleagues felt well-informed, connected, safe and empowered to call out issues that “don’t look right”.

During 2020 the Group initiated colleague listening groups with Pete Redfern, Senior Independent Director. Pete has been designated as the Non-executive Director for engagement with the workforce, pursuant to the UK Corporate Governance Code 2018 and is the Colleague Voice Representative on the Board. Pete held Colleague Voice Panels with colleagues across the Group, with participants encouraged to share unfiltered thoughts, ideas and concerns. Pete takes his observations and the common themes to the Board to support continuous improvement and to ensure the colleague voice is brought into the boardroom. The businesses continue to use colleague networks and people boards to ensure there is regular, open and robust two-way feedback.

Topics debated by Pete and colleagues on the panel in 2020 included:

- The Group’s commitment to Health and Safety and behaviour in real world situations.
- Colleagues’ understanding and buy-in to strategy.
- The sense of connection between individual businesses and the TP Group.
- Diversity and Inclusion in practice.
- Career opportunity and engagement.
- IT development across the Group.

What’s next?

- 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.

Travis Perkins was recognised as a Top Employer by the Top Employers Institute, marking 11 years of recognition for the Travis Perkins Group.

Case study:

Listening and talking to our colleagues when we needed to most

During the Covid-19 crisis the Group ran a weekly “Check in Tuesday” survey with over 35,000 responses submitted during the 21 weeks of the survey. It included five simple questions which asked colleagues how they were feeling, whether they felt informed and what else could we do to help them.

Colleague engagement in this survey has demonstrated that their voice is important and contributed to a sense of purpose and pride, as expressed in the surveys and on social media:

- Just looking forward to getting back to what we do best... The company has supported us, we want to return that support.
- So proud to work for this amazing company. It feels amazing to know that the company put the health of staff and customers before profit.
- I’m proud to work for BSS, we are constantly working to help the wonderful guys in the NHS.
- We are TP, the best... we will overcome all obstacles. Proud as ever to wear the Green and Gold.
- I just wanted to say thanks for reading my previous feedback and asking my manager to sit and talk with me. It helped.
- Everyone is playing their part. Best wishes to all and stay safe.

Human rights and modern slavery

2020 objectives

- Assess all suppliers against the new risk assessment approach.
- Launch an improved training module on modern slavery with guidance for all employees on spotting the red flags.
- Continue to transition all own-brand factory sites to a new ethical audit format.
- Collaborate with key customers to support their work in preventing modern slavery

2020 progress

All suppliers were assessed using the Group's new risk assessment approach and a new online risk assessment was launched for suppliers of products for resale. Due diligence is being completed with all suppliers identified as "higher risk". The due diligence processes for labour agencies used by the Group's distribution centres were also enhanced.

A new modern slavery training module for all employees was launched in December 2020, as well as a specialist training module for the most affected roles in the HR, Commercial and Freight teams. The new Code of Conduct issued to all employees in November 2020 includes a section on modern slavery, listing the red flags for colleagues to watch for.

Best practices were shared with selected customers and suppliers to support their own anti-slavery controls and to learn from their approaches. Industry collaboration is crucial in tackling this issue.

The Group launched a new modern slavery policy and Group minimum standard during the year. This will support a joined-up approach across the Group's businesses, sharing best practices to improve controls.

What's next?

- 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 the two new 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.

Case study: Shining a light on labour agencies

There are greater risks of slavery when workers are not directly employed. Contractual and physical due diligence processes with labour agencies supporting the Group's distribution centres have been strengthened and a sign-off sheet is now required for each new agency worker.

The Group now requires agency workers physically bring their right-to-work documentation on their first day. This ensures the workers are as expected and protects against gang control, a key feature of which is confiscation of the victims' identity documents.

Legal compliance

2020 objectives

Implementation of a Regulatory Risk plan in order to:

- Improve Oversight – enhancing the information available to senior management.
- Improve Assurance – identifying and closing any gaps in the assurance framework.
- Improve Understanding – simplifying guidance and refreshing training to further embed the management of regulatory risk in the business.

2020 progress

A regulatory risk plan has been developed and implementation has started. The first step has been the introduction of a new Group-wide Code of Conduct, developed with the business and ratified by the Board, with an accompanying marketing campaign to promote awareness. This provides a fresh, single point-of-call, for legal compliance policies and for key policies in other areas.

In conjunction with this, a number of the underlying legal compliance policies have been refreshed to go into more depth and provide greater guidance, supporting the easily understood, high-level overview of the Group's legal compliance policies given by the new Code of Conduct. A new minimum standards framework is being rolled-out across the Group that will also help provide assurance across legal compliance areas and will improve the GLT's oversight.

This journey is continuing with the engagement of a new training partner to make the Group's compliance training more engaging.

What's next?

- Embed recently launched new Code of Conduct within the business.
- Continued roll-out of the minimum standards framework and development of business-specific action plans to close gaps.
- Continued 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

Sustainability overview continued

Waste

2020 objectives

- Set new targets for waste reduction and develop a roadmap.
- Review customer waste solutions to ensure that customer expectations are continually met.
- Engage with relevant forums and industry partners to share best practices and to learn and develop shared solutions as the industry moves towards a more circular economy.
- Engage with suppliers to reduce the amount of unnecessary packaging entering the Group's supply chain, in particular single-use plastics

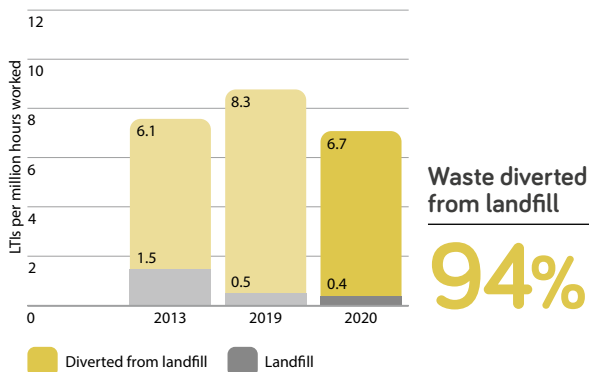
2020 progress

The Group set itself a new waste target: eliminate all unnecessary single-use packaging by 2025. In addition, efforts to divert 100% of waste from landfill continued.

Eliminating all unnecessary single-use packaging by 2025 is a challenging target and the Group is working with key supply chain partners to achieve it. Plans are being developed to meet the requirement of 30% recycled content in plastic packaging by April 2022.

Amidst the challenging conditions of 2020, the Group maintained its backhaul recycling operations to help branches recycle materials and divert waste from landfill. The Group backhauled 5,100 tonnes of cardboard, 1,100 tonnes of plastic and 12,200 tonnes of timber, representing 52% of total waste for 2020.

Tonnes of waste per £m of yard and core sales



Case study:

Engagement and reducing packaging

At the start of the year a new Waste & Resources Working Group was formed to bring together subject matter experts from across the Group. This working group has developed a new Waste Policy setting out the Group's expectations and aspirations, as well as producing a series of Packaging Advice Sheets to advise on alternative, innovative packaging solutions and help reduce single-use plastic.



Waste reduction and recycling remains a key action area for the business. We recognise the importance of a circular economy and we're excited to be developing our plans to ensure our business offers products that can be repaired, reused or recycled by the end user.

Lucy Perkins

Group Materials and Waste Manager

Case study:

Removal of plastic packaging

Packaging is a key business risk. To mitigate this, the Group has implemented a packaging-reduction strategy that will reduce the use of unnecessary packaging and eliminate avoidable single-use plastic. Throughout 2020 the Group's businesses have engaged with key suppliers to target products for packaging reviews.

Toolstation is working with suppliers to eliminate black plastic, polystyrene and avoidable single-use plastic by 2021. Many other suppliers across the Group have confirmed that they are removing plastic from their packaging. The commercial team in Shanghai has identified over 2,000 products that will be targeted for a plastic saving of up to 91 tonnes. The P&H businesses have removed 100 tonnes of polystyrene and 14 tonnes of plastic bags whilst Benchmark has removed over 40 tonnes of styrofoam plastic.

Internal packaging has also been looked at. Travis Perkins and Wickes reviewed their transit packaging to remove unnecessary shrink wrap and are working with packaging suppliers to replace single-use plastic with sustainable materials. In anticipation of the 2022 plastic tax, the Group is demanding at least 30% recycled content in plastic packaging across many areas of the business. CCF is leading the way with a 30%-recycled-plastic pallet hood.

What's next?

- Launch of 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.
- Ensure suppliers include at least 30% recycled content in packaging.
- Continue to work towards the target of 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.

Environment incidents

In 2020 the Group recorded 25 environmental incidents with ten classed as "reportable" and 15 "non-reportable". Of the 25, eight were a result of "third party" sources (such as spillages from supplier or customer vehicles). Most incidents related to spillages such as hydraulic oil or paint.

indicates that the data point has been assured. Please see page 64 for more information.

Reward and benefits

2020 objectives

- Increase the focus on colleague physical, emotional and financial well-being.
- Continue to improve and introduce benefits through MyPerks, the Group's colleague benefits hub.
- Ensure bonus programmes deliver strategic benefit for the Group and allow colleagues to share in the Group's success.

2020 progress

- Colleagues were supported through the challenges of Covid-19 in a number of ways. A number of well-being initiatives were escalated and enhanced through the Group's well-being hub. This included an employee assistance programme, fitness videos, mindfulness sessions, free flu jabs and healthy eating guidance and recipes. Financial support was provided to colleagues required to work from home and, although bonuses were not possible in 2020, a thank you payment was made in December to colleagues below management levels. This recognised their extraordinary contribution and efforts during the year.
- Funds which ordinarily would have been applied to salary reviews were diverted towards lower-paid colleagues. This allowed around four thousand colleagues' salary levels to be raised to the Living Wage Foundation's "Real Living Wage". All colleagues within the Merchant businesses are now paid at Real Living Wage levels.
- Simplified and refocused incentives and bonuses were designed and developed and will be deployed to colleagues in 2021.
- Family Friendly policies were reviewed in 2020, significantly enhancing parental leave provisions including maternity, paternity, adoption, surrogacy and IVF treatment.
- As part of the financial well-being programme, colleagues were encouraged to engage with their savings and retirement provision. This included colleague participation in the national campaigns of Pensions Awareness Day and Talk Money Week and a pro-active campaign to encourage the habit of investing in savings. Pension webinars covering a range of topics, including considerations for over 55s, female colleagues, and for all colleagues in relation to market volatility caused by Covid-19, were viewed by over 3,000 colleagues.

Reward awards

The Group was proud to receive the following accolades at the Employee Benefits Awards in October 2020:

Benefits Team of the Year, which recognised team collaboration and innovation in the delivery of colleague benefits

Best Benefits Communication by a Large Employer, which recognised the Group's use of technology to ensure that colleagues only receive information about personally relevant benefits

What's next?

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

Contributing to charities and communities

2020 objectives

- Review the Group's approach to Social Value propositions and delivery to differentiate customer support and to improve positive impacts on society.
- Extend existing charity partnerships with Macmillan and Teenage Cancer Trust.
- Continue with product donations and outreach programmes.
- Review the Group's approach to community and charity partnerships to optimise the value generated, align them with the business and best engage colleagues.

2020 progress

In the unique circumstances of 2020, the substantial fundraising efforts normally undertaken by individuals and teams to support local charitable projects were replaced by a momentous effort to support front-line workers with volunteering, materials, equipment and PPE. This engagement empowered local colleagues to get involved with our local communities at a level never seen before. It also encouraged collaboration across our brands and functions, helped us strengthen local relationships both internally and externally, and gave our colleagues a renewed sense of purpose during what was a difficult time for our nation.

All of the Group's businesses have long-term charity partnerships. In 2020 Toolstation entered into a new two-year new partnership with Macmillan Cancer Support and Wickes joined forces with the charity YoungMinds.

In 2020, the Group began to develop a more integrated framework for our community and charitable engagement across the Group. This work is ongoing and will improve consistency around the guiding principles, ensuring we use the Group's efforts as a constructive platform for the development of new internal and external networks.

The Group prides itself on its commitment to learning and development and has found a great match in the charity Volunteer It Yourself ("VIY"). VIY combines DIY and volunteering by challenging young people to help repair and refurbish youth and community facilities whilst learning vocational trade skills on the job. They are mentored by local trade professionals and can work towards trade skills accreditations. This year 19 Travis Perkins branches have supported VIY projects with materials and with colleagues volunteering to act as mentors. The Group has supported nearly 300 young people so far; a majority of whom are unemployed or disengaged from mainstream education.

Case study:
Supporting the front line

During the pandemic colleagues across the Group have supported front-line staff in the fight against Covid-19. Across the UK Toolstation, Travis Perkins and Wickes worked together to deliver more than 200,000 masks, visors, gloves and safety goggles to hospitals, GPs, nursing homes, and Fire and Rescue Services. Wickes also threw in boxes of Mars bars to help keep energy levels up!

The Plumbing & Heating and specialist Merchant businesses donated construction material including respirators, vanity units, plumbing and electrical items and boards. They helped get the water and heating on at the Nightingale Hospitals and supported the swift refurbishment of Great Ormond Street Hospital.



Well done Travis Perkins for donating PPE equipment!

Dara Ó Briain
 Comedian

What's next?

- The Group will complete and implement a new framework for community and charitable engagement work that will include more cross-brand and multi-discipline projects.
- The Group will expand its support for VIY. Nearly 20 branches have pledged support for some of the 150 VIY projects that are in the pipeline for next year.



Thank you for your very generous donation. This is absolutely amazing and will make an incredible difference at what I'm sure you can imagine has been a rather challenging time for the young people that we support with wheelchairs and mobility equipment.

Jennie Chmura
 Senior Corporate Account Executive,
 Whizz-Kidz

Case study:
The best 50p ask ever!

Each year colleagues at Wickes vote on a charity. This year they voted for YoungMinds because mental health issues have increased during the pandemic. It's estimated that three children in each school class now have a mental health problem and YoungMinds are able to put them in touch with the right services to get help. To mark World Mental Health Day on 10 October 2020, all Wickes stores did a 50p ask which raised nearly £70k - a phenomenal result. "The Covid-19 pandemic has impacted young people across the country and we know that more are struggling with their mental health as a result. These events raise awareness of young people's mental health and vital funds for YoungMinds so that we can continue fighting to make sure all young people get support for their mental health as soon as they need it," said Director of Development at YoungMinds, Vanessa Longley.



Charity	Business area	Events
Alzheimer Society - £10,000	CCF	Silent auction and colleague walking and cycling challenges
Macmillan Cancer Support - £240,000	Travis Perkins, Benchmarx & Toolstation	Sponsored facemasks, conference dinner, charity auction, London Marathon in Robbie's garden, carrier bag sales, guess no. of catalogue products, store team cycle event, Go Green for Halloween
Mind - £5,750	BSS	Conference, virtual quiz, Super 6 League
Teenage Cancer Trust - £45,000	Plumbing & Heating	Collections, Comb Together
Prostate Cancer UK - £10,000	Keyline	Virtual quiz nights, skydive, Walk the Month, Run the Month, counter collections
Whizz-Kidz - £52,000	Transport	Driver of the Year fundraising and truck sponsorship
Young Minds - £365,000	Wickes	50p asks, "Wicksmas" fundraising event, Christmas jumper day, web donate button

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, and working together towards shared goals assists us in delivering long-term sustainable success.

Our Group comprises a number of business units, all of which have extensive engagement with their own unique stakeholders as well as other businesses in the Group. The governance framework delegates authority for local decision-making at business unit level up to defined levels of cost and impact, which allows the individual 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 in mind and with the highest standards of conduct in line with Group policies. In order to fulfil their duties, the Directors of each business and 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 business units about the strategy, performance and key decisions taken which provides the Board with assurance that proper consideration is given to stakeholder interests in decision-making and it uses this information to assess the impact of decisions on each stakeholder group as part of its own decision-making process. In response to the Covid-19 pandemic, the cadence of reporting on stakeholder views to the Board was accelerated during 2020 enabling the Board to react quickly and develop the right strategies. Details of the Group's key stakeholders and how we engage with them are set out below.

Shareholders

As owners of our Group we rely on the support of shareholders and their opinions are important to us. We want to enable them to have an in-depth understanding of our strategy and our 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, webcasts 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 regularly reported to and discussed by the Board and their views are considered as part of decision-making.

Due to Covid-19 restrictions we regrettably had to hold a closed Annual General Meeting at our head office in Northampton. A live audio stream of the meeting and a facility for shareholders to submit questions was provided. Further details of how we conducted our AGM can be found in the governance section on page 79.

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 trusting, respectful and inclusive environment where everyone feels safe, welcome, valued for their contribution and able to perform at their best.

We work hard to engage with and listen to our colleagues in a number of different ways including engagement surveys, forums, listening groups, briefings, internal communities, newsletters and through our anonymous "Speak Up" hotline. Key areas of focus include safety, health and well-being, diversity and inclusion, development opportunities and pay and benefits. In his role as the Colleague Voice Representative, Pete Redfern regularly reports what is important to our colleagues to the Board and ensures consideration is given to colleague needs. Further information on the ways in which the Group engages with colleagues can be found in the people section on pages 66 to 67.

In response to the Covid-19 pandemic, new Group-wide information channels were launched with all colleagues receiving regular updates. A weekly "pulse" survey was introduced for all working and furloughed colleagues to help better understand how colleagues were feeling, enabling us to react quickly and develop the right support strategies. During 2020 we completed 21 weekly surveys, with 35,000 responses from colleagues. Weekly response rates varied from 5% - 28% of colleagues, with over 50% of the responses being from furloughed colleagues in the first four weeks of the survey.

Customers

Working for our customers is one of our cornerstones and it drives us to nurture mutually beneficial relationships that deliver joint value. Our ambition is to deliver best-in-class, tailored service to customers.

We build strong lasting relationships with our trade customers and spend considerable time with them to understand their needs and views and listen to how we can improve our offer and service for them. We use this knowledge to inform our decision-making, for example to tailor our proposition to suit customer demands, with fixed range/fixed price models for small trade customers, and more flexible access to a wider product range with volume-related discounting in the Merchant businesses. Our most significant customers are monitored closely as they are imperative to our continued success. During the year, credit management was a particular focus to ensure our customers are supported and enabled.

Suppliers

Our suppliers are experts in the wide range of products we source from them. We aim to build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through a series of interactions and formal reviews and we also host regular conferences to bring suppliers and customers together to discuss shared goals and build relationships. Key areas of focus include innovation, product development, health and safety and sustainability. 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.

Section 172 statement continued

We engage with the communities in which we operate 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 2020 carbon targets were established to support the Group's leading ambitions on ESG matters. Further information on the sustainability overview on pages 52 to 70.

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 restructure the branch network and above-branch support functions to reflect market fluctuations and new ways of working as a result of the Covid-19 pandemic. 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.	Reviewing and closing branches that would be loss making or non-strategic meant that significant cost savings could be realised and net profit returns managed, thereby ensuring the long term sustainable success of the Group.
Colleagues	Our colleagues want to be kept informed of changes to the business and to be listened to in relation to changes which will affect them and their teams.	<p>We care about our colleagues and were mindful of the impact that a restructuring and branch closure programme would have on colleagues across the business, particularly those directly impacted. A thorough and thoughtful communication plan was implemented including a rigorous consultation period with affected colleagues.</p> <p>We tried to minimise the impact of the restructure. For example, we carried out extensive searches to find new roles for those at risk of redundancy, and we were able to retain 1,450 (45%) colleagues in the business.</p>
Customers	Our customers want propositions that work for them and continued service to support their business.	<p>We maintain regular communication with customers. We provided detailed explanations of any branch closures and, where possible, minimised the impact by moving ownership of the affected accounts to the nearest branch. Retained sales were tracked to ensure the relationship was maintained.</p> <p>Customers were serviced for their Essential Services projects e.g. Nightingale hospitals</p>
Suppliers	Our suppliers want to understand the impact of the branch closures on their relationships and contractual arrangements. They also want to have confidence that the business will continue to trade with them in the long term.	The business maintained frequent dialogue with core suppliers, who have also been significantly impacted by Covid-19. A communication plan was carried out across key suppliers to assure them of the credibility of the restructuring plan, leaving the business in a strong trading position throughout the economic recovery.
Communities	Our communities want our continued support with local causes and issues.	<p>As an essential service, we have remained open in the majority of locations, supplying materials in a safe way and helping to keep the nation warm, dry and secure.</p> <p>The move to close branches, and to work in a distanced way has impacted our ability to directly interact with the communities and charities which we support. We continue to raise funds and support charities and communities in a safe and secure way.</p>
Government and regulators	The government and regulators want us to operate in an ethical way and comply with laws and regulations.	The restructuring and branch closure programme will maximise the long-term success of the Group which is in the public interest. The Group was compliant with the relevant regulations and legislation throughout the restructuring and branch closure process.

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 well-being	Business model	Page 16
		KPIs – Accident frequency rate	Page 27
	Talent management	Safety and well-being	Page 56
		Apprenticeships	Page 60
		Management and leadership development	Page 61
		Talent and succession	Page 61
		Diversity and inclusion	Page 62
		Colleague voice and engagement	Page 66
		Reward and benefits	Page 69
		Chairman's introduction – Engaging with stakeholders and the workforce	Page 79
Directors' remuneration report	Page 93		
Directors' Report – Employees	Page 118		
Environment	ESG	Business model	Page 16
		KPIs – Carbon intensity	Page 27
		Sustainability overview	Page 52
		Carbon	Page 58
		Waste	Page 68
		Sustainable products and services	Page 64
Human rights, anti-bribery and anti-corruption	Legal compliance	Human rights and modern slavery	Page 67
		Legal compliance	Page 67
	Supplier risks	Chairman's introduction – Culture	Page 79
		Directors' Report – Modern slavery	Page 118
Social and community	People	Business model	Page 16
		Contributing to charities and communities	Page 69
		Responsible sourcing	Page 65

A description of the Group's business model and how it creates sustainable value can be found on pages 16 to 17.

Most of the reporting on these topics and KPIs is contained in the Strategic Report under the sections Business Model, Sustainability Overview 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 3 to 73 was approved by the Board of Directors and signed on its behalf by:

Nick Roberts
Chief Executive
1 March 2021

Alan Williams
Chief Financial Officer
1 March 2021



Corporate governance report



Governance

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Board of Directors



Stuart Chambers

Chairman

Nationality

British

Appointment date

1 September 2017 (Non-executive Director)
7 November 2017 (Chairman)

Committee membership: N (R) (S)

Skills and experience

Stuart has extensive global executive management and boardroom experience across industrial, logistical and consumer sectors. He is currently Chairman of Anglo American plc and a member of the UK Takeover Panel. Stuart was Chairman of Rexam plc from 2012 to 2016 and ARM Holdings plc from 2014 to 2016. He served as a Non-executive Director on the Boards of Tesco plc, Tesco Bank, Manchester Airport Group, Smiths Group plc and Associated British Ports Holdings plc. Stuart's executive career included ten years with Shell and ten years with the Mars Corporation. Stuart then joined Pilkington plc in 1996, where he was appointed Group Chief Executive in 2002. Pilkington was acquired by Nippon Sheet Glass in 2006 and Stuart became Group Chief Executive of the new combined Group until 2010.



Nick Roberts

Chief Executive Officer

Nationality

British

Appointment date

1 July 2019

Committee membership: (S)

Skills and experience

Nick joined Travis Perkins from design, engineering and project management consultancy Atkins, where he was President. He has over 25 years of international consulting experience and is a passionate advocate for diversity and inclusion. A geologist by profession, Nick holds an MSc in Environmental Impact Assessment from Aberystwyth University and a BSc in Geology from the University of Reading. He is a Chartered Geologist, Fellow of the Geological Society and Honorary Fellow of the Institution of Civil Engineers. He is a Deputy Chair and Director of the Forces in Mind Trust in the UK.



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.



Pete Redfern

Senior Independent
Non-executive Director

Nationality

British

Appointment date

1 November 2014 (Non-executive Director)
28 April 2020 (Senior Independent
Non-executive Director)

Committee membership: (N) (R) (S) (A)

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 and is currently Chief Executive of Taylor Wimpey plc. He was previously Chief Executive of George Wimpey plc and prior to that, successively held the posts of Finance Director and Chief Executive of George Wimpey's UK Housing business. Pete is also Chairman of the Youth Adventure Trust and was a Trustee of the homelessness charity Crisis until 2019.

Committee membership key:

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



Christopher Rogers

Non-executive Director

Nationality

British

Appointment date

1 September 2013

Committee membership: **(N) (R)**

Skills and experience

Christopher has extensive financial, operational and retail experience and expertise in corporate governance and strategic planning. Chris is currently a Non-executive Director of Vivo plc, Kerry Group and Sanderson Design Group plc. He is also a visiting fellow at Durham University. Prior to this, Chris was a Director of Whitbread plc from 2005 to 2016 where he served as Group Finance Director from 2005 to 2012 and Managing Director of Costa Coffee from 2012 to 2016.

He was Group Finance Director of Woolworth Group plc and Chairman of the Woolworth Entertainment businesses from 2001 to 2005 and previously held senior roles in both finance and commercial functions in Kingfisher plc.



Coline McConville

Non-executive Director

Nationality

Australian

Appointment date

1 February 2015

Committee membership: **(A) (N) (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 and a global advisor and Director of Grant Thornton International Limited. 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.



John Rogers

Non-executive Director

Nationality

British

Appointment date

1 November 2014

Committee membership: **(A) (N)**

Skills and experience

John has extensive finance, strategy, digital online, property and retail experience. John has recently been appointed as Chief Financial Officer of WPP Plc and until October 2019 was Chief Executive Officer of Sainsbury's Argos and a member of the J Sainsbury's plc Board and Sainsbury's Bank plc Board. Prior to his appointment as CEO of Sainsbury's Argos, John was Chief Financial Officer of J Sainsbury plc for six years and during his career at Sainsbury's he also held the posts of Property Director, Director of Group Finance and Director of Corporate Finance. Before joining Sainsbury's, John held a variety of financial, operational and strategy roles.



Blair Illingworth

Non-executive Director

Nationality

British

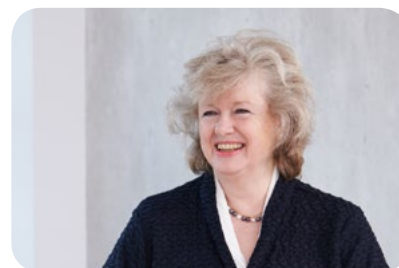
Appointment date

1 November 2019

Committee membership: **(N) (S)**

Skills and experience

Blair has extensive executive and board experience in the building products sector having been a Director of Marshalls plc, Chief Executive of Polypipe plc, and Chief Executive of Tarmac Building Products. His varied career includes military service as a commissioned officer in the Royal Marines and roles at the most senior level in public and private companies. He is Chief Executive and a Director of Stirling Industries plc.



Marianne Culver

Non-executive Director

Nationality

British

Appointment date

1 November 2019

Committee membership: **(N) (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's Non-executive Directorship career to date has included membership of the Boards of Rexel SA (listed on Euronext Paris), The British Quality Foundation and EDS Corporation.

Chairman's introduction



I am pleased, on behalf of the Board, to present the corporate governance report for the year ended 31 December 2020.

The foundation of any resilient business is a robust corporate governance framework underpinned by a clear strategy, strong values and culture. The role of the Board is to provide effective leadership which promotes the long-term sustainable success of the Group, generating value for shareholders and contributing to the communities in which we operate.

Over the past year the Board prioritised adjusting the Group's businesses in order to successfully navigate the period of uncertainty caused by Covid-19. In March the Board took the prudent decision to suspend dividend payments and pause the Wickes demerger process so that we could focus on managing the Group through the challenges presented by the pandemic.

Although the Covid-19 pandemic has been unprecedented in scale and impact, we continue to focus on the delivery of our strategy. We are confident in the Group's ability to navigate near-term uncertainty and in our position for the long-term.

We are clear that the progression of 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.

Stuart Chambers

Chairman

1 March 2021

We announced a number of changes to the Board in 2020. In March, we said goodbye to Ruth Anderson who stepped down from the Board after nearly nine years of service. Ruth's contribution, particularly as Chairman of the Audit Committee for seven of those years, has been invaluable to the Group. John Rogers took over stewardship of the Audit Committee. Pete Redfern, Marianne Culver and Blair Illingworth were appointed members of the Audit Committee, Remuneration Committee and Stay Safe Committee respectively. They bring a wealth of experience and expertise to their respective roles and their contributions will prove beneficial at this time of significant challenge.

In April 2020 Chris Rogers stood down as Senior Independent Director ("SID") and was succeeded by Pete Redfern.

Finally, in January 2021 we announced the appointment of Jasmine Whitbread as my successor. More detail of the process undertaken for the search which resulted in Jasmine's appointment is contained in the Nominations Committee Report at pages 84 to 86.

UK Corporate Governance Code

Throughout the year ended 31 December 2020, the Company was in full compliance with the principles and provisions of the UK Corporate Governance Code 2018 issued by the Financial Reporting Council which is available at www.frc.org.uk.

Corporate governance report

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 44 to 51. The Board discusses strategic matters at every meeting and has an annual strategic off-site day to consider the Group's strategic direction as a whole and the opportunities and risks faced by the Group. The Group's Strategy and Business Model are set out on pages 16 to 25. The 2020 strategic off-site day was held via video conference due to Covid-19 restrictions.

The Board has a schedule of matters reserved to it which is reviewed annually. No changes were made in 2020. The schedule of matters reserved to the Board can be found on the Group's website at www.travisperkinsplc.co.uk.

In line with the Corporate Governance Code, the Board has a number of Committees through 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 strongly believes that it should, in addition to operating effectively, focus on the culture in our businesses. The Group's culture is built upon five cornerstones which provide strong values and foundations for development in all activities. Further information on the cornerstones can be found on page 55.

The Board recognises the important role that it plays in assessing and monitoring the Group's culture, so as 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 culture.

These include the Colleague Voice Panel, the colleague engagement survey ("You Talk We Listen"), and a number of listening groups and colleague communities.

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 and particularly when strategic decisions are to be taken. Stakeholder groups such as shareholders, customers, suppliers and colleagues were all engaged with when formulating the strategic direction of the Group, not only to communicate the future plans, but to gain feedback to inform the implementation and realisation of those plans.

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 71 and 72.

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 overview in the Strategic report on page 66.

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, Covid-19 restrictions significantly impacted the way we had to conduct our AGM. The UK wide lockdown was imposed in March 2020 about a month before we had been planning to hold our AGM. At the time of lockdown we had no idea how long it would last and no changes had been made to applicable company law allowing any extension to the deadline by which we had to hold our AGM. We took the view, therefore, that we should hold our AGM at the end of April, consistent with our normal timing. The safety of our colleagues, shareholders and

other attendees was our paramount consideration, so we followed the best practice advice available at the time as well as the applicable lockdown regulations and regrettably had to hold a closed meeting at our head office in Northampton. We did provide the facility for shareholders to submit questions in advance of the meeting and provided a live audio stream of the meeting.

We accept that the arrangements we had to adopt in 2020 in a short timescale in response to an emergency situation affecting the whole country were not ideal. We have closely followed developments in the debate concerning virtual meetings and we note that it remains the case that the legal validity of virtual meetings remains questionable, absent a change to the Companies Act. We have also followed closely the evolution of facilities for hybrid meetings and the review of practice adopted in 2020 by listed companies so we can improve our 2021 AGM should the pandemic be continuing at the time we hold it. We are planning prudently, on the assumption that restrictions will remain in force at the end of April when we come to hold our AGM this year. Accordingly, we intend to hold a hybrid meeting using real-time voting and enabling questions to be asked and answered in real-time. On the assumption that it will not be safe for shareholders to attend the physical place of the AGM, we are planning to enable virtual attendance using webcasting technology. This will enable maximum participation in a meeting which feels as close to a normal meeting as possible while safeguarding the safety and well-being of all involved. There was strong support from shareholders for the resolutions put to the meeting in 2020 with an average of 94.26% 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.

Corporate governance report continued

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.

Directors complete a questionnaire annually of potential or actual conflicts of interest and their activities throughout the year. Those potential conflicts are reviewed by the Board as a whole and if necessary, mitigating actions are taken and recorded on the Conflicts of Interest register. 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 Chairman or the Senior Independent Director. No such concerns were raised during the year.

During 2020 the principle of "calling it out" was reinforced across all parts of the Group. In support of this and the launch of a new Group wide Code of Conduct, the Speak Up line was relaunched. Like the Code of Conduct, the Speak Up line is focused both internally and externally and thus available to customers, suppliers and anyone else who interacts with our business, as well as colleagues. The line enables anyone to call out any issues related to our business which are causing concern or just don't feel right. We have improved the governance and oversight of the Speak Up line by involving a broad cross section of appropriate specialists from the Group in the investigation and management of reports made to the Speak Up line. Summaries of reports made to the Speak Up line are now reported quarterly to the Audit Committee and escalated to the Board where necessary.

An annual review of issues highlighted through the Speak Up line is undertaken with the Board. Through the evolution of our approach, we expect to gain richer information on issues of concern or patterns of behaviour, highlighting potential cultural hotspots within the Group, where any exist, and better managing the risk presented to the Group by any pockets of unidentified poor culture which develop. By taking proactive steps to manage the Group's cultural and compliance risks in this way we can actively mitigate the impact of such risks.

Division of Responsibilities

Chairman and Chief Executive

The Chairman leads the Board and ensures its effectiveness. Stuart Chambers was independent on appointment and remains so as assessed against the criteria set out in provision 10 of the Code. The roles of the Chairman and Chief Executive are split and the Board has approved a written statement of the division of key responsibilities between the Chairman 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 annually reviews any relationships or circumstances which are likely to affect their independence. None of the circumstances set out in the provision 10 of the Code apply and the Board is satisfied that all Non-executive Directors remain independent.

Pete Redfern was appointed as the Senior Independent Director ("SID") with effect from 28 April 2020. The SID acts as a sounding board for the Chairman 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 Chairman present annually to discuss the Chairman's performance and any other matters as required.

The Non-executive Directors provide constructive challenge, strategic guidance and appraise Executive Directors' performance using against agreed performance targets. The Non-executive Directors and Chairman meet regularly without the Executive Directors present to review the performance of the Executive Directors against such agreed performance targets.

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.

The Company allows Executive Directors to hold no more than 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 for the year does not clash with external appointments. Directors are able to attend meetings by video link or telephone conferencing if there is an issue with location or travel.

Board and Committee Meetings

The Board's response to Covid-19 has been swift, meeting virtually and regularly, ensuring the Group is well placed to respond to the changing situation. It has worked in tandem with the Group Leadership Team to review in-depth scenario planning, and engaged with teams throughout the business, while setting its expectations for the Group's approach to each of its stakeholder groups, mindful of their respective needs.

The Board held seven scheduled meetings in 2020. Regular items on the agenda included detailed updates on health and safety, progress against strategic objectives, financial position and performance against KPIs, and strategic reviews of business units. Other areas of consideration included funding, capital expenditure, investor feedback, risk and governance. In response to the Covid-19 pandemic, the Board has focused especially on cash and liquidity during 2020 along with associated items such as debtor and creditor days, stock levels and associated working capital.

Ordinarily, the Board makes at least two operational site visits and holds a specific strategy meeting. It had been the Board's intention to visit the Travis Perkins General Merchant site at Milton Keynes for one of its meetings during the year, and to undertake an additional operational visit at the Group's Toolstation Europe business in the Netherlands. Unfortunately, the restrictions of Covid-19 thwarted those plans and instead, apart from its meeting at the end of February which was held in person at the Group's offices in St Pancras, all of the Board's meetings have been conducted by video conference this year. The General Counsel & Company Secretary manages the process of setting the agenda for each Board meeting which is agreed between the Chairman, 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 while incorporating 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 Chairman to ensure that it is sufficient, timely and clear. In addition to the other formal and informal interactions which occur, since the end of March, in light of the pandemic the Chief Executive has provided the Board with an update email at the end of each week reviewing the week that has gone before.

The Chairman meets regularly with Board members between Board meetings and ensures that they are kept informed of material developments. At meetings the Chairman encourages debate and equal contribution from each Board member within a transparent and constructive atmosphere.

The number of Board and Committee meetings attended by each Director during the year is set out below.

	PLC Board	Audit Committee	Nominations Committee	Remuneration Committee	Stay Safe Committee	Overall attendance (%)
Number of meetings	7	6	4	4	3	
Attendance:						
R Anderson	1/1	2/2	1/1	n/a	n/a	100
S Chambers	7/7	n/a	4/4	4/4	3/3	100
M Culver*	7/7	n/a	4/4	3/3	n/a	100
B Illingworth**	7/7	n/a	4/4	n/a	3/3	100
C McConville	7/7	6/6	4/4	4/4	n/a	100
P Redfern***	7/7	3/4	4/4	4/4	3/3	96
N Roberts	7/7	n/a	n/a	n/a	3/3	100
C Rogers****	7/7	1/2	4/4	2/3	n/a	88
J Rogers	7/7	6/6	4/4	n/a	n/a	100
A Williams	7/7	n/a	n/a	n/a	n/a	100

* M. Culver joined the Remuneration Committee on 3 March 2020

** B. Illingworth joined the Stay Safe Committee on 3 March 2020

*** P. Redfern joined the Audit Committee on 3 March 2020

**** C. Rogers stepped down from the Audit and Remuneration Committees on 3 March 2020 and was re-appointed to the Remuneration Committee 28 April 2020

During 2020 a number of additional Board and Committee meetings were convened at short notice, particularly as a result of the need to manage the dynamic environment associated with Covid-19.

	PLC Board	Audit Committee	Nominations Committee	Remuneration Committee	Stay Safe Committee	Overall attendance (%)
Number of meetings	4	2	5	4	0	100%
Attendance:						
R. Anderson	n/a	n/a	n/a	n/a	n/a	n/a
S Chambers	4/4	n/a	-*	4/4	0	100
M Culver	4/4	n/a	5/5	4/4	0	100
B Illingworth	4/4	n/a	4/4	n/a	0	100
C McConville	4/4	2/2	4/5	4/4	0	93.3
P Redfern	4/4	2/2	5/5	3/4	0	93.3
N Roberts	4/4	n/a	n/a	n/a	0	100
C Rogers	4/4	n/a	5/5	4/4	0	100
J Rogers	2/4	2/2	3/5	n/a	0	63.6
A Williams	4/4	n/a	n/a	n/a	0	100

* As additional Nominations Committee meetings were concerned with his succession, consistent with the requirements of the UK Corporate Governance Code, Stuart Chambers did not attend.

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 2020 the Board comprised seven Non-executive Directors and two Executive Directors. The biographies of the Board are listed on pages 76 to 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 not able 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 to 86.

Re-election of Directors

All remaining 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 2021 Annual General Meeting. Stuart Chambers will stand down from the Board on 31 March and Chris Rogers will not be seeking re-election.

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 facilitated by an independent external facilitator every three years. An external review was last conducted in 2018 by Lisa Thomas at Independent Board Evaluation. Neither Lisa nor Independent Board Evaluation has any other connection with the Company's Directors or the Group. The next external review will be conducted in 2021. In 2020 an internal evaluation was carried out which identified the following key focus areas for the Board in 2021:

- Culture
- Diversity
- Succession
- Drivers of Success & Metrics
- Consideration of Major Stakeholders

The SID undertook an evaluation of the Chairman'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 28 to 43. 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 119.

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 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 44 to 51 during periods of uncertain economic outlook and challenging macroeconomic conditions

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 Chairman on that Committee's meeting to review the preparation and content of the year-end financial statements and the audit conducted upon them 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 119.

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 87 to 92.

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 of 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 and refreshed.

As part of its viability review, the outcome of which is set out on page 43, the Board considered the principal risks and uncertainties and mitigating factors set out on pages 44 to 51.

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.

Remuneration

The Board has established a Remuneration Committee comprising four independent Non-executive Directors and the Chairman of the Board. The Remuneration Committee's responsibilities and a description of its work is set out in the Remuneration Committee Report on pages 93 to 116.

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

Stuart Chambers

Chairman
1 March 2021

Nominations Committee report



2020 focus areas

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



Number of scheduled meetings during 2020

4

Stuart Chambers

Chairman, Nominations Committee

1 March 2021

Dear Shareholder,

As Chairman of the Nominations Committee, I am pleased to present the Committee's report for the year ended 31 December 2020.

In my report last year I said that the Committee had a particularly busy 2019. 2020 has been no different. During 2020 the Committee focused on diversity, both on the Board and in the executive team and their respective pipelines, and on the search for and appointment of a new Chair of the Board.

I am very pleased to report that in conjunction with Egon Zehnder the Nominations Committee conducted a successful search process for a new Chair resulting in the recommendation to the Board that Jasmine Whitbread be appointed. I am equally pleased to be able to report that Jasmine has accepted that appointment and will join the Board as a Non-executive Director and Chair on 31 March 2021. Consistent with the requirements of the UK Corporate Governance Code 2018, Pete Redfern, as Senior Independent Director, chaired the Committee while it dealt with the Chair succession and he skilfully guided the Committee through the process. I did not participate. I am confident that in Jasmine, the Company has appointed a highly experienced and capable new Chair who is well versed in the world of public companies and governance.

Moreover, Jasmine brings with her a fresh perspective on ESG matters, developed during her executive career in the third sector. ESG is a subject of significance for all businesses whose prominence has undoubtedly been amplified during 2020. Jasmine's experience in this area will significantly benefit the Company's approach to ESG. Other than the use of their services in search assignments, the Company's Directors and the Group have no other connection with Egon Zehnder.

With Jasmine's appointment the gender balance of the Board will improve to one third which means at the end of March 2021 we will meet the minimum target set out in the Hampton Alexander review for female representation on FTSE 350 boards. Whilst that represents progress, our journey to greater diversity by no means ends there and the Committee is committed to further improving the gender balance on the Board. Diversity is about much more than gender of course and we recognise that our Board does not reflect the diverse ethnicity of the UK population or our customer base, which is drawn from that population. The Committee and the Board are committed to achieving greater ethnic diversity and our target is to have appointed a Director from an ethnic minority background during 2021.

Were we to stop at gender and ethnicity in our efforts to improve the diversity of the Board we would be focusing on a small number of attributes to the detriment of diversity of background, experience and skills. All of those broader facets of diversity must also be considered by the Nominations Committee in order ensure that the Company is led by a diverse Board equipped with the necessary skills and experience to lead the Company successfully. The Committee uses a "skills matrix" to routinely review the diversity and balance of skills and experience amongst the Directors and to identify future potential gaps. Regular review ensures the Committee has an up to date understanding of the Board's balance of skills, experience and diversity required to plan succession and inform the recruitment of new Directors. With the addition of Blair Illingworth and Marianne Culver to the Board last year, the Committee strengthened the Board's experience in the building products and distribution and logistics sectors. Nick Roberts has brought further extensive, deep experience of construction, engineering and strategy to the Board. During the year the

Committee identified new relevant categories for inclusion in the skills matrix, namely, online / digital, customer experience and ESG. Although there is some experience of those areas amongst the Directors, the Board felt the need to strengthen experience in those areas when making future appointments.

When we published our Annual Report last year, Chris Rogers was to have stepped down from the Board at last year's AGM in order to take up the role of Chairman of Wickes plc. In anticipation of that, Chris stood down from the Audit and Remuneration Committees in February 2020 and his succession as Senior Independent Director was being planned. When, at the end of March 2020 the Board took the difficult decision to pause the demerger of the Wickes business, Chris was asked to re-join the Remuneration Committee and subsequently in April, following review and recommendation to the Board by the Nominations Committee, the Board appointed Pete Redfern as Chris' successor as Senior Independent Director. Looking forward to 2021, with the Board's decision to seek the demerger of the Wickes business during the year, Chris Rogers has again agreed to Chair Wickes Plc once it has demerged from the Group and accordingly, he will not be standing for re-election at the Company's AGM in April 2021. The Nominations Committee is already working with an external search firm in anticipation of Chris's departure to identify candidates to join the Board, also addressing the skills and experience enhancements mentioned earlier. Other than the use of their services in search assignments, the Company's Directors and the Group have no other connection with Russell Reynolds.

During the year, with the assistance of Emma Rose, the Group's HR Director who was appointed in June 2020, the Committee undertook a review of the internal succession pipeline for the roles of Chief Executive and Chief Financial Officer, as well as other senior management roles. Successors to those roles need to have broad experience, which can only be built over time. The skills matrix used to assist the Committee when recruiting new Directors is also used to help inform the development of an internal pipeline for Board roles along with a detailed assessment of the skills, diversity and experience of the senior management team, which helps to inform the pipeline for senior management roles generally. During the year, the Group Leadership Team was expanded to include

the Managing Directors of the Group's business units. Of a Group Leadership Team (the most senior executives in the business) comprising 13 executives, three are female but none has an ethnic minority background. The Board is working with the executive team to improve diversity amongst the Group's senior management and to build a more diverse pipeline for senior management roles, including the Group Leadership Team and their direct reports.

Committee Membership

All Non-executive Directors (see biographies on pages 76 to 77) are members of the Nominations Committee. Except when dealing with matters relating to the chairmanship of the Company, the Committee is chaired by Stuart Chambers. Once she has been appointed to the Board, Jasmine Whitbread will chair the Committee. Directors, other employees of the Group and external advisors are invited to attend meetings when appropriate.

The Committee held four scheduled and five unscheduled meetings during the year. Attendance in 2020 is set out on page 81.

Role of the Nominations Committee

The principal responsibilities of the Committee are to regularly review the structure, diversity, size and composition of the Board, to support the Board in fulfilling its responsibilities to ensure that effective succession planning processes and pipelines are in place for Directors and other senior management. The Committee ensures there are formal, rigorous and transparent processes in place for the appointment of Directors and other senior managers. The Committee operates under formal terms of reference which are available on the Group's corporate website www.travisperkinsplc.co.uk.

Activities in 2020

The principal activities undertaken by the Committee in the year were:

- Conducting a search process to identify a successor for the Chairman of the Board
- Planning Board composition changes
- Succession planning for Board Committee and other Board roles, notably the Stay Safe Committee Chair and Senior Independent Director roles
- Overseeing the development of a diverse internal pipeline for succession to senior management roles.

Nominations Committee report continued

Focus for 2021

The Committee will focus on Board, senior management and pipeline build and diversity along with specific search activity in light of Chris Rogers' planned departure from the Board.

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 of candidates which meet the Committee's criteria
7. A selection of Committee members interviewing those candidates
8. Candidate assessments
9. Interviews with remaining Board members
10. Taking up detailed references
11. Making a recommendation to the Board

In addition to relevant background information on the work of the Board and the business to date, appointees are provided with a programme of induction meetings and visits with key personnel and 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 the recommendations of both. 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 62 to 63.

DTR 7.2.8AR requires companies to provide a description of their diversity policy applied to their administrative, management and supervisory bodies with regard to aspects such as age, gender or educational and professional backgrounds, the objectives of their diversity policy, how their diversity policy has been implemented and the results in the reporting period. This Nominations Committee report together with the Company's report on its diversity and inclusion policies and activities at pages 62 to 63. of the Annual Report provide an explanation of the Company's diversity policy for the purposes of the Disclosure and Transparency Rules.

Stuart Chambers

Chairman
1 March 2021

Audit Committee report



2020 focus areas

- Financial reporting judgements related to Covid-19
- Internal audit and risk management progress
- Separation of Wickes and demerger process
- Controls around government relief schemes



Number of scheduled meetings during 2020

6

John Rogers

Chairman, Audit Committee

1 March 2021

Dear Shareholder,

I am pleased to present the Audit Committee's report for the year ended 31 December 2020, having been appointed as Chairman of the Committee on 3 March 2020. The report sets out the Committee's work in relation to financial reporting, internal audit, risk management and oversight of the external audit process.

The Committee has reviewed financial reporting judgements and monitored internal controls and the management of risk arising from Covid-19. This has included reviewing the impact of Covid-19 on key financial reporting judgements, impairment reviews performed outside the normal review cycle, the going concern basis of preparation and the operation of key controls affected by the move to remote working in March 2020.

During the year the Committee has monitored the execution of the internal audit plan and the risk management process plan, against which notable progress has been made. The 2021 plans were approved by the Committee and aim to build on the progress made in these areas.

Audit Committee report continued

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

Committee membership and attendance

On 3 March 2020 Ruth Anderson stepped down from the Board and her role as Audit Committee Chairman and Christopher Rogers stepped down from the Committee. John Rogers assumed the chairmanship and Pete Redfern joined the Committee on 3 March 2020.

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 Legal became Secretary to the Committee in May 2020, replacing the Deputy Company Secretary.

The Committee held six formal meetings during 2020. Attendance is set out below. The Chairman, Chief Executive, Chief Financial Officer, General Counsel & Company Secretary, Director of Group Finance, Director of Internal Audit, Group Chief Accountant and external auditors also attended the Committee's meetings. The Committee held separate meetings with the Director of Internal Audit 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 within them
- 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 their 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 continues to include all matters for which consideration must be given in order to meet the Committee's corporate governance responsibilities.

The Committee duly 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, 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 risk, controls, financial reporting and going concern impacts of Covid-19
- 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
- The effectiveness and independence of internal audit and the external auditors

In addition to the above specific matters, the Committee considered at each of its meetings a number of 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 the internal and external auditors without management present.

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

Significant issues related to the financial statements

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

The table below sets out the key judgement areas associated with the Group's financial statements for the year ended 31 December 2020 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 auditors on the work undertaken to arrive at the conclusions set out in their audit report on pages 122 to 130 and had the opportunity to discuss it with them 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 2,000 locations.</p> <p>Inventory should be included in the balance sheet at the lower of cost or net realisable value. At 31 December 2020 stock was valued at £840.7m.</p> <p>The determination of cost is made more difficult by the ageing accounting systems and also by material rebate and fixed price discount agreements, so 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 auditors that inventory was fairly stated in the balance sheet.</p> <p>Further information is given in the notes to the financial statements (note 11 – inventories and note 12 – supplier income).</p>
Expected credit loss assessment	<p>The Group recognised £4.4bn of credit sales in 2020 to a wide range of account customers, from sole traders through to some of the largest contractors in the UK. A total of £661.7m was outstanding as at 31 December 2020. In the context of Covid-19's pervasive impact on the UK and its economy, the calculation of expected credit loss is judgemental.</p>	<p>During the year the Committee received reports that enabled it to monitor cash collection and debtor provisioning and it discussed the Group's adherence to its accounting policies and procedures.</p> <p>A summary of overdue balances in the balance sheet as at 31 December 2020 and amounts written-off during the year was given to the Committee at the meeting held to consider the year-end results. Management presented the Committee with information on the credit losses the Group suffered in previous recessions and an assessment of the risks in the Group's trade receivables balance based on third-party analysis. The Committee reviewed management's judgements regarding the estimates of expected credit loss, the adjustments made for forward-looking information and the amounts included in the balance sheet.</p> <p>The Committee concluded that the controls over the assessment of expected credit losses were appropriate and that the £30.5m allowance for doubtful debts was fairly stated.</p> <p>Further information is given in the notes to the financial statements (note 13 – trade and other receivables).</p>

Audit Committee report continued

Area	Issue and nature of judgement	Factors considered and conclusions reached
The carrying value of goodwill and other intangible and tangible fixed assets	<p>The Group balance sheet contains £1,671m of goodwill and other intangible assets and £830m of tangible fixed assets.</p> <p>The Directors are required to determine whether those assets have suffered any impairment whenever there are indicators of possible impairment and at least annually. They do so by comparing the present value of future cash flows for each cash-generating unit with the carrying value of assets.</p> <p>In addition, the Company balance sheet contains £2,727m of investments. The Directors compare the net present values of future cash flows from each investment to the carrying value of the investment in the balance sheet.</p> <p>The calculations undertaken to help arrive at a conclusion incorporate a consideration of the risks associated with each cash-generating unit and are based upon forecasts of their long-term future cash flows, which by their nature require judgement to be exercised and are subject to considerable uncertainty.</p>	<p>The cash flow forecasts used for impairment considerations are prepared from the strategic business plans presented to and approved by the Board of Directors annually.</p> <p>Management presented the Committee with papers setting out the results of the work done, the assumptions made and the conclusions reached. They explained to the Committee how the cash flow and discount rate calculations were prepared, the key assumptions and judgements that were made and how sensitive those cash flows were to changes in the key assumptions.</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. The Committee noted that the value-in-use models used by management showed all material cash-generating units except for Wickes had significant headroom and concluded that there were no impairments.</p> <p>Consistent with the judgements reached in 2019 on the implications of the planned demerger of the Wickes business for the carrying value of goodwill, the Committee concluded that it remained appropriate to use a value-in-use model for the 2020 impairment review. The Committee concluded that the disclosures in the Annual Report and Accounts on the possible accounting impact of the planned demerger in 2021 and on sensitivity of the Wickes business to impairment were suitable.</p> <p>The Committee received reports on the ongoing project to simplify the Group's legal structure and the impairments recognised by the Company as a result of the payment of internal dividends.</p> <p>Further information is given in the financial statements (note 28 – impairment and, in the Company's financial statements, note 2 – investments in subsidiaries).</p>
Financial reporting impacts of Covid-19	<p>The pervasive impact of Covid-19 on the economy and on the Group has affected almost all financial reporting judgements.</p>	<p>During the year management regularly reported on the accounting impacts of Covid-19. The Committee reviewed and discussed the information presented about its impact on the allowance for doubtful debts, the valuation of inventory, the recognition of supplier income and the measurement of corporation tax in the Group's interim financial statements.</p> <p>Due to Covid-19 and its impact on the UK economy and the Group, impairment reviews were performed on the Travis Perkins General Merchant, BSS, CCF, Keyline, Plumbing & Heating and Wickes businesses and on their branches and stores as at 30 June 2020, outside of the normal cycle of impairment reviews.</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 auditors that the impacts of Covid-19 were appropriately reflected in the estimates and judgements made in the preparation of the Annual Report and Accounts and the interim financial statements.</p> <p>The Committee considered the impact of Covid-19 on the going concern basis of preparation and challenged the assumptions used by management in preparing adverse scenarios and sensitivity analysis. Noting the trading performance of the Group throughout the periods of significant restriction and the Group's financing position, the Committee concluded that the use of this assumption without any material uncertainty to be appropriate.</p>

Internal audit

Internal audits are delivered by an in-house team, supported as needed by co-source partners that bring specialist knowledge and skills to audits in areas such as IT.

Internal audit undertook assurance activities throughout 2020, with the majority of audits delivered remotely from the end of March onwards. The Group's digital tools were used to conduct virtual meetings and workshops, share screens, and access and review data remotely, which has enabled audit activity to continue and increased the use of data and technology in audit delivery.

Annual audit plans focus on areas of significant risk, development and change within the Group. The annual plan of activity, reviewed and approved by the Audit Committee, is constructed through internal audit's evaluation of risk against a comprehensive audit universe for the Group. The Group Leadership Team and other key stakeholders in the business are consulted to ensure that new developments and key priorities for management have been considered. Audit activities and progress against the agreed audit plan are reviewed at each Committee meeting and updated as business priorities and risks change.

The original 2020 audit plan had to be reshaped to respond to new and changed risks for the Group as a result of the Covid-19 pandemic. This included a review of the potential impact of remote working on the operation of financial controls and an assessment of the processes and controls introduced to manage the Group's use of the Coronavirus Job Retention Scheme. More broadly, the audits delivered during 2020 covered a broad range of operational, financial, legal, regulatory, IT and transformation activities. Core financial control areas are audited regularly. In 2020 this included the review of half-year and year-end statements from the Group's businesses on their compliance with key internal financial controls and the actions taken to manage changes to controls resulting from remote working and furlough.

The internal audit function has a continuous improvement strategy, with progress against this plan regularly reported to the Committee. Initiatives continued during 2020, with a particular focus on documenting the function's processes and undertaking data-led audits. Expanding this use of data and analytics is a key focus for 2021 as a means to increase the level of assurance and insight provided by each audit.

At each meeting the Committee considered reports from internal audit setting out the findings from the audits carried out. It also continued to review the implementation of recommendations proposed by internal audit and agreed by management, through a system that tracks activity on all active recommendations by age and level of risk to the business.

During the year the Committee reviewed the effectiveness of the internal audit function both in relation to delivery against its plans 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 2020.

Risk management and internal controls

Risks are managed at a Group level or within the businesses on an ongoing basis. Details of risks faced by the Group are maintained in Group or business risk logs. 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 to an acceptable level.

Significant time was spent in 2020 considering the risk impacts of the Covid-19 pandemic, which presented new risks and also heightened certain existing risks for the Group. The risks associated with the UK's exit from the European Union were also considered in detail throughout the year. In both areas, detailed reports were regularly provided to the Board and Group Leadership Team to support assessment of the potential impacts and steps taken by the Group.

The Group's approach to risk management continued to be refined during 2020 and this will continue in 2021. There has been a particular focus in 2020 on developing and delivering the risk assessments required by newly developed minimum standards that underpin the 12 material ESG focus areas for the Group. This work will continue into 2021. The Audit Committee recently approved a plan to drive more targeted consideration of risks and opportunities within the Group's key strategic and performance review processes in 2021, which will strengthen the risk management framework.

The principal risks and uncertainties are set out on pages 44 to 51, together with information on how those risks are mitigated and how emerging risks are assessed.

The Audit Committee monitors the key elements of the Company's internal control framework throughout the year. The Covid-19 pandemic has necessitated a number of the Group's assurance mechanisms to be paused during lockdowns or to move to remote review and support. The Committee has received regular updates on the status of these activities and the impact of the pandemic on assurance provision during 2020. The Committee conducted a review of the effectiveness of the Company's risk management and internal controls, and considered the impacts of the Covid-19 pandemic, 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 under consideration, 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 progress through the year and reviewing the system transformation programmes will remain an area of focus for internal audit.

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 Company will re-tender the external audit in accordance with the timescales set out in the Financial Reporting Council's guidance.

Audit scope and effectiveness

The scope of the external audit of the 2020 Annual Report and Accounts was presented by the external auditor to the Committee in September 2020 so the Committee could 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 2020 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 received a letter from the Corporate Reporting Review Team of the FRC in relation to the Group's 2019 Annual Report and Accounts, as part of its regular review and assessment of the quality of corporate reporting in the UK. This letter did not raise any specific questions or queries but did note a number of matters where they believed that users of the accounts would benefit from improvements to the existing disclosures.

This review considered compliance with reporting requirements and does not provide any assurance over the disclosures that were reviewed. The FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders. All the proposed specific enhancements to the 2019 accounts have been taken into account in the preparation of this Annual Report and Accounts.

In addition, the Financial Reporting Council's Audit Quality Review Team ("AQRT") reviewed KPMG's audit of the Group's 2018 financial statements as part of their annual inspection of audit firms. The Committee received and reviewed the final report from the FRC in March 2020. The Committee was satisfied that the matters raised by the AQRT were appropriately incorporated into the 2020 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 in order 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 purchased from KPMG LLP rather than another supplier. In 2020 KPMG was engaged to provide non-audit services in relation to the maintenance of the Group's employee benefits system and the demerger of the Wickes business. All non-audit services were pre-approved by the Committee.

The audit firm 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 provision of non-audit services by KPMG in relation to the employee benefits system ceased in February 2020.

Non-audit fees require approval and the amount payable to the external auditor in any particular year cannot exceed 70% of the average of the current and previous two years' audit fees.

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 auditors were paid £1,592,000 (2019: £1,100,000) for audit-related work and £600,000 (2019: £616,000) for non-audit work. The increase in the audit fee is the result of the Group's expansion in Europe and changes in audit scope. Non-audit work related to the review of the Group's interim financial statements and the Wickes demerger. The total fees paid by the Group to KPMG LLP in 2020 amount to less than 0.1% of KPMG's UK fee income. In addition, £1.0m (2019: £7.3m) of fees were paid to other accounting firms for non-audit work.

Assessment of the external auditor

Having considered the external auditor's performance, the AQRT report and representations from the auditors about their internal independence processes, the Committee concluded that it 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 27 April 2021.

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

John Rogers

Chairman, Audit Committee
1 March 2021

Directors' remuneration report



2020 focus areas

- Policy review including a proposed Restricted Share Plan
- Shareholder, proxy and advisor consultation
- Remuneration impacts of Covid-19



Number of scheduled meetings during 2020

4

Coline McConville

Remuneration Committee Chair

1 March 2021

Dear Shareholders,

As Chair of the Remuneration Committee, I am pleased to introduce the 2020 Directors' Remuneration report ("DRR").

Response to Covid-19

Since the outbreak of Covid-19 the highest priority for the Board has been the health and safety of our colleagues, customers, suppliers and all other stakeholders. During the year the management team quickly and efficiently responded to the pandemic, ensuring the Group continued to operate safely and effectively, fulfilling its essential role of supplying materials to keep customers warm, dry and secure at a time of great uncertainty.

Despite these great efforts financial performance has inevitably been heavily impacted. For this reason the company will be paying no bonuses in respect of 2020 other than for a small number of frontline colleagues.

Policy Review

The last two years have been a period of significant change for Travis Perkins. In December 2018 we announced the strategic evolution of the Group to focus on serving trade customers through advantaged businesses in attractive markets as well as the simplification of the Group to reduce complexity and costs in order to drive improved returns. In August 2019 Nick Roberts was appointed CEO to execute our strategy.

Directors' remuneration report continued

At the 2020 AGM we were required to put forward a new policy in-line with the three-year renewal cycle. Against the backdrop of our strategic evolution and after consultation with shareholders, the Remuneration Committee concluded that 2019 was not the right time to undertake a detailed review of our Remuneration Policy. Our renewed 2020 policy was therefore largely unchanged from our previous policy.

Following our progress in implementing strategic and operational changes during 2019 and 2020, the Committee has undertaken a detailed review of the policy to evaluate whether it continues to support the execution of the strategy and the creation of shareholder value, under the leadership of our new CEO, Nick Roberts.

Supporting strategy through our Remuneration Policy - Restricted Share Plan

Our strategic intent remains to focus on trade and simplify the group. To deliver our strategy and create value for shareholders we need to simplify our business, to enhance collaboration by leveraging our assets and resources to expand our proposition to customers, and to modernise our technology and infrastructure to digitally enable customer interactions providing a more efficient customer experience. We need to invest and make changes now and over the next few years to ensure that we have a business that is agile and fit for purpose to enable us to achieve our vision and deliver enhanced shareholder value.

For Executive Directors we currently operate an annual bonus plus two performance based long-term incentive plans (each of which incorporate multiple performance measures). We are proposing to replace our current long-term incentive plans with a Restricted Share Plan ("RSP"). We believe that a move to a Restricted Share Plan will have a number of benefits for the Company and will support the delivery of our strategy and shareholder value creation. The intention is that the RSP will be the only long-term incentive throughout the organisation so that management at every level is aligned. We have summarised the reasons why the Group believe a RSP is right for Travis Perkins:

Rewards long-term sustainable performance

Delivery of our strategy requires longer term decision making in order to drive sustainable value creation for shareholders. It is important that we make the right decisions today to achieve long-term success.

These decisions may not always maximise short-term performance but making the right decisions now is critical in enabling us to deliver a strong, successful and sustainable business over the long-term. The Committee believes that three year performance targets risk creating too much focus on delivering for the medium rather than the long-term and that a restricted share plan, which does not rely on hitting three year targets, will better support the longer-term, collaborative decision making required to deliver superior long-term shareholder value creation.

Aligns management and shareholders

The RSP will better align management with the experience of shareholders through the alignment of reward outcomes with the share price.

Aligned to our culture

The RSP will be cascaded throughout the organisation to other eligible colleagues and better support our objectives of organisational integration and fostering a more collaborative culture. Working in tandem with our existing all-employee share purchase plan (which has had a take-up of c.25% over recent years) it will enhance the collective sense of share ownership throughout the Group.

Simple and transparent

One of the key drivers for change is a desire for simplicity and transparency. The move will see a single plan replace two long-term plans.

Effective retention tool

The RSP is a clearer and more easily understood incentive structure and will therefore be a more effective retention tool. The following provides a summary of the proposed operation of the RSP:

- The maximum award will be 125% of salary. This is a 50% reduction compared to the current aggregate long-term incentive opportunity under the PSP (150% of salary) and the Co-Investment Plan (100% of salary) reflecting best practice and shareholder expectations.
- For Executive Directors awards will vest 75% on the third anniversary of the award and 25% on the fifth anniversary. The first tranche will be subject to a two year holding period so that the total time horizon is five years for the entire award.
- Awards will be subject to performance underpins measured over the vesting periods. The Committee will retain discretion to scale back the level of payout should the Company not meet an underpin and to determine the appropriate level of scale back in such circumstances.

The performance underpins are as follows:

- ROCE performance of 9.0%. ROCE is one of the business' 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. This underpin level assumes the demerger of the Wickes business
- Satisfactory governance performance including no ESG issues that result in material reputational damage to the Company (as determined by the Board)

Other changes to the Remuneration Policy In addition to the introduction of the RSP we are proposing to make some other changes to our Policy and its implementation in 2021 intended to enhance alignment with the delivery of our strategy and to take account of evolving shareholder views.

Pensions

The Committee is sensitive to shareholder views on executive pensions. On appointment Nick Roberts' pension was aligned with the wider workforce at 10% of salary. 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.

Annual bonus measures

We are proposing to simplify the performance framework used for our annual bonus to focus on delivering the short-term goals which will contribute to the delivery of our long-term strategy. The performance measures that we are proposing for 2021 are:

- Adjusted operating profit (weighting: 50%)
- Free cash flow (20%)
- Strategic performance (30%): Delivery of progress against key strategic milestones and ESG measures.

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 free 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.

We have simplified the strategic measures to ensure that management focuses on the key milestones for the next 12 months as well as the Group's wider ESG priorities.

2018 Co-Investment Awards

Strong Cash Performance delivered through:

- Focussed stock management
- Improved cash collection rates from customers
- Working closely with our suppliers to simplify payment processes

Annual bonus opportunity

Currently the annual bonus opportunity for the CEO is higher than for the CFO (180% of salary compared to 150% of salary), whereas the long-term incentive opportunity is the same. The Committee has reviewed this approach and considers that, taking into account the CFO's enhanced role and responsibilities, his contribution to the execution of the strategy and operational delivery and our more collaborative culture at leadership level that it is appropriate that the bonus opportunity, as a percentage of salary, is the same for both roles. We are therefore proposing to increase the bonus opportunity for the CFO to 180% of salary.

Post-employment shareholding guidelines

Currently on leaving Executive Directors are expected to maintain a minimum shareholding of 1 x base salary (or actual shareholding if lower) for a period of two years following stepping down from the Board. Taking into account feedback from shareholders the Committee intends to increase the post-employment shareholding guideline to **2 x base salary for two years** to align with our in-employment shareholding guideline.

Salary review

As part of the Group's response to Covid-19, the Board and Group Leadership Team voluntarily reduced their salaries by 20% for three months effective from 1 May 2020. The Remuneration Committee reviewed Executive salaries and, taking into account current market conditions, determined that there would be no increases from 1 January 2021. Non-executive Directors fees increased with effect from 1 July 2020. The base fee was increased to £60,000 (from £58,661). The fee for chairing the Stay Safe Committee was increased to £12,000 (from £10,000) reflecting the workload and significance associated with this role.

2020 LTIP targets

In last year's DRR we outlined our intention to grant 2020 PSP and CIP awards in late March 2020. However, in light of market uncertainty following the outbreak of Covid-19 the Committee chose to defer the grants until conditions stabilised somewhat. Awards were granted in September 2020 and the Committee reviewed and revised the cash element only of the set of performance targets originally disclosed in the DRR to incorporate Wickes performance and to reflect revised market expectations of performance. We consulted with shareholders on this issue.

2020 remuneration outcomes

The Covid-19 pandemic has provided the most challenging year in the Company's history. The Company has had to adapt quickly to ways of managing business through periods of lockdown in a way which keeps our colleagues, customers and suppliers safe. It has been inevitable that financial performance through this crisis has been significantly impacted. Performance against key financial objectives is as follows:

- Adjusted operating profit of £227m (2019: £442m)
- ROCE of 5.5% (2019: 10.1%)

2020 bonus payout

Bonuses for Executive Directors are based on adjusted operating profit (60%), ROCE (20%) and performance against our strategic tracker (20%). No bonus arises from the financial metrics for 2020, and whilst there has been strong progress against the strategic tracker, the Committee and management do not believe it would be appropriate to award a bonus this year against these outcomes.

Long-term incentives

Long-term incentive awards granted in 2018 vest based on performance to 31 December 2020. The vesting of these awards was strongly impacted by the Covid pandemic. In this context, the EPS growth target has not been achieved. However strong cash and capital management have resulted in long term incentive plans targets being met for cash measures. Further details on each element of the long-term incentives is provided below:

2018 PSP vesting

PSP awards granted in 2018 were subject to Adjusted EPS (40%), TSR (20%) and cash flow (40%) performance. The Adjusted EPS performance was below the trigger required for any vesting of this element of the award.

Aggregate cash flow over the three year period was £1,112m which was above the maximum target and resulted in the full 40% of the cash flow element vesting reflecting excellent cash performance in challenging market circumstances. TSR performance was at the 44th percentile resulting in no vesting for this element. Overall 40% of PSP awards granted in 2018 vested.

2018 Co-Investment Plan

These awards were subject to CROCE performance. CROCE performance over the three year period was 12.0% reflecting strong cash generation underpinned by improvements in working capital, judicious capital expenditure and asset recycling. This performance was above the maximum target set and resulted in 100% of awards vesting.

The Committee considered that the level of vesting under the PSP and Co-Investment Plan in respect of 2020 to be an appropriate reflection of performance over the last three years and in particular the work management have undertaken to deliver strong cash performance. Vesting performance was assessed net of Government support in relation to the Covid-19 pandemic. No discretion was exercised by the Committee.

Finally, 2020 has been a challenging year for our colleagues and I am pleased that we have been able to provide financial and non-financial support during periods of furlough or where colleagues have been working from home. In addition, whilst we did not apply a general salary increase in January 2021 we boosted the salaries of our lowest paid colleagues, taking a significant step towards being a Real Living Wage employer.

We consulted extensively with all our major shareholders as well as proxy and advisor bodies over the past six months, listening carefully to a wide range of views, and incorporating feedback where we felt it was in the best interests of the Company.

The Committee will be submitting its remuneration policy and report to the 2021 AGM where the Policy will be subject to a binding shareholder vote and the Report 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
1 March 2021

Directors' remuneration report continued

Quick view of remuneration in 2020

2020 outcomes

Element	Nick Roberts	Alan Williams
Base Salary (annualised)	636,300	517,650
Annual bonus (% of Max)	0%	0%
LTIP (% of Max)*	n/a	64%

* Combined vesting across the PSP and Co-Investment plans awarded in 2018, based on the performance period 2018-2020.

Annual bonus outcome for 2020

The maximum bonus opportunity for the CEO is 180% of salary and 150% of salary for the CFO. Half of bonus earned is deferred into shares for three years. All bonus is subject to malus and clawback. Performance weighting and measures are unchanged from the previous year.

	Threshold	Target	Max
Adjusted operating profit			nil
ROCE			nil
Strategy			nil

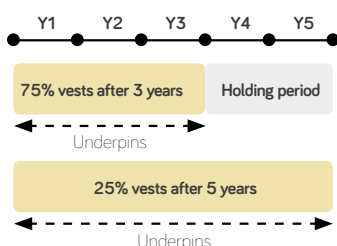
LTIP outcome for 2020

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.

	Threshold	Target	Max
EPS growth			nil
Aggregate cash flow			100
TSR			nil
CROCE			100

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

Quick view of remuneration in 2021



From 2021 we are proposing to replace our current long-term incentive plans with a Restricted Share Plan. The following graphic illustrates the timelines of our new structure.

Measuring performance

Ambition	Strategic KPI	Bonus Weighting	LTIP Weighting
Profit growth	Adjusted operating profit	50%	-
Turning profit into cash	Free 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%

Share Ownership Guidelines

Executive Directors are required to hold shares valued at two times annual salary within five years of appointment. From 2021 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.

Remuneration policy report

Policy report

The following sets out the Group's Directors' Remuneration Policy (the "Policy"). The Policy is subject to a binding shareholder vote at the Annual General Meeting 27 April 2021 and, if approved by shareholders, will apply to payments made on and from this date. This Policy will replace in full the Directors' Remuneration Policy set out in the 2019 Annual Report, which was approved at the Annual General Meeting held on 28 April 2020.

Remuneration philosophy

The principles of the Group's remuneration policy, which were developed taking into account provision 40 of the UK Corporate Governance Code, are:

- Remuneration arrangements are determined taking into account our Company culture, the 2018 Corporate Governance Code, wider workforce remuneration and emerging best practice in relation to executive director remuneration.
- Remuneration should be clear and simple and support the execution of the strategy and long term decision making, contributing to the delivery of short and long term superior sustainable financial returns for shareholders
- Remuneration should contain a performance related element. Bonus award levels are capped with payout linked to performance against a limited number of measures which are well linked to our strategy, and stretching but fair targets are set. This ensures that potential reward outcomes are clear and aligned with performance achieved, with the Committee having the discretion to adjust payouts where this is not considered to be the case.
- Reward mechanisms should ensure that a significant proportion of variable pay is delivered in deferred shares ensuring that executives retain a meaningful personal stake in the Group's success
- Malus, clawback and discretion provisions, RSP holding periods and shareholding guidelines, including post-employment guidelines, should be in place to create alignment with shareholders and to mitigate reputational and other risk
- Remuneration should be competitive and fair taking into account external market levels as well as internal practice to ensure pay remains competitive while being equitable within the Company. The approach to basic salary increases should be consistent across all colleagues
- All colleagues should be able to share in the success of the Group through participation in both annual bonus schemes and longer term share plans
- Finally, remuneration outcomes are reviewed in the context of the shareholder experience.

These principles apply across the Group. In addition to competitive base salary and bonus programmes, colleagues also have access to an extensive range of benefits under the Group's MyPerks colleague benefit programme. This includes a wide range of flexible and voluntary benefits, retirement benefits, our all-colleague Sharesave Scheme and a range of recognition programmes.

Element	Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Base salary	Core element of total package, essential to support recruitment and retention of high calibre executives	<p>The Committee sets base salary levels taking into account:</p> <ul style="list-style-type: none"> • Role, experience and individual performance • Pay awards elsewhere in the Group • Salary levels at other companies of a similar size • General economic environment and performance of the business <p>Any salary increases are normally effective from 1 January</p>	Whilst there is no maximum salary level or maximum salary increase, the increase for Executive Directors will normally be in line with the general employee increase	None	The Committee retains discretion to award salary increases in excess of the general population where this is considered appropriate to reflect performance or significant changes in market practice or the size of the Company, to recognise changes in roles and responsibilities or where a new Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role

Remuneration policy report

Element	Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Benefits	Maintain a competitive package with a range of benefits for the Director and their family	<p>Directors are currently entitled to benefits including:</p> <ul style="list-style-type: none"> • Private medical insurance • Income protection • Annual leave • Fully expensed company car (or cash alternative) • Life insurance of up to five times salary • All employee share plans such as SAYE and BAYE <p>The Committee may introduce other benefits if it is considered appropriate to do so</p> <p>Executive Directors shall be reimbursed for all reasonable expenses and the Company may settle any tax incurred in relation to these where appropriate</p>	Benefit levels reflect those typically available to senior managers within the Group and may be subject to change. The maximum potential value being the cost to the Company to provide those benefits	None	The Committee may remove benefits that Executive Directors receive or introduce other benefits if it is considered appropriate to do so taking into account the circumstances
Pension	Helps executives provide for retirement and aids retention	Our policy is that for new Executive Directors up to 10% of salary is provided either as a cash allowance in lieu of pension or as a contribution to a personal pension plan (or a combination of both)	<p>The CEO receives a pension allowance of 10% of salary</p> <p>The CFO's pension allowance was reduced to 20% and is capped at £103,530 from 2020. It will be reduced to 10% of salary from 1 January 2023</p>	None	None
Annual bonus and Deferred Share Bonus Plan	Rewards achievement of annual financial and key business strategy objectives. Rewards personal performance measured against key objectives. Deferred element encourages longer term shareholding and aligns reward to shareholder interests. Malus & clawback based forfeiture provisions discourage excessive risk taking and short term outlook ensuring that executive and shareholder interests are aligned	<p>Total bonus level is determined after the year end, based on achievement of targets</p> <p>Normally up to 50% of the total bonus is paid in cash. The remainder of the bonus is deferred as shares for three years</p> <p>Targets are set annually in line with the performance metrics</p> <p>Dividend equivalents on shares that are released may be paid</p> <p>Malus and clawback provisions apply as explained further in the notes to this table</p>	Maximum bonus opportunity under the plan is 180% of annual salary for the CEO and 180% of annual salary for the CFO	<p>Bonus measures typically include:</p> <ul style="list-style-type: none"> • Financial targets • Individual or group targets pertaining to delivery of the business strategy <p>Financial targets will account for at least 50% of the bonus</p> <p>Performance below threshold results in zero bonus. Bonus earned rises from 0% to 100% of maximum bonus opportunity for levels of performance between threshold and maximum targets</p> <p>Performance measures and weightings are set out in the Statement of Implementation of the Remuneration Policy</p>	<p>The Committee retains the discretion to review the measures, the weighting of measures and to set the performance targets and ranges for each measure</p> <p>The Committee will determine financial targets and the amount of bonus which can be earned for achievement of the Group's plan. This determination will be based upon an assessment of the degree of difficulty in achieving the targets taking into account market conditions, improvement on prior year performance required, and other relevant factors</p> <p>The Committee may in its discretion, adjust annual bonus payments, if it considers that such level would not reflect the underlying performance of the executive or the group or the experience of shareholders or other stakeholders or if such level would not be appropriate in the circumstances</p>

Element	Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Restricted Share Plan	Aligns participants with the shareholder experience, whereby participants build up a shareholding in the Company and are incentivised to deliver sustainable financial performance and enhance shareholder value over the longer term Helps retain high performing executives	Awards are normally granted in the form of restricted shares, annually to participants For Executive Directors awards will normally vest 75% on the third anniversary of the award and 25% on the fifth anniversary. The first tranche will be subject to a two year holding period so that the total time horizon is five years for the entire awards Dividend equivalents on shares that are released may be paid Malus & clawback provisions apply as explained further in the notes to this table	The maximum annual award for all executive directors is 125% of salary	Awards will be subject to performance underpins measured over the vesting periods. 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 would retain discretion to determine what level of scale back was appropriate	The Committee retains discretion to review the performance underpins, and to set the triggers for each underpin The Committee may in its discretion, adjust the vesting level of an award, if it considers that the vesting level would not reflect the underlying performance of the executive or the Group or the experience of shareholders or other stakeholders or if such level would not be appropriate in the circumstances
Shareholding requirements	Aligns the interests of executives and shareholders	Formal requirements (not voluntary guidelines) apply to Directors and senior executives. Participation in long-term incentives may be scaled back or withheld if the requirements are not met or maintained. For the purposes of assessing compliance with the shareholding requirement vested but unexercised awards will be considered	None	Executive Directors are expected to hold shares valued at two times salary within five years of appointment to the Board	The Committee retains discretion to increase shareholding requirements

Changes to policy

The key changes to this Policy compared to the previous policy are as follows:

- The introduction of a Restricted Share Plan replacing the former Performance Share Plan and Co-investment plan.
- The pension allowance for the CFO was reduced from 25% to 20% of salary from 1 January 2020 and frozen as a monetary amount of £105,530 from that date. The pension allowance will be further reduced to the wider workforce rate of 10% of salary with effect from 1 January 2023
- Executive Directors who step down from the Board following the adoption of this policy will be expected to maintain a minimum shareholding of two x base salary (or actual shareholding if lower) for a period of two years following stepping down from the Board.
- Other minor changes have been made to the wording of the Policy to aid operation and to increase clarity.
- Outstanding awards under the Performance Share Plan and Co-Investment Plan will vest in-line with the Remuneration Policy in force at the time of grant.

Summary of decision making process

In determining the revisions to the Remuneration Policy the Committee followed a robust process which included discussions on the content of the Policy at Remuneration Committee meetings during the year. The Committee considered the input from management and independent advisors, as well as extensively consulting on best practice with major shareholders and proxy and advisory services.

Performance metrics

In considering appropriate performance metrics for the annual bonus the Committee seeks to incentivise and reinforce delivery of the Company's strategic objectives achieving a balance between delivering annual return to shareholders and ensuring sustainable long term profitability and growth. Measures will therefore reflect a balance of direct shareholder value, as well as measures focused on meeting specific strategic objectives aligned to long term growth.

Remuneration policy report continued

The Committee calibrates these targets by due reference to market practice, the Group's strategic plan, general and bespoke market intelligence, lead indicators and other indicators of the economic environment such that targets may represent relative as well as absolute achievement.

Awards under the Restricted Share Plan are subject to performance underpins that act as safeguards to ensure that awards do not pay out if vesting is not justified. For 2021, the underpins will be linked to ROCE and satisfactory governance performance. These underpins have been selected as they are considered to reflect a good overall balance and safeguard the financial stability of the business whilst ensuring a continued focus on governance.

Malus and clawback

Malus and clawback provisions are included in all incentives: the Annual Bonus (up to three years from date of award), and the Restricted Share Plan (up to six years from the date of award). The circumstances in which malus and clawback could apply include:

- A material misstatement resulting in an adjustment to the Company's audited consolidated accounts
- The determination of the number of shares subject to an award or the assessment of any performance condition was in error or based on inaccurate or misleading information
- The Board determining in its reasonable opinion that any action or conduct of the participant amounts to serious misconduct, fraud or gross misconduct or
- The Board determining that there has been a material failure of risk management (for 2020 bonus and incentive awards onwards)
- The Board determining that there has been serious reputational damage (for 2020 bonus and incentive awards onwards)
- The Board determining that there has been a material corporate failure (for 2020 bonus and incentive awards onwards) or
- Any other circumstances which the Board in its discretion considers to be appropriate.

Discretion

Areas where the Committee has discretion have been outlined in the Policy. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. A number of Committee discretions apply to awards granted under each of the Company's share plans, including that:

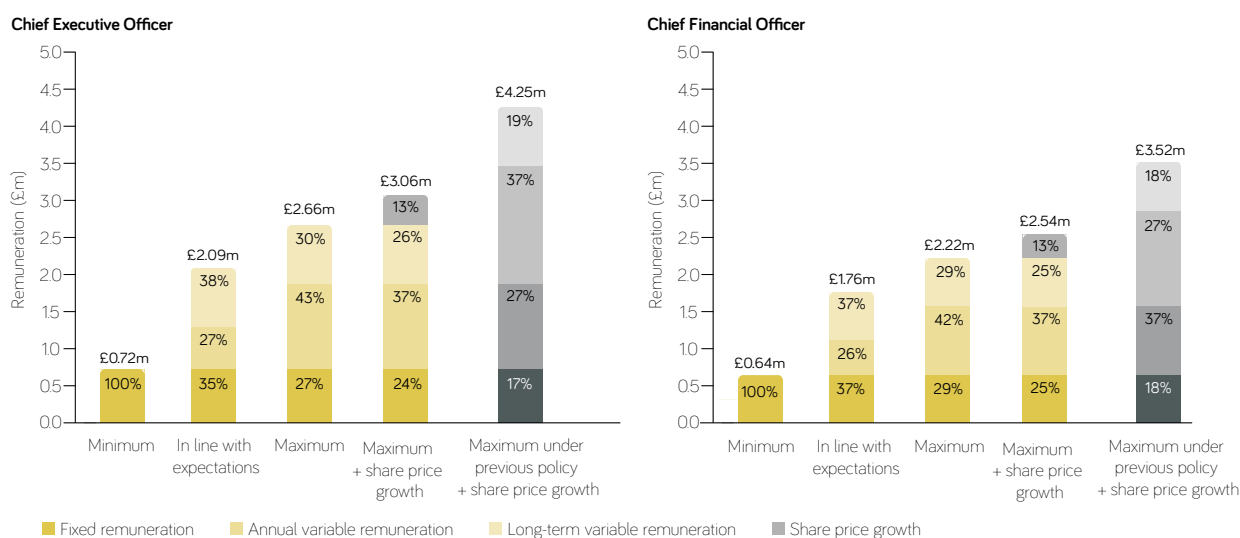
- Awards may be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect
- Awards may be settled in cash at the Committee's discretion (for Executive Directors this provision will only be used in exceptional circumstances such where for regulatory reasons it is not possible to settle awards in shares)
- Awards may be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

In addition, the Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, inappropriate to seek or await shareholder approval.

The Committee retains discretion to amend or substitute performance measures, targets and underpins and the weightings attached to performance measures part-way through a performance year if one or more significant corporate events occur which causes the Committee to believe that amended or substituted performance measures, weightings or targets would be more appropriate and not materially less difficult to satisfy. Discretion may also be exercised in cases where the Committee believes that the outcome is not considered to be reflective of the underlying financial or non-financial performance of the business or the performance of the individual. Any exercise of this discretion will typically be discussed with shareholders in advance and explained in full.

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the policy set out above came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' Remuneration Policy in force at the time they were agreed or where otherwise approved by shareholders; or (ii) at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes "payments" include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" no later than the time the award is granted. This Policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

Illustration of the Application of the Remuneration Policy



- Fixed remuneration includes basic salary (from 1 January 2021), pension provision (from 1 January 2021) and other benefits (based on value disclosed in the single figure for 2020)
- The "Minimum" scenario includes fixed remuneration only
- The "In line with expectations" scenario includes fixed remuneration plus target annual bonus (50% of maximum) plus 100% vesting of the Restricted Share Plan (125% of salary)
- The "Maximum" scenario includes fixed remuneration plus maximum bonus (180% of salary) plus 100% vesting of the Restricted Share Plan (125% of salary)
- The "Maximum + share price growth" scenario is as per the "Maximum" scenario and assumes share price growth of 50%

Non-Executive Directors' Fees

Fees for the Non-executive Chairman and Non-executive Directors are set at an appropriate level to recruit and retain Directors of a sufficient calibre to guide and influence Board level decision making without paying more than is necessary to do so. Fees are set taking into account the following factors:

- The time commitment required to fulfil the role
- Typical practice at other companies of a similar size and complexity to Travis Perkins

Non-executive fees will typically be reviewed annually with increases normally being effective from 1 July each year. 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

Additional fees may be paid to reflect additional Board or Committee responsibilities as appropriate. The Non-executive Chairman receives an all-inclusive fee for the role.

Current fees are detailed within the Statement of Implementation of the Remuneration Policy.

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. No compensation is payable on termination of office, which may be without notice from the Company. They cannot participate in any of the Company's share plans. The Company will pay reasonable expenses incurred by the Chairman and Non-executive Directors (including any tax incurred in relation to these where appropriate).

Recruitment remuneration

It is the Group's policy to recruit the best candidate possible for any executive Board position. It seeks to avoid paying more than is considered necessary to secure the candidate and will have regard to guidelines and shareholder sentiment when formulating the remuneration package.

Generally the Group will set salary, incentives and benefits for candidates in line with the above remuneration policy and accordingly participation in short and long term incentives will typically be on the same basis as existing directors. In all cases the Group commits to providing shareholders with timely disclosure of the terms of any new executive hires including the approach taken to determine a fair level of compensation. The maximum level of variable remuneration which may be awarded (excluding any "buyout" awards referred to below) in respect of recruitment is 305% of salary, which is in line with the current maximum limit under the annual bonus and the Restricted Share Plan.

Remuneration policy report continued

The table below outlines the Group's normal recruitment policy:

Base salary and benefits	The pay of any new recruit would be determined following the principles set out in the remuneration policy table
Pension	The appointee will be able to receive either a contribution to a personal pension scheme or cash allowance in lieu of pension benefits in line with the Company's policy as set out in the remuneration policy table
Annual bonus	The appointee will be eligible to participate in the Annual Bonus and Deferred Share Bonus Plan as set out in the remuneration policy table. Awards may be granted up to the maximum opportunity allowable in the remuneration policy table at the Remuneration Committee's discretion
Restricted Share Plan	The appointee will be eligible to participate in the Company's Restricted Share Plan as set out in the remuneration policy table. Awards may be granted up to the maximum opportunity allowable under scheme rules at the Remuneration Committee's discretion
Share buy-outs and replacement awards	<p>Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards if after careful consideration it is determined that it is appropriate to offer a buy-out. Any buy-out may be in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining any such buy-out, the guiding principle would be that awards would generally be on a "like-for-like" basis unless this is considered by the Committee not to be practical or appropriate</p> <p>The incentive plan rules allow for awards to be made outside of the plan limit to facilitate the recruitment of an Executive Director</p> <p>To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement may be used (including granting an award under the Listing Rule 9.4.2 which allows for the granting of awards, to facilitate, in unusual circumstances, the recruitment of an Executive Director). Any buyout award made under the Company's Deferred Share Bonus Plan or Long-Term Incentive Plans will not count towards the individual's maximum opportunity under those plans</p>
Relocation	Where the Group requires a candidate to relocate in order to take up an executive position it will normally reimburse the reasonable costs of the relocation. This may include one-off or ongoing expenses such as schooling or housing for a reasonable period of time

Where an internal candidate is promoted to an executive position the Group will honour any contractual commitments made through their employment prior to the promotion including any accrued defined benefit pension provision. Future pension provision will be aligned with our policy set out above.

Recruitment remuneration for Non-executive Directors would be assessed following the principles set out in the policy for Non-executive Director fees.

Policy on payment for Directors leaving employment

Executive Directors' contracts do not have a fixed expiry date but can be terminated by serving notice. Contractual notice periods for Directors are normally set at six months' notice from the director and 12 months' notice from the Company and the Company would normally honour contractual commitments in the event of the termination of a Director. Notwithstanding this approach it is Company policy to seek to minimise liability in the event of any early termination of a Director.

The Group classifies terminations of employment arising from death, ill health, disability, injury, retirement with company agreement, redundancy or the transfer from the Group of the employing entity as "good leaver" reasons. In addition the Committee retains discretion under incentive plan rules to determine "good leaver" status in other circumstances. In the event such discretion is exercised a full explanation will be provided to shareholders.

Leaver reason may impact treatment of the various remuneration elements as follows:

Remuneration Element	Good Leaver Reason	Other Leaver Reason
Salary	Ceases on cessation of employment (salary may be paid in lieu of notice) unless a pre-existing contractual term applies	Ceases on cessation of employment (salary may be paid in lieu of notice) unless a pre-existing contractual term applies
Bonus including Deferred Share Bonus Plan*	<p>Unpaid bonus from a completed performance period prior to cessation will be paid in full. For the performance period in which cessation occurs a pro-rata bonus may be paid, subject to normal performance conditions</p> <p>Any unvested deferred bonus share awards will normally continue until the normal vesting date and vest in full. The Committee may determine that awards should vest on cessation of employment</p>	All unpaid bonus payments lapse. Any unvested deferred bonus shares also lapse on leaving
Benefits	Provision or accrual of benefits will cease on cessation of employment or, if later, at the end of the relevant subscription period	Provision or accrual of benefits will cease on cessation of employment or, if later, at the end of the relevant subscription period
Restricted Share Plan*	<p>Unvested awards will normally vest at the normal vesting date and remain subject to performance/underpins. Where a participant ceases employment during the first three years of the vesting period awards will be pro-rated based on time in employment during this period unless the Committee decides otherwise. Awards will normally remain subject to any applicable holding period</p> <p>The Committee may determine that awards should vest and be released at cessation of employment taking into account the extent to which underpins/performance targets have been met and unless the Committee decides otherwise the period of time elapsed since award</p> <p>Where a participant ceases employment during any holding period (other than for reason of gross misconduct) they will continue to retain their award in full and it will be released at the end of the holding period unless the Committee determines that the award should be released at the time of cessation</p> <p>For awards in the form of options participants will have six months from vesting or the end of any applicable holding to exercise their award</p>	<p>Unvested awards lapse at cessation of employment</p> <p>Where a participant ceases employment during any holding period (other than for reason of gross misconduct) they will continue to retain their award in full and it will be released at the end of the holding period unless the Committee determines that the award should be released at the time of cessation</p> <p>For awards in the form of options, participants will have six months to exercise any vested awards</p>

* Leaver vesting provisions are fully defined in the appropriate plan documents.

The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. In addition, the Company may pay any fees for outplacement assistance and/or the Director's legal or professional advice fees in connection with their cessation of office or employment. Where a Director was required to relocate to take up their role then reasonable repatriation expenses may be included.

Post-employment shareholding

The Company has introduced a policy to support alignment with shareholder interests following an Executive Director stepping down from the Board. Executive Directors who step down from the Board following the adoption of this Policy will normally be expected to maintain a minimum shareholding of two x base salary (or actual shareholding if lower) for a period of two years after leaving the Board.

Non-executive Directors

The Chairman and Non-executive Directors' appointment letters provide for no compensation or other benefits on their ceasing to be a Director.

Remuneration policy report continued

Change of control

In the event of a takeover or winding up of the Company, share awards may vest early. The Committee will determine the extent to which awards shall vest taking into account the extent to which the performance conditions/underpins have been satisfied and unless the Committee determines otherwise, the proportion of the performance period that has elapsed. Deferred share awards will normally vest in full. In the case of a winding-up, demerger, delisting, special dividend or similar circumstances, awards may, at the Committee's discretion, vest early on the same basis as for a takeover.

Considering colleagues' views

The Committee reviews information regarding the typical remuneration structure and reward levels for other UK based employees to provide context when determining Executive Remuneration Policy.

The Company undertakes a 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 focussing on specific areas such as employee health and financial well-being. 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.

Considering shareholders' views

The Committee believes that it is very important to maintain open dialogue with shareholders on remuneration matters. The Committee regularly consults with significant shareholders 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.

Annual remuneration report

The following sets out the Group's Annual Remuneration Report for 2020 which includes details of how its Policy was implemented in 2020 and how it intends to implement its Policy in 2021. This report is subject to an advisory shareholder vote at the 2021 Annual General Meeting.

Statement of Implementation of the Remuneration Policy in 2021

Executive Directors:

Plan	Individual maximum opportunity in 2021	Measures and weighting	Operation
Base salary (No change)	CEO - £636,300 (2020 - £636,300) CFO - £517,650 (2020: £517,650)	n/a	The Remuneration Committee reviewed executive salaries and, taking into account current market conditions, determined that there would be no increases from 1 January 2021
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 five times salary and participation in all-employee share plans operated such as Sharesave ("SAYE") and BAYE
Pension (Alignment to workforce)	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 Taking into account the evolving views of our shareholders in this area the Committee agreed with the CFO that his pension will be reduced to 20% of salary from 1 January 2020. This monetary amount of £103,530 has been frozen at this fixed level so that it does not attract future salary increases. From 1 January 2023 the CFO's pension will be reduced to the wider workforce rate of 10%

Annual remuneration report continued

Plan	Individual maximum opportunity in 2021	Measures and weighting	Operation
Annual bonus (Adjusted measures and alignment of CEO and CFO)	Maximum annual bonus opportunity: CEO - 180% of salary CFO - 180% of salary	<p>The Committee has reviewed the performance framework and has simplified the bonus measures to focus on delivering short-term priorities that support the delivery of our long-term strategy</p> <p>The 2021 bonus will be based on the following measures:</p> <ul style="list-style-type: none"> Adjusted operating profit: 50% Free cash flow: 20% Strategic performance: 30% <p>For 2021 strategic performance will include:</p> <p>Strategic milestones: Strategy as measured by market share, Toolstation expansion, Group simplification and IT modernisation.</p> <p>ESG measures: Continuous improvement in safety, carbon reduction and increased numbers of apprenticeships within the Group.</p> <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 free 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>Successful deployment of our apprenticeship programme is a lead indicator for progress and against our diversity and inclusion programme. We see ESG targets changing as targets are achieved. During 2021 the foundation will be set for ESG delivery in environmental areas such as carbon footprint reduction and environmental areas featuring in 2022 targets.</p>	<p>Targets are determined in relation to the Group's budget</p> <p>Threshold payment is made for performance at 90% 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>
Restricted Share Plan (Simplification, single plan replacing dual plan arrangement)	Maximum annual award of 125% of base salary	<p>For 2021 the performance underpins are as follows:</p> <ul style="list-style-type: none"> ROCE above 9%. ROCE is one of the business's 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 	<p>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</p> <p>Malus and clawback provisions apply</p>

Shareholding guidelines including post-employment apply to Executive Directors as set out on pages 93 and 95.

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

Non-executive Directors:**Fees and benefits**

- Non-executive Director fees policy is to pay:
 - A basic fee for membership of the Board
 - An additional fee for the Chairman of a Committee and the Senior Independent Director to take into account the additional responsibilities and time commitment of the role
- The Non-executive Chairman receives an all-inclusive fee for the role. The Group also pays part of the employment costs of Stuart Chambers' assistant
- 25% of Non-executive Director and Chairman fees were paid in shares. 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 July. Fees were last reviewed with effect from 1 July 2020 and the basic fee was increased to £60,000 and the fee for the Chair of the Stay Safe Committee was increased to £12,000. No other increases were made to Non-executive Directors' fees.
- They are next due to be reviewed with effect from 1 July 2021. The current fees are as follows:
 - Chairman – Upon appointment on 7 November 2017 it was agreed that the Chairman's fee will be fixed at £320,000 for a period of three years.
 - 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

* The Non-executive basic fee was increased from £58,661 to £60,000 with effect from 1 July 2020. Due to an oversight an increase from £57,511 to £58,661 with effect from 1 July 2019 was not shown in the 2019 Directors' Remuneration Report.

Remuneration elsewhere in the Group

2020 was an exceptionally challenging year for our colleagues as they sought to balance family and work commitments through the Covid-19 pandemic. The Group has attempted to support colleagues through these difficult times with short, medium and long term measures. We supported colleagues on furlough by maintaining pay at full rates initially, a period at 90% and then for sustained furlough at the government 80% rate. Whilst we have generally been unable to pay bonuses for 2020, we supported colleagues working from home with an allowance to purchase office essentials, and a thank you payment was made in December to colleagues below management recognising their tremendous efforts.

Our colleague well-being programmes are well established, but we increased our communication of these programmes alongside our colleague "check-ins" to ensure colleagues could access the necessary advice, support and guidance they needed.

We did not apply a general salary increase on 1 January 2021 but instead invested in our lower paid colleagues, making significant progress towards our aspiration to be a Real Living Wage employer. At the same time we also took the opportunity to enhance our family leave policies.

As part of our financial well-being programme we continue to actively encourage saving whether this be for retirement (we have held a number of very well attended webinars on different aspects of retirement planning and pension provision) and for more short-term savings goals where we see the popularity of our Sharesave Scheme continue (over 25% of employees participate in Sharesave of which over 75% are colleagues rather than managers).

The Restricted Share Plan outlined earlier in this report will also replace Performance Share Plan participation at other levels of management. We believe this is a very positive step, much more closely aligning managers to the shareholder experience and giving a strong feeling of ownership and accountability.

All colleagues are eligible for a performance bonus, however we are also simplifying our approach to support our strategy and to encourage and reward collaboration.

Annual remuneration report continued

Audited information £000

Single total figure of remuneration

£'000	2020								
	Salary	Benefits	Pension	Total fixed	Bonus	LTI ¹	Buy-out	Total variable	Total
Executive Directors									
Nick Roberts	605	27	64	696	-	-	-	-	696
Alan Williams	492	20	104	616	-	824	-	824	1,440
Non-executive Directors									
Ruth Anderson ⁵	13	-	-	13	-	-	-	-	13
Stuart Chambers	301	-	-	301	-	-	-	-	301
Coline McConville	73	-	-	73	-	-	-	-	73
Pete Redfern	75	-	-	75	-	-	-	-	75
Chris Rogers ⁴	61	-	-	61	-	-	-	-	61
John Rogers	70	-	-	70	-	-	-	-	70
Marianne Culver	56	-	-	56	-	-	-	-	56
Blair Illingworth	56	-	-	56	-	-	-	-	56
Total	1,802	48	168	2,018	-	824	-	824	2,842

£'000	2019								
	Salary	Benefits	Pension	Total fixed	Bonus	LTI ²	Buy-out	Total variable	Total
Executive Directors									
Nick Roberts ⁵	315	13	32	360	503	-	560	1,063	1,423
Alan Williams	510	21	128	659	678	570	-	1,248	1,907
Non-executive Directors									
Ruth Anderson	75	-	-	75	-	-	-	-	75
Stuart Chambers	320	-	-	320	-	-	-	-	320
Coline McConville	75	-	-	75	-	-	-	-	75
Pete Redfern	68	-	-	68	-	-	-	-	68
Chris Rogers ⁶	70	-	-	70	-	-	-	-	70
John Rogers	58	-	-	58	-	-	-	-	58
Marianne Culver	10	-	-	10	-	-	-	-	10
Blair Illingworth	10	-	-	10	-	-	-	-	10
Total	1,511	34	160	1,705	1,181	570	560	2,311	4,016

Notes:

- LTI reported for 2020 for Alan Williams include LTI awards vesting in March 2021. The value of these awards has been calculated based on the average share price for the last quarter of 2020 of £12.14. For co-investment plan awards, the share price on the date of grant of 29 March 2018 was £12.37. For PSP awards, the share price on the date of grant of 13 March 2018 was £13.00. The share price used to value the LTIP for single figure purpose of £12.14 represents no increase and the proportion of the 2018 LTIP value disclosed in the single figure attributable to share price growth was therefore nil. The Remuneration Committee did not exercise discretion in respect of the share price appreciation.
- LTI reported for 2019 Alan Williams (£913k) were calculated on an estimated basis using the average share price of the final quarter of 2019 of £14.82. They are restated here to reflect the actual share prices on vesting (PSP £10.50 and Co-investment Plan £8.65 giving a revised figure of £569,931. For co-investment plan awards, the share price on the date of grant was £15.18. For PSP awards, the share price on the date of grant was £14.88. The share price used to value the co-investment plan awards and PSP awards for single figure purpose represents no increase and the proportion of the 2017 LTIP value Alan Williams was therefore nil. The Remuneration Committee did not exercise discretion in respect of the share price appreciation.
- Ruth Anderson stepped down from the board on 3 March 2021.
- In March 2020 Chris Rogers received a payment of £40,000 in respect of services provided in relation to the demerger of the Wickes business.
- Nick Roberts was appointed as a Director of Travis Perkins and CEO designate on 1 July 2019 and appointed CEO on 5 August 2019.
- In December 2019 Chris Rogers received a payment of £40,000 in respect of services provided in relation to the demerger of the Wickes business.

Explaining the single figure table

Salary

All Board and Group Leadership Team members took a 20% pay reduction for three months during 2021.

Benefits

Benefits for 2020 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 2020

Annual bonuses for 2020 were subject to adjusted operating profit (60%), ROCE (20%) and performance against our strategic tracker (20%).

2020 was a very challenging year for the Group. Despite the unique challenges facing the Company the Executives performed strongly, adapting the business to manage through periods of lockdown whilst keeping our colleagues, customers and suppliers safe. However financial performance was significantly impacted by the pandemic and as a result outturns for the adjusted operating profit and ROCE measures were below the thresholds set. Although the Executives made strong progress against the Strategic Tracker the Committee and management determined that it would not be appropriate to award an annual bonus for 2020.

The following table summarises the bonus targets and achievement for 2020:

Performance measure	Weighting	Targets			Actual performance	Pay-out (as a % of maximum)
		Threshold (0%)	Plan (50% bonus)	Maximum (100% bonus)		
Adjusted operating profit	60%	£396m	£417m	£438m	£227m	0%
ROCE	20%	9.0%	9.5%	10.0%	5.5%	0%
Business strategy	20%	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. The Committee exercised discretion and elected that no bonus should be paid against business strategy achievement.				0%

Long Term Incentive Plans ("LTIP")

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

	Performance Share Plan £300,634	Co-Investment Plan £522,942	Total
Alan Williams	(24,764 shares including 4,223 dividend equivalents added in the vesting period)	(43,076 shares including 2938 dividend equivalents added in the vesting period)	£823,576

The value of shares vesting has been calculated with reference to the average price over the last quarter of 2020 of £12.14

Measure	Summary of Performance	Committee's Assessment
Safety	Targeted improvements in relation to accident severity rate were achieved, performance against accident frequency rate was marginally short of target.	Partially achieved
People	Colleague engagement rates were within the target range. The committee noted the considerable additional initiatives deployed to engage with colleagues during the pandemic to support colleague well-being and safety.	Achieved
Simplification of the Group	Significant work was undertaken to ready the Wickes business for demerger in Q1 2020, although this was ultimately postponed due to the Covid pandemic. Significant activities to manage the above branch costs and to re-size the Group centre were completed fully.	Partially achieved
Business Strategy	Successful delivery of strategic initiatives relating to pricing, ranging, service and network in the TP general merchant business. Successful delivery of expansion plans in Toolstation UK and Europe.	Achieved

Annual remuneration report continued

Performance Share Plan

The following table sets out the performance targets, achievements and vesting levels for the Performance Share Award granted in 2018 and vesting in 2021 in respect of performance period ending on 31 December 2020:

Measure	Weighting	Threshold	Maximum	Actual	Vesting
Adjusted EPS Growth	40%	3%pa	10% pa	(27.5)%	0%
Relative TSR	20%	Median	Upper quartile	39%	0%
Aggregate cash flow	40%	£953m	£1,053m	£1,112m	40%
Total vesting					40%

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 2018 and vesting in 2021 in respect of performance period ending on 31 December 2020:

Measure	Weighting	Threshold	Maximum	Actual	Vesting
Cash Return on Capital Employed (three year average)	100%	9.7%	10.7%	12.0%	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 2020.

Payments to past Directors

No payments were made to past Directors and no payments were made to any Director for loss of office in the year.

Director's pension entitlements

In lieu of pension contribution, a gross cash allowance of £103,500 was paid to Alan Williams. Nick Roberts receives 10% of salary paid as a mix of pension contributions to the DC scheme and a cash allowance.

	Nick Roberts £'000	Alan Williams £'000
Pension value in the year from company contributions to DC scheme	5,497	n/a
Pension value in year from cash allowance (Salary Supplement in place of Employer pension contributions)	58,133	103,530
Total pension benefit accrued	63,630	103,530

Share interests awarded during the financial year

The Remuneration Committee originally intended to grant awards under the PSP and CIP in late March 2020 in-line with the normal timetable. However, given the market uncertainty that resulted following the Covid-19 outbreak, the Committee decided to defer grants until market conditions stabilised somewhat. Awards were granted on 22 September 2020 and, following a review, the Committee decided to amend only the cash element of the various performance targets originally disclosed in the 2020 Directors Remuneration Report as follows:

- Incorporate Wickes Performance – Following our announcement that the demerger of Wickes has been paused the Committee considered that it was appropriate for the targets to be revised to incorporate the Wickes business within the target set
- Reflect revised market expectations of performance – Since the targets were originally set market expectations of performance changed significantly. The Committee therefore considered that it would be appropriate to reflect these revised expectations in the cash targets to ensure that they remain stretching while being motivational for management

There were no changes to the EPS or TSR targets disclosed in the 2020 DRR.

Impact of Wickes

In setting the performance targets for the schemes as laid out in the 2020 DRR, the Committee excluded the performance of the Wickes business on the basis that it was anticipated that the demerger of Wickes would complete during Q2 and so would no longer form part of the Travis Perkins Group. On 20 March 2020, the Group issued a Covid-19 update in which it announced that the demerger would be paused in order to focus management fully on the challenges of managing through the pandemic. Therefore the impact of Wickes has been reincorporated in the targets for both the 2020 PSP and CIP awards.

Impact of Covid-19

When reviewing the targets the Board noted the potential negative impact of the pandemic on the financial performance of Travis Perkins. Long-term incentives are a key component of motivating and retaining senior management across the Group and are of particular importance as the management team leads a successful response to the demands of Covid-19. Therefore the Committee decided to revise the cash targets so that they were stretching but achievable, reinforcing a strong focus on cash and liquidity.

Prior to granting the awards the Committee consulted with our major shareholders outlining the proposed changes to the cash targets and the rationale as set out above. Shareholders were generally supportive of the changes.

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					954,445	1 January 2020 to 31 December 2022
Alan Williams**	14 September 2020	Performance Shares - nil cost option	150% of Salary	25%	83,467 shares at £11.435/share) 776,471 (67,903 shares at £11.435/share)	Awards are subject to an additional two year holding period post vesting

* Awards are increased at each dividend payment date to reflect the dividends that would have been paid on vested shares between grant and vesting.

** On the same date, Alan Williams was also awarded 2,623 market value options under the HMRC tax-advantaged CSOP element of the PSP with a face value of £29,994 and an exercise price of £11.435 (the market value on the day prior to the award). This award is subject to the same performance conditions as the PSP award. If the options vest they are exercisable until the tenth anniversary of grant.

Annual remuneration report continued

Performance Share Plan awards are subject to the following performance measures:

Measure	Weighting	Target range	Vesting range
Adjusted EPS Growth	40%	Lower target - 3% per annum over the vesting period	No vesting below lower target
		Maximum target - 10% per annum over the vesting period	
Aggregate Cash Flow over the performance period	40%	Lower target £885m	Lower target - 25% vests
		Maximum target £965m	Maximum target - 100% vests
Company TSR Relative to FTSE 50-150 Index	20%	Lower target - median performance (top 50%)	Pro-rata vesting between these points
		Maximum target - upper quartile performance (top 25%)	

Co-Investment Plan

	Date of award	Type of award	Basis	Vesting at lower target (%)	Face value*	Performance period
Nick Roberts	22 September 2020	Matching Shares - nil cost option	Up to 2:1 matching of shares purchased	25%	627,370 (60,214 shares at £10.419/share)	1 January 2020 to 31 December 2022
Alan Williams					513,250 (49,261 shares at £10.419/share)	Awards are subject to an additional two year holding period post vesting

* Awards are increased at each dividend payment date to reflect the dividends that would have been paid on vested shares between grant and vesting.

Co-Investment Plan matching awards are subject to the following performance measure, which has been set taking into account the impact of IFRS 16 - Leases:

Measure	Weighting	Target detail	Matching range
Cash Return on Capital Employed ("CROCE")	100%	Lower target 6.5% Maximum target 7.5%	0.5:1 matching at lower target 2:1 matching at maximum target Pro-rata matching between these points

Deferred Share Bonus Plan Shares awarded during 2020

Half of the bonus earned in respect of 2019 performance was awarded as deferred shares as follows:

	Date of award	Face value	Number of shares**	Share price *
Nick Roberts	14 September 2020	251,317	15,886	15.82
Alan Williams	14 September 2020	339,086	21,434	15.82

* The share price used to calculate the number of shares awarded was the last 30 days of the Company's 2019 financial year.

** Shares vest three years from the date of award. Awards are increased at each dividend payment date to reflect the dividends that would have been paid on vested shares between grant and vesting.

No deferred shares will be issued in respect of 2020 bonus as no bonus was awarded.

Directors' shareholding and share interests - Executive Directors

Formal shareholding requirements (not voluntary guidelines) apply to Executive Directors and Senior Executives. The Committee may decide to scale back or withhold participation in long-term incentives if the requirements are not met or maintained. Executive Directors are required to hold shares valued at two times annual salary within five years of appointment. As at 31 December 2020 Nick Roberts' shareholding was 0.60 times salary and Alan Williams' was 4.89 times salary based on the average share price for the last quarter of 2020 £12.14.

Directors' shareholdings and share interests as at 31 December 2020 :

Executive Director	Beneficial owner	Conditional shares granted under LTI plans ¹	Unconditional shares granted under LTI plans ²	Unvested options subject to performance conditions ³	Vested but unexercised options	Total interests	Interests qualifying towards shareholder requirement ⁴
Nick Roberts	29,268	307,911	28,346	2,489	4,066	372,080	31,422
Alan Williams	205,296	316,108	54,969	2,623	0	578,996	205,296

1. Includes unapproved Performance Share Plan awards, Co-Investment Plan awards and buyout awards which are subject to performance conditions.

2. 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.

3. Market value options awarded under the HMRC tax-advantaged CSOP element of the PSP. These awards are subject to the same performance conditions as the corresponding PSP award.

4. Interests qualifying towards shareholding requirement comprise ordinary shares beneficially held at 31 December 2020 by the executive and their spouse/partner, vested but unexercised SAYE options and the post tax value (53%) of any share options or awards which have vested but have not been exercised.

There were no changes in Executive Directors' share ownership between 31 December 2020 and 1 March 2021.

During 2020 the following awards were exercised:

Nick Roberts	Exercise date	Number of shares	Price per share
Performance Share Plan	n/a	0	n/a
Deferred Share Bonus Plan	n/a	0	n/a
Co-Investment Plan	n/a	0	n/a
Sharesave	n/a	0	n/a
Buyout award	n/a	0	n/a

Alan Williams	Exercise date	Number of shares	Price per share
Performance Share Plan	14 September 2020	927	11.4350
Performance Share Plan	14 September 2020	24,561	11.3971
Deferred Share Bonus Plan	n/a	0	n/a
Co-Investment Plan	14 September 2020	36,097	11.3971
Sharesave	2 December 2020	1,518	11.8500
Buyout award	n/a	0	n/a

Directors' shareholding and share interests - Non-executive Directors

Non-Executive Director	Beneficial shareholding (as at 31 December 2020)	Beneficial shareholding (as at 26 February 2021)
Stuart Chambers	10,313	10,824
Marianne Culver	589	679
Blair Illingworth	717	913
Coline McConville	4,163	4,298
Pete Redfern	10,934	11,028
Christopher Rogers	9,088	9,181
John Rogers	3,349	3,472

A minimum of 25% of Non-executive Director fees is paid in shares. Between 31 December 2020 and 26 February 2021 Non-executive Directors' share ownership increased due to the payment of a portion of their fees in shares.

Unaudited information

Service contracts

Each of the Executive Directors has a service contract, which will be available for inspection at the Annual General Meeting or at the Company's registered office. These contracts provide for six months notice from the Directors and 12 months notice from the Company. They do not specify any particular level of compensation in the event of termination or change of control. Details of the Group's policy on payments in respect of loss of office are provided in the 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
Coline McConville	February 2024
Pete Redfern	November 2022
Christopher Rogers	September 2022
John Rogers	November 2023
Stuart Chambers	September 2026
Marianne Culver	November 2028
Blair Illingworth	November 2028

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.

Annual remuneration report continued

Outside appointments

Travis Perkins recognises that its Executive Directors may be invited to become Non-executive Directors of other companies. Such non-executive duties can broaden a Director's experience and knowledge which can benefit Travis Perkins.

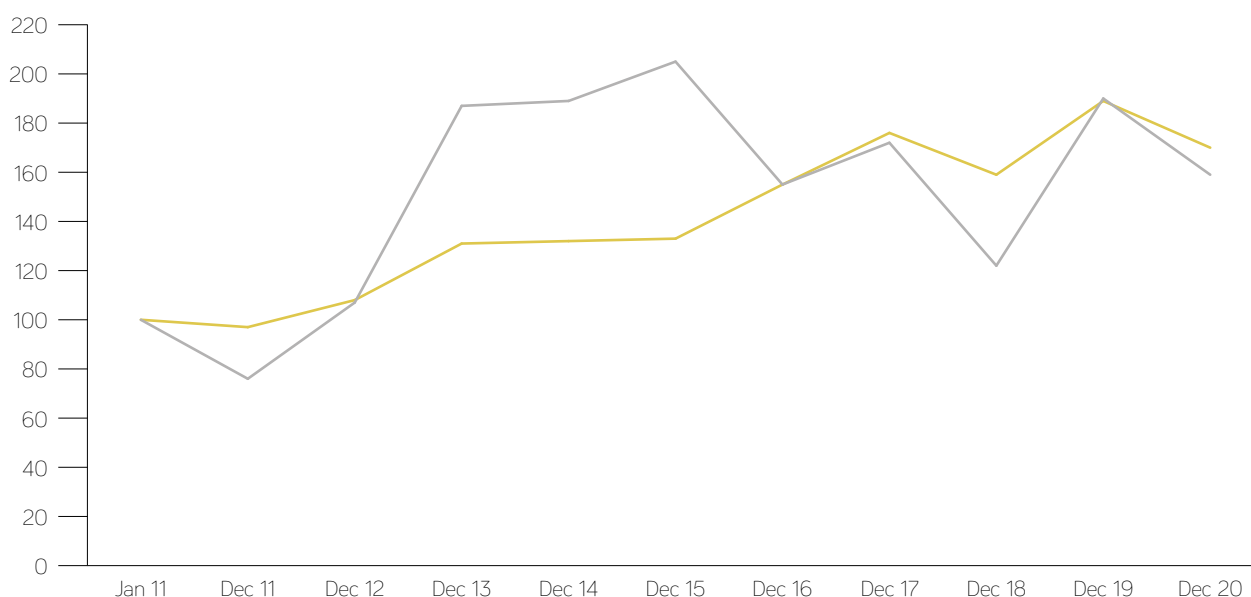
Subject to approval by the Board, Executive Directors are allowed to accept one Non-executive Directorship or other significant appointment, provided that these appointments will not lead to conflicts of interest, and they may retain the fees received. Nick Roberts is a Director and Trustee of the Forces in Mind Trust. Nick receives no fee for this appointment. Alan Williams held no external appointments during 2020.

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 2020 the Trust held 2,662,660 shares.

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.



TSR is rebased to 100 from 1 January 2011

Total shareholder return

Historic CEO pay

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Single figure remuneration (£'000)	1,938	3,506	2,044	2,634	2,360	2,575	2,532	2,258	2,622	696
Annual bonus payout (% of maximum)	76%	27%	63%	89%	32%	24%	72%	35%	89%	0%
Vesting of share options (% of maximum)	-	-	-	-	-	-	-	-	-	-
Vesting of Performance Share Plan (% of maximum)	0%	80%	37%	45%	97%	54%	40%	40%	46%	40%
Vesting of Co-Investment Plan (% of maximum)	51%	100%	0%	0%	44.2%	97%	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

The employees used for the purposes of the table above were identified on a full-time equivalent basis as at 31 December 2020. 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
2020	Salary	18,138	20,342	25,661
	Total remuneration	19,019	23,097	30,166

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 reduction in the CEO pay ratio in 2020 compared to 2019. This is mainly attributable to no bonus being earned by the CEO in 2020, and that due to tenure no LTIP vesting is included in the CEO's 2020 earnings.

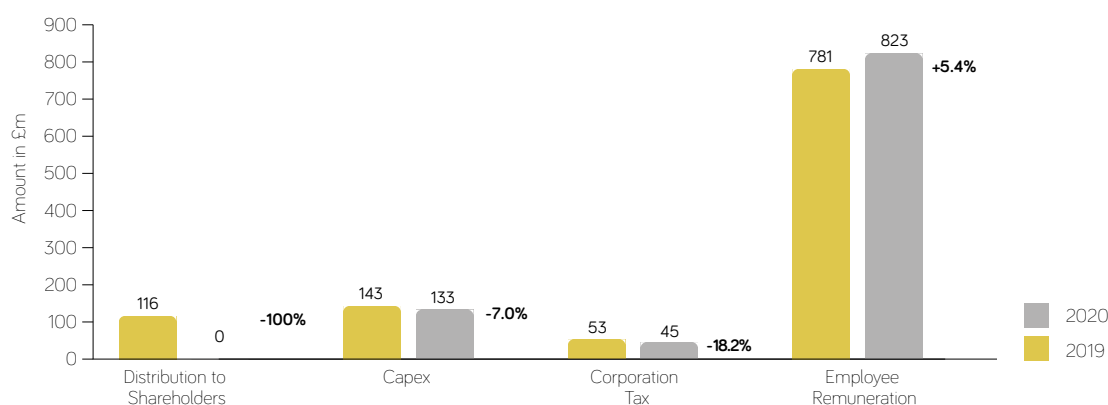
There are no changes attributable to changes in the Company's employment model nor in the methodology used to calculate the ratio.

Change in remuneration of Directors

	Percentage change in salary/fee earned (2020 full year compared to 2019 full year)	Percentage change in bonus opportunity earned (2020 full year forecast compared to 2019 full year)	Percentage change in taxable benefits received (2020/21 tax year compared to 2019/20 tax year) ²
Comparative employee group ¹	1.7%	-38%	8.4%
Executive Directors			
CEO	0%	-98%	0%
CFO	0%	-98%	-5%
Ruth Anderson ³	n/a	n/a	n/a
Stuart Chambers	-5.0%	n/a	n/a
Coline McConville	-2.0%	n/a	n/a
Pete Redfern	11.4%	n/a	n/a
Chris Rogers	-12.9%	n/a	n/a
John Rogers	22.0%	n/a	n/a
Marianne Culver ⁴	n/a	n/a	n/a
Blair Illingworth ⁴	n/a	n/a	n/a

1. The comparator group is all colleagues within the Trade Merchant businesses and central functions. The Company is a non-employing entity and so is not used for comparative purposes.
2. Based on a matched sample across the two periods.
3. Ruth Anderson stepped down part way through 2020.
4. Marianne Culver and Blair Illingworth were appointed in November 2019.

Relative importance of spend on pay



Capital expenditure is shown, for comparison, as an indicator of investment by the Company in future growth. It includes funds invested in the purchase of property, plant and equipment. Corporation tax is included as an indicator of wider societal contribution facilitated by the Company's operations and is the actual amount of corporation tax paid in the relevant reporting periods.

Annual remuneration report continued

Governance

During the year the Committee comprised Coline McConville (Chair), Peter Redfern, Christopher Rogers and Marianne Culver, all of whom are independent Non-executive Directors, and Stuart Chambers, Chairman of the Board, who was independent on appointment.

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

Deloitte are founding members of the Remuneration Consultants Code of Conduct and adhere to this Code in its dealings with the Committee. The Committee is satisfied that the advice provided by Deloitte is objective and independent. The Committee is comfortable that the Deloitte engagement partner and team that provides remuneration advice to the Committee do not have connections with the Company 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 £53,200 for advice provided to the Committee.

In addition Nick Roberts (CEO), Alan Williams (CFO), Robin Miller (Company Secretary), Emma Rose (Group Human Resources Director), 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 Chairman of the Company, Executive Directors and executive committee members and other senior executives. The Committee also oversees the administration of the Company's share plans. The Committee's terms of reference are available on the Company website (www.travisperkinsplc.co.uk) or from the Company Secretary.

Key items discussed in 2020 meetings

In 2020 the Remuneration Committee formally met five 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 2019 performance against targets and determining annual and long-term incentive outcomesAnnual bonus and LTIP targets for 2020Review of the impact of the Wickes transaction on incentive arrangements2019 Directors' Remuneration ReportCommittee governance
June	<ul style="list-style-type: none">Impact of Covid-19 on 2020 remuneration2020 share grantsSharesave 2020Review of Directors' Remuneration Policy
September	<ul style="list-style-type: none">Review of Directors' Remuneration Policy
November	<ul style="list-style-type: none">Review of Directors' Remuneration PolicyApproach to shareholder consultation
December	<ul style="list-style-type: none">Salary review 2021Initial review of performance targets for 2020 annual bonus and 2018 long-term incentive awardsProposed Remuneration Policy changesReview of shareholder feedbackGovernance update

Shareholder Voting

The following resolutions in relation to remuneration were put by the Company's Annual General Meeting (2019 Directors' Remuneration Report and 2019 Policy):

Resolution	Votes For	% For	Votes Against	% Against	Votes Withheld
To receive and approve the Directors' Remuneration Report (2020 AGM)	157,918,948	91.66%	14,370,396	8.34%	915,371
To receive and approach the Directors' Remuneration Policy (2020 AGM)	144,173,350	83.24%	29,029,872	16.76%	1,493

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
1 March 2021

Directors' report

For the year ended 31 December 2020

The Directors present their annual report and audited accounts for the year ended 31 December 2020. The Corporate Governance report on pages 79 and 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 28 to 43. Whilst the Group operates predominantly in the UK, it has 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 83 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	109
9.8.4R(12)	Dividend waiver	162
9.8.4R (13)	Dividend waiver	162

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 76 to 83.

Board of Directors

The names of the Directors at 31 December 2020 together with their biographical details are set out on pages 76 to 77. With the exception of Ruth Anderson who stepped down from the Board on 3 March 2020 all Directors held office throughout the year. The Executive Directors have rolling 12 month notice periods in their contracts. The Non-executive Directors do not have service contracts. 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.

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

Between 31 December 2020 and 1 March 2021 no notifications were received by the Company.

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 2020 including holdings, if any, of spouses and of children under the age of 18 are contained in the Directors' Remuneration Report on pages 93 to 95.

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 2020.

Greenhouse gas emissions reporting

Details of the Group's greenhouse gas emissions reporting can be found in the Sustainability report on pages 58 to 59.

Results and dividends

The Group results for the year ended 31 December 2020 are set out in the income statement on pages 131. No interim dividend was paid in 2020 and no final dividend has been proposed by the Directors.

Balance sheet and post balance sheet events

The balance sheet on page 132 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 44 to 51.

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 Review on pages 40 to 43. Specific quantitative information on borrowings and financial instruments is given in notes 22 and 27 on pages 163 to 164 and pages 167 to 170 of the financial statements.

Substantial shareholding

As at 31 December 2020, the Company had been notified of the following interests amounting to 3% or more of the voting rights in the issued ordinary share capital of the Company:

Directors' report continued

For the year ended 31 December 2020

Close Company Status

The close company provisions of the Income and Corporate Taxes Act 1988 do not apply to the Company.

Employees

Statements on employee matters are contained in the Sustainability section of the Annual Report on pages 60 to 65.

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 86 and in the Sustainability section of the Annual Report on pages 64 to 65.

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.

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 www.travisperkins.co.uk.

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 2020 the Company had an allotted and fully paid share capital of 252,143,923 ordinary shares of 10 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*.

The rights and obligations attaching to the 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 2020 the Travis Perkins Employee Share Ownership Trust owned 2,662,660 shares in the Company 1.1% 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 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 is considered significant in the context of the Company as a whole. The Company does not have agreements with any Director or any employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

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

Robin Miller

General Counsel & Company Secretary
1 March 2021

Statement of Directors' responsibilities

For the year ended 31 December 2020

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework. In addition the Group financial statements are required under the UK Disclosure and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 their 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union
- 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
- 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.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

1. 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;
2. 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.

Declaration

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
1 March 2021

Alan Williams
Chief Financial Officer
1 March 2021



Financial statements



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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 2020 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

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 six financial years ended 31 December 2020. 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 (2019:£16m)	
	4.4% (2019: 4.7%) of Group profit before tax and adjusting items as disclosed on the face of the income statement, which in 2020 we have averaged over a period of five years.	
Coverage	91% (2019 92%) of Group profit before tax and adjusting items as disclosed on the face of the income statement.	
Key audit matters		vs 2019
Recurring risks	Wickes' goodwill impairment	◀▶
	Deferral of supplier rebates into inventory	▼
	Parent Company's key audit matter: Recoverability of the Parent Company's investments in Wickes subsidiary	◀▶
Event driven	New: Valuation of trade receivables	▲

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.

	The risk	Our response
<p>Wickes' goodwill impairment</p> <p>(Goodwill £455 million; 2019: £455 million)</p> <p><i>Refer to page 90 (Audit Committee Report), page 136 (Critical judgements and key sources of estimation uncertainty) and pages 172 (financial disclosures)</i></p>	<p>Forecast based assessment:</p> <p>The Goodwill allocated to the Wickes Cash Generating Unit remains significant (£455 million) and represents one of the Group's most significant assets.</p> <p>The 2019 year end impairment review of Wickes indicated a small level of headroom, and that the impairment conclusion was sensitive to small changes in assumptions about future performance and the discount rate applied.</p> <p>Generally, Covid-19 is likely to result in a decrease in the fair value of certain assets, and may also decrease Value in Use if, for example, cash flows from an asset are reduced or delayed, or the risk associated with those cash flows increases.</p> <p>As a result we consider the risk of a material impairment arising in respect of Wickes to continue to be significant.</p> <p>We consider that the Wickes Value in Use calculation 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.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Historical comparisons: Assessing the reasonableness of the forecast used by considering the historical accuracy of previous forecasts and the results currently being achieved. • Our sector experience: Assessing whether assumptions used, in particular those relating to forecast revenue growth and profit margins, reflect our knowledge of the business and industry, including known or probable changes in the business environment. • Benchmarking assumptions: Challenging, using our own valuation specialists, the key inputs used in the Group's calculation of the discount rate by comparing to externally derived data, including available sources for comparable companies. • Sensitivity analysis: Performing our own sensitivity analysis on the forecasts, including a reduction in assumed growth rates reflecting Covid-19 risks, reduced ability to pass through cost price inflation and an increased discount rate. • Assessing indicators of impairment: Assessing indicators of impairment up to the balance sheet date for evidence that would materially change the conclusion on the annual impairment assessment, including changes to discount rate and updates to forecasts. • Assessing transparency: Assessing whether the Group's disclosures regarding the sensitivity of the impairment assessment to changes in key assumptions appropriately reflects the risks inherent in the valuation of goodwill. <p>Our results</p> <p>We found the group's conclusion that there is no impairment of Wickes' goodwill to be acceptable (2019: 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>Deferral of supplier rebates into inventory</p> <p>Refer to page 89 (Audit Committee Report) and page 152 (financial disclosures).</p>	<p>Complex calculation:</p> <p>As the Group carries a wide range of inventory, the volume of supplier income arrangements that are required to be deducted from the cost give rise to complex calculations in the inventory cost accounting.</p> <p>We consider the risk to relate to the accuracy of the inventory cost held on the balance sheet at the year end.</p> <p>The Group has transitioned a large number of supplier agreements to net pricing arrangements, reducing the number of guaranteed retrospective rebates, and has removed internal rebates on a large proportion of its stock. This has reduced the risk in current year and may have an impact on risk assessment for future audits, however given this process remains ongoing deferral of supplier rebates into inventory remains an area of significant risk for 2020.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Accounting analysis: Evaluating the appropriateness of the methodologies applied in allocating rebates attributable to inventory at the year end. • Reperformance: Recalculating the rebate in stock based on net merchanting inventory purchase cost and rebate percentages from the rebate database. We assessed a difference identified in the context of the overall balance and materiality. • Test of details: For a sample of rebate percentages agree back to underlying supplier agreements. • Assessing transparency: Considering the adequacy of the Group's disclosures regarding the degree of complexity involved in arriving at the cost. <p>Our results</p> <p>As a result of our work, we consider the deferral of supplier rebates into inventory to be acceptable (2019: acceptable).</p>
<p>Valuation of trade receivables</p> <p>(£662 million; 2019: £743 million)</p> <p>Refer to page 89 (Audit Committee Report), page 136 (Critical judgements and key sources of estimation uncertainty) and pages 153 (financial disclosures).</p>	<p>Subjective estimate</p> <p>The Group's Merchanting and Plumbing and Heating businesses sell products into customers into Construction and Industrial Markets within the UK. Customers range from large national to small local businesses. In current economic conditions, including the impact of the latest UK lockdown, we consider there to be an increased inherent risk that such customers fail to settle the amounts due. This increases the estimation uncertainty associated with the expected credit loss provision calculation.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of trade receivables associated with these businesses have a high degree of estimation uncertainty.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Tests of details: Substantively testing the data inputs and mechanics of the model used to calculate historic credit losses; • Benchmarking assumptions: Challenging the key assumptions used in the calculation of the expected credit loss model by comparing to externally derived data where possible, including available sources for comparable companies, as well as assessing the impact of Covid-19; • Our sector experience: Assessing the Directors' assumptions behind the provision against trade receivables against our own knowledge of recent bad debts in this industry; and • Assessing transparency: Assessing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision. <p>Our results</p> <p>As a result of our work, we consider the valuation of trade receivables to be acceptable. (2019: acceptable).</p>



	The risk	Our response
<p>Recoverability of the Parent Company's investments in Wickes subsidiary</p> <p>(£769 million; 2019: £767 million)</p> <p><i>Refer to page 90 (Audit Committee Report), page 183 (Critical judgements and key sources of estimation uncertainty) and pages 185 (financial disclosures).</i></p>	<p>Forecast-based assessment:</p> <p>The carrying amounts of the Parent Company's investments in Wickes Group Limited is significant and its recoverability is inherently uncertain. The estimated recoverable amount of the investments is determined with reference to value in use. This is sensitive to key assumptions, notably; the discount rate, forecast revenue growth and forecast profit margins.</p> <p>The audit of the investment in this subsidiary has been the key focus of the audit team during the audit of the parent company this year.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the cost of investments in Wickes Group Limited 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. In conducting our final audit work, we concluded that reasonably possible changes to the value in use would not be expected to result in material impairment.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Benchmarking assumptions: Challenging, using our own valuation specialists, the key inputs used in the Group's calculation of the discount rate by comparing to externally derived data, including available sources for comparable companies. • Historical comparisons: Assessing the reasonableness of the budgets by considering the historical accuracy of the previous forecasts; • Our sector experience: Evaluating the current level of trading, including identifying any indications of a downturn in activity, by examining the post year end management accounts and considering our knowledge of the Group and the market; and • Assessing transparency: Assessing the adequacy of the parent company's disclosures in respect of the investments in the Wickes subsidiary. <p>Our results</p> <p>We found the group's conclusion that there is no impairment of the investment in the Wickes subsidiary to be acceptable (2019: acceptable)</p>

For each of the key audit matters reported, we performed the detailed tests above rather than seeking to rely on any of the group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

In the prior year, we reported key audit matters in respect of uncertainties due to the UK exiting the European Union on our audit and the related impact on the appropriateness of adopting the going concern basis of preparation for the Group and Parent Company financial statements. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern and impairment tests however we no longer consider the effect of the UK's departure from the EU or going concern to be separate key audit matters.

Independent auditor's report continued

to the members of Travis Perkins plc

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 (2019: £16m), determined with reference to a benchmark of group profit before tax and adjusting items*, which in 2020 we averaged over a period of five years to account for fluctuations in business performance arising from the Covid 19 pandemic. It represents 4.4% (2019: 4.7%) of the stated benchmark, which amounts to £297m in 2020 (2019: £340.9m).

Materiality for the parent company financial statements as a whole was set at £6.5m (2019: £9.6m), determined with reference to a benchmark of company total assets, of which it represents 0.1% (2019: 0.2%).

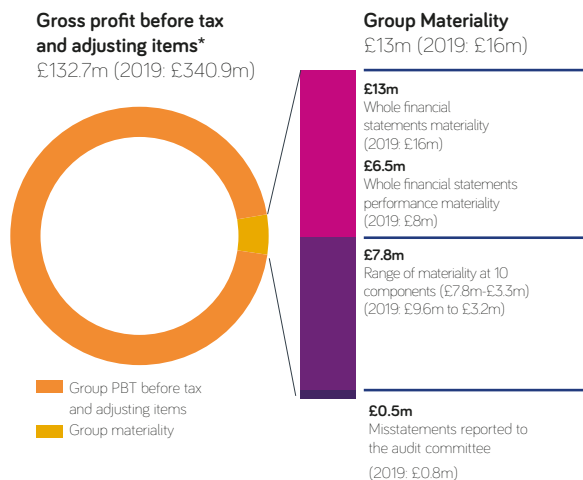
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material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

Performance materiality was set at 50% (2019: 50%) of materiality for the financial statements as a whole, which equates to £6.5m (2019: £8m) for the group and £3.3m (2019: £4.8m) for the parent company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements during the prior period.

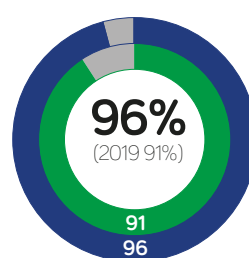
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m (2019: £0.8m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 55 (2019: 53) reporting components, we subjected 10 (2019: 9) to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated opposite. The remaining 4% (2019: 9%) of total group revenue, 9% (2019: 8%) of group profit before tax and adjusting items* and 4% (2019: 7%) of total group assets is represented by 45 (2019: 44) reporting components, none of which individually represented more than 5% (2019: 3%) of any of total group revenue, 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.

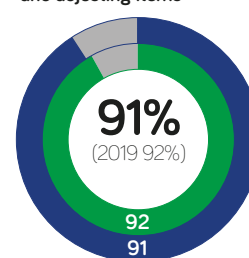
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £3.3m to £7.8m (2019: £3.2m to £9.6m), having regard to the mix of size and risk profile of the Group across the components. The work on 4 of the 10 components (2019: 3 of the 9 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.



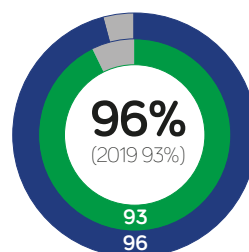
Group revenue



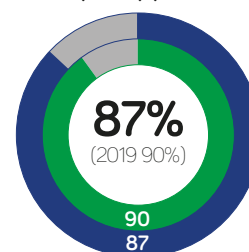
Group profit before tax and adjusting items*



Group total assets



Total profits and losses that made up Group profit before tax



Legend:
■ Full scope for group audit purposes 2020
■ Full scope for group audit purposes 2019
■ Residual components

The Group team held video and telephone conference meetings with these component auditors to assess the audit risk and strategy. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

* Adjusting items as disclosed on the face of the income statement

4. 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 Company or to cease their operations, and as they have concluded that the Group's and the 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 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 Company's available financial resources and metrics relevant to debt covenants over this period and metrics relevant to debt covenants was lower than expected trading volumes and the expected de-merger of the Wickes business.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the Directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

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.
- Evaluate the models the Group uses in its assessment and evaluate 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 base case and downside scenarios relevant to liquidity and covenant metrics, in particular in relation to plausible impacts of Covid-19 by comparing to actual experience in the year, 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. In addition, assessing whether downside scenarios applied mutually consistent and severe assumptions in aggregate, using our assessment of the possible range of each key assumption and our knowledge of inter-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 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 on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in the 'General Information' section in the notes to be acceptable; and
- the related statement under the Listing Rules set out on page 117 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 Company will continue in operation.

Independent auditor's report continued

to the members of Travis Perkins plc

5. 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, remuneration 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 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 group.

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 and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that Group and component management may be in a position to make inappropriate accounting entries. 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.

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 and 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 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 team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

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 pension 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, recognising the nature of the Group's activities. 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. We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit. 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.

6. 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 43 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 43 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 Corporate Governance Report 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 these respects.

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

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

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

We have nothing to report in these respects.

Independent auditor's report continued

to the members of Travis Perkins plc

8. Respective responsibilities

Directors' responsibilities

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

Auditor's responsibilities

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

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

9. 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 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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

2 March 2021

Consolidated income statement

For the year ended 31 December 2020

£m	Notes	2020	2019
Revenue	1	6,157.5	6,955.7
Adjusted operating profit	2(a)	226.7	441.5
Amortisation of acquired intangible assets		(9.2)	(9.0)
Adjusting items – operating	3	(140.4)	(200.4)
Operating profit	2(a)	77.1	232.1
Adjusting items – remeasurement of associates	3	-	40.3
Share of associates' result		0.5	(4.3)
Interest on lease liabilities	6(a)	(59.0)	(57.0)
Other finance costs	6(a)	(37.2)	(35.2)
Finance income	6(a)	10.9	4.9
(Loss)/profit before tax		(7.7)	180.8
Adjusting items – deferred tax	3	(6.4)	(27.1)
Other tax		(7.8)	(30.9)
Total tax	7(a)	(14.2)	(58.0)
(Loss)/profit for the year		(21.9)	122.8
Attributable to:			
Owners of the Company		(22.4)	121.1
Non-controlling interests		0.5	1.7
		(21.9)	122.8
(Loss)/earnings per ordinary share:			
Basic	20(a)	(8.8p)	48.9p
Diluted	20(a)	(8.8p)	48.4p

All results relate to continuing operations. The accompanying notes form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

£m	Notes	2020	2019
(Loss)/profit for the year		(21.9)	122.8
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain/(loss) on defined benefit pension schemes	18(h)	113.1	(43.0)
Income tax relating to other comprehensive income	7(b)	(22.2)	8.3
Items that may be reclassified subsequently to profit and loss:			
Foreign exchange differences on retranslation of foreign operations		(2.0)	3.2
Total other comprehensive income/(loss) for the year net of tax		88.9	(31.5)
Total comprehensive income for the year		67.0	91.3

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

Consolidated balance sheet

As at 31 December 2020

£m	Notes	2020	2019
Assets			
Non-current assets			
Goodwill	8(a)	1,358.5	1,359.1
Other intangible assets	8(b)	312.0	332.6
Property, plant and equipment	9	830.4	882.0
Right-of-use assets	10(a)	1,145.5	1,276.8
Interest in associates	30(a)	-	1.9
Investments	30(b)	9.2	6.7
Retirement benefit asset	18(c)	178.4	57.5
Total non-current assets		3,834.0	3,916.6
Current assets			
Inventories	11	840.7	937.8
Trade and other receivables	13	892.7	1,239.7
Tax debtor		6.5	-
Cash and cash equivalents	23(b)	505.6	207.9
Total current assets		2,245.5	2,385.4
Assets of disposals Group classified as held for sale	14	-	138.0
Total assets		6,079.5	6,440.0
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	14.3	14.5
Own shares	19	(39.5)	(50.8)
Foreign exchange reserve	19	1.2	3.2
Other reserve	19	-	(4.1)
Retained earnings	19	1,840.5	1,722.6
Equity attributable to owners of the Company		2,713.8	2,582.7
Non-controlling interests		-	4.4
Total equity		2,713.8	2,587.1
Non-current liabilities			
Interest-bearing loans and borrowings	22	575.7	583.3
Lease liabilities	10(a)	1,168.3	1,253.6
Deferred tax liabilities	16	77.2	62.7
Retirement benefit liability	18(c)	-	4.9
Long-term provisions	15	21.9	8.0
Total non-current liabilities		1,843.1	1,912.5
Current liabilities			
Lease liabilities	10(a)	158.8	158.7
Derivative financial instruments	27	1.6	2.5
Trade and other payables	17	1,304.2	1,613.9
Tax liabilities		-	13.4
Short-term provisions	15	58.0	60.4
Total current liabilities		1,522.6	1,848.9
Total liabilities		3,365.7	3,761.4
Liabilities of disposal Group classified as held for sale	14	-	91.5
Total equity and liabilities		6,079.5	6,440.0

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 1 March 2021 and signed on its behalf by:

Nick Roberts
Director

Alan Williams
Director

Consolidated statement of changes in equity

For the year ended 31 December 2020

£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 2019	25.2	545.4	326.5	14.7	(47.8)	-	(5.6)	1,847.5	2,705.9	11.8	2,717.7
Impact of the change in accounting policy	-	-	-	-	-	-	-	(106.1)	(106.1)	-	(106.1)
Adjusted balance at 1 January 2019	25.2	545.4	326.5	14.7	(47.8)	-	(5.6)	1,741.4	2,599.8	11.8	2,611.6
Profit for the year	-	-	-	-	-	-	-	121.1	121.1	1.7	122.8
Other comprehensive income/(loss) for the period net of tax	-	-	-	-	-	3.2	-	(34.7)	(31.5)	-	(31.5)
Total comprehensive income for the year	-	-	-	-	-	3.2	-	86.4	89.6	1.7	91.3
Dividends paid	-	-	-	-	-	-	-	(116.2)	(116.2)	-	(116.2)
Dividend equivalent payments	-	-	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Issue of share capital	-	0.2	-	-	-	-	-	-	0.2	-	0.2
Purchase of own shares	-	-	-	-	(7.7)	-	-	-	(7.7)	-	(7.7)
Adjustments in respect of revalued fixed assets	-	-	-	(0.2)	-	-	-	0.2	-	-	-
Arising on acquisition	-	-	-	-	-	-	-	(11.9)	(11.9)	(9.1)	(21.0)
Equity-settled share-based payments	-	-	-	-	-	-	-	23.0	23.0	-	23.0
Tax on equity-settled share-based payments	-	-	-	-	-	-	-	4.5	4.5	-	4.5
Option on non-controlling interest	-	-	-	-	-	-	1.5	-	1.5	-	1.5
Own shares movement	-	-	-	-	4.7	-	-	(4.7)	-	-	-
At 31 December 2019	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
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)/profit for the year	-	-	-	-	-	-	-	(22.4)	(22.4)	0.5	(21.9)
Other comprehensive (loss)/income/for the period 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 (note 10)	-	-	-	-	-	-	-	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)
Other tax	-	-	-	-	-	-	-	(0.9)	(0.9)	-	(0.9)
Own shares movement	-	-	-	-	4.9	-	-	(4.9)	-	-	-
At 31 December 2020	25.2	545.6	326.5	14.3	(39.5)	1.2	-	1,840.5	2,713.8	-	2,713.8

Consolidated cash flow statement

For the year ended 31 December 2020

£m	2020	2019
Cash flows from operating activities		
Adjusted operating profit (note 2a)	226.7	441.5
Adjustments for:		
Depreciation of property, plant and equipment	89.6	97.5
Depreciation of right-of-use assets	171.7	174.3
Lease terminations and impairments	-	2.2
Amortisation and impairment of internally-generated intangibles	16.6	23.5
Share-based payments	15.6	19.9
Foreign exchange	2.0	4.1
Other non-cash movements	-	4.2
Gain on disposal of subsidiary	(3.2)	-
Gain on disposal of property, plant and equipment	(11.5)	(20.6)
Purchase of toolhire assets	(6.4)	(9.2)
Adjusted operating cash flows	501.1	737.4
Decrease/(increase) in inventories	97.1	(104.2)
Decrease in receivables	481.0	12.5
Decrease in payables	(383.6)	(36.4)
Decrease in supplier financing arrangements	-	(0.1)
Payments in respect of adjusting items	(65.2)	(90.0)
Pension payments in excess of the income statement charge	(11.5)	(9.9)
Cash generated from operations	618.9	509.1
Interest paid	(29.5)	(27.0)
Interest on lease liabilities	(59.0)	(57.0)
Debt arrangement fees	-	(2.9)
Current income taxes paid	(44.5)	(52.9)
Net cash from operating activities	485.9	369.4
Cash flows from investing activities		
Interest received	1.3	0.8
Proceeds on disposal of property, plant and equipment	64.2	82.0
Development of computer software	(5.4)	(8.4)
Purchases of property, plant and equipment	(121.5)	(125.2)
Interest in associates	-	(20.6)
Acquisition of businesses	-	(23.0)
Disposal of businesses	53.7	-
Net cash used in investing activities	(7.7)	(94.4)
Cash flows from financing activities		
Proceeds from the issue of share capital	-	0.2
Bank facility fee	(2.9)	-
Net sale/purchase of own shares	6.4	(7.7)
Repayment of lease liabilities	(163.1)	(175.6)
Payments to pension scheme	(3.4)	(3.4)
Dividends paid	-	(116.2)
Purchase of non-controlling interest	(6.0)	(19.8)
Bond issue	248.5	-
Repayment of bond	(260.0)	-
Draw down of bank facilities	400.0	-
Repayment of borrowings	(400.0)	-
Net cash from financing activities	(180.5)	(322.5)
Net increase/(decrease) in cash and cash equivalents	297.7	(47.5)
Cash and cash equivalents at 1 January	207.9	255.4
Cash and cash equivalents at 31 December (note 23b)	505.6	207.9

Notes to the consolidated financial statements

For the year ended 31 December 2020

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 192. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 3 to 73.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101; these are presented on pages 179 to 188.

Basis of preparation

The financial statements have been prepared on the historic cost basis, except that derivative, 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. 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 Directors have formed a 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 & Accounts. For this reason, the Directors continue 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 projection
- The expected demerger of the Wickes business, which is within the control of the directors, and its impact, should the demerger be approved by shareholders in the Extraordinary General Meeting scheduled for 27 April 2021, on the Group's balance sheet and liquidity profile
- The impact on trading performance of severe but plausible downside scenarios, including continued Covid-19 restrictions, the removal of government support schemes such as Stamp Duty Relief and the Covid-19 Job Retention Scheme and adverse macroeconomic conditions. Key assumptions include significant reductions in revenue, removal of property profits and limited reductions in fixed overheads, as well as mitigating actions such as delayed capital expenditure and continued dividend suspension
- The committed facilities available to the Group (see note 22) and the covenants thereon
- The Group's robust policy towards liquidity and cash flow management
- The Group management's ability to successfully manage the principal risks and uncertainties outlined on pages 44 to 51 during periods of uncertain economic outlook and challenging macroeconomic conditions

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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

General information continued

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
153	13	Impairment of trade receivables
161	18	Pension assumptions
172	28	Impairment of goodwill

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 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 2020 the following significant items took place that are relevant to the understanding of the Group's results and financial position:

Covid-19 pandemic:

During the year ended 31 December 2020 the UK's economic outlook has deteriorated as a consequence of the Covid-19 pandemic and the measures taken by the government to control the spread of the virus. In these circumstances, neither the Group nor its customers have been able to trade in a normal manner. The Group's performance was significantly impacted as discussed in the Strategic Report on pages 3 to 73.

The planned demerger of the Wickes business was also put on hold in order to focus on managing through the pandemic and to maximise liquidity across the Group.

The Group appropriately used government assistance from the Coronavirus Job Retention Scheme and Business Rates Relief arrangements. During the year, after the repayment of support received by Wickes and Toolstation and December 2020, the Group has benefited from £39.1m of furlough support and from £34.8m of Business Rates Relief.

Business restructuring (note 3):

In June 2020, in response to Covid-19 and an expectation of reduced sales volumes in 2020 and 2021, the Group announced a significant programme of branch closures and the restructuring of distribution, administrative and sales functions. The costs associated with these activities have been disclosed as adjusting items.

Group simplification (note 31):

Consistent with the Group's objectives of simplifying the portfolio and focusing on the trade customer, two businesses were sold during 2020. The wholesale Plumbing & Heating business, Primaflow F&P, was sold in January 2020 for cash consideration of £50.1m. The assets and liabilities of this business were classified as assets held for sale in the Group balance sheet as at 31 December 2019. The Tile Giant business was sold in September 2020 for consideration of £6.1m. The Group also acquired the remaining non-controlling interests in TF Solutions and UFHS.

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, services comprise tool hire and kitchen and bathroom installations. Tool hire revenue is recognised on a straight-line basis over the period of hire. Revenue from the installation of kitchens and bathrooms is recognised when the Group has fulfilled all its obligations under the installation contract.

Customer rebates

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

a. Revenue

£m	2020	2019
Sale of goods	5,969.1	6,739.0
Sale of services	188.4	216.7
	6,157.5	6,955.7

b. Revenue reconciliation and like-for-like sales

£m	Merchandising	Retail	Toolstation	Plumbing & Heating	Total
2019 revenue	3,703.4	1,342.4	445.1	1,464.8	6,955.7
Network change	(193.1)	(20.7)	(1.7)	(268.0)	(483.5)
Trading days	14.1	3.6	1.2	4.8	23.7
2019 like-for-like revenue	3,524.4	1,325.3	444.6	1,201.6	6,495.9
Like-for-like change	(494.0)	65.9	98.8	(135.1)	(464.4)
Network change	34.4	-	89.3	2.3	126.0
2020 revenue	3,064.8	1,391.2	632.7	1,068.8	6,157.5
Like-for-like revenue %	(14.0%)	5.0%	22.2%	(11.2%)	(7.1%)

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, including changes to the number of trading days. 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	2020	2019
Revenue	6,157.5	6,955.7
Cost of sales	(4,326.2)	(4,921.1)
Gross profit	1,831.3	2,034.6
Selling and distribution costs	(1,387.2)	(1,475.9)
Administrative expenses	(387.0)	(353.6)
Profit on disposal of properties	11.5	20.6
Other operating income (note 4b)	8.5	6.4
Operating profit	77.1	232.1
Adjusting items (note 3)	140.4	200.4
Amortisation of acquired intangible assets	9.2	9.0
Adjusted operating profit	226.7	441.5
Profit on disposal of properties	(11.5)	(20.6)
Adjusted operating profit before property disposals	215.2	420.9

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Income and expenses continued

2. Profit continued

b. Adjusted profit

£m	2020	2019
(Loss)/profit before tax	(7.7)	180.8
Adjusting items (note 3)	140.4	160.1
Amortisation of acquired intangible assets	9.2	9.0
Adjusted profit before tax	141.9	349.9
Total tax	(14.2)	(58.0)
Tax on adjusting items	(27.0)	(36.3)
Adjusting items - deferred tax (note 3)	6.4	27.1
Tax on amortisation of acquired intangible assets	(1.7)	(1.6)
Adjusted profit after tax	105.4	281.1

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 or 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	2020	2019
Adjusting items – operating		
Branch closures and restructuring	120.9	-
Wickes separation and demerger costs	11.1	11.7
Wickes store impairment	12.6	-
IT-related settlement and impairment charge	(4.2)	107.6
Plumbing & Heating separation and disposal process	-	46.5
Supply chain and restructuring costs	-	21.5
Closure of businesses	-	13.1
	140.4	200.4
Adjusting items – business acquisitions		
Fair value gain on the acquisition of Toolstation Europe	-	(40.3)
	-	(40.3)
Adjusting items – tax		
Deferred tax rate change	6.4	-
Rollover relief deferred tax	-	27.1
	6.4	27.1
	146.8	187.2

Branch closures and restructuring

In response to Covid-19 and an expectation of reduced sales volumes in 2020 and 2021, and in response to changing customer requirements and a shift to delivered sales, in June 2020 the Group commenced a significant programme of branch closures and the restructuring of distribution, administrative and sales functions.

This will result in the closure of around 190 branches across the overall branch estate, representing approximately 10% of the Group's network. The branch closures are concentrated in the Merchant businesses and in particular on small branches in the Travis Perkins General Merchant and on branches in the Plumbing & Heating contracts businesses. In total, the Group reduced the number of roles by around 2,500 or approximately 9% of the workforce. Costs recognised in relation to these closures are as follows:

- £66.4m of property costs arising on the closure of branches and office locations, including a £26.5m impairment charge in respect of right-of-use assets

- £27.2m of redundancy and other restructuring costs
- £13.3m of fixed asset impairments
- £14.0m of inventory provisions in respect of closed branches and associated restructuring

Wickes separation and demerger

The Group incurred costs preparing to demerge the Wickes business. This was paused in March 2020 given the uncertainty of the impact of Covid-19 and volatility in the equity market and the demerger is now expected to complete in April 2021. The costs disclosed as adjusting consist of:

- £7.6m of costs related to the separation of IT functions from the Group
- £3.5m of professional service fees incurred in preparation for the demerger

Wickes store impairment

An impairment charge of £12.6m was recognised in respect of five Wickes stores where the impacts of Covid-19 have made it more challenging to implement the performance improvement plans necessary to generate cash flows that support the stores' value-in-use. The impairment reviews were carried out using assumptions consistent with the impairment review of the Wickes CGU (note 28). The remaining lease term was used as the remaining useful life. The impairment has been recognised against the right-of-use assets associated with these stores, which are the only material assets.

IT-related impairment charge

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

Deferred tax rate change

The tax charge includes an adjusting charge of £6.4m arising from the increase in the rate of UK corporation tax effective on 1 April 2020 from 17% to 19%.

2019

The following items were disclosed as adjusting in 2019:

- An impairment charge of £107.6m after the previous programme to develop a replacement ERP for the Merchant businesses was halted.
- Costs of £46.5m incurred in relation to separation of the Plumbing & Heating business from the Group's central IT infrastructure and support functions to enable the business to operate autonomously and support any future disposal.
- £11.7m of Wickes separation and demerger costs were disclosed as adjusting following the Group's announcement of its intention to demerge the Wickes business.
- Restructuring costs of £21.5m relating to cost reduction activities in the supply chain and support centre of the merchant business, including the costs of closure of the Group's range centre and timber network.
- Losses recognised following the closure of the Built business in April 2019.
- A fair value gain on the acquisition of Toolstation Europe of £40.3m following the remeasurement of the investment at fair value.
- A deferred tax charge of £27.1m following the Group's change in property strategy and therefore its assessment of its ability to use rollover relief indefinitely on capital gains in 2019.

4. Expenses and other income

a. Operating profit

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

£m	2020	2019
Movement of provisions against inventories	9.2	7.0
Cost of inventories recognised as an expense	4,246.0	4,914.1
Government grants from furlough scheme	(39.1)	-
Pension costs in administration expenses	1.2	1.3
Pension costs in selling and distribution costs	21.8	23.7
Impairment losses for trade receivables (note 13)	19.4	20.6
Gain on disposal of property, plant and equipment	(11.5)	(20.6)

The UK Government has offered a range of financial support packages to help companies affected by Covid-19. The Group has elected to deduct the grants from the furlough scheme in reporting the related administrative expense. The Group benefited from £34.8m of business rates relief in 2020.

b. Other operating income

£m	2020	2019
Rental income	5.3	6.4
Profit on disposal of business/subsidiary (note 31)	3.2	-
	8.5	6.4

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Income and expenses continued

4. Expenses and other income continued

c. Auditor's remuneration

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

£000	2020	2019
Fees payable to the Company's auditor for audit services:		
Audit of the Company's annual accounts	210	160
Auditor for the audit of the Company's subsidiaries	1,382	940
Additional fees payable for the prior period audit	65	155
Fees paid to the Company's auditor for other services:		
Audit-related assurance services	125	55
Services relating to corporate finance transactions	475	502
Other services	-	59
	2,257	1,871

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 87 to 92 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. The Group has four operating segments:

- Merchancing
- Retail
- Toolstation
- Plumbing & Heating

These segments reflect the Group's organisation around differences in products (general building versus plumbing & heating), customers (trade versus consumer) and price and range flexibility (fixed range and fixed price versus variable and variable range).

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

Segment result represents the result of each segment without allocation of certain central costs, finance income and costs and tax. Unallocated segment assets and liabilities comprise financial instruments, current and deferred tax, cash and borrowings and pension scheme assets and liabilities.

a. Segment information

£m	2020					Consolidated
	Merchanting	Retail	Toolstation	Plumbing & Heating	Unallocated	
Revenue	3,064.8	1,391.2	632.7	1,068.8	-	6,157.5
Segment result	65.7	51.1	4.3	(1.0)	(43.0)	77.1
Amortisation of acquired intangible assets	6.2	-	2.4	0.6	-	9.2
Adjusting items	89.1	26.9	0.9	20.8	2.7	140.4
Adjusted segment result	161.0	78.0	7.6	20.4	(40.3)	226.7
Less property profits	(9.2)	(0.9)	-	(1.4)	-	(11.5)
Adjusted segment result excluding property profits	151.8	77.1	7.6	19.0	(40.3)	215.2
Adjusted segment margin	5.3%	5.6%	1.2%	1.9%	-	3.7%
Adjusted segment margin excluding property profits	5.0%	5.5%	1.2%	1.8%	-	3.5%
Average capital employed	2,084.4	1,325.2	430.1	379.8	(70.7)	4,148.8
Segment assets	2,583.5	1,609.2	567.5	579.6	739.7	6,079.5
Segment liabilities	(963.5)	(1,086.1)	(271.2)	(355.0)	(689.9)	(3,365.7)
Consolidated net assets	1,620.0	523.1	296.3	224.6	49.8	2,713.8
Capital expenditure	68.4	17.0	17.1	4.6	26.2	133.3
Amortisation of acquired intangible assets	6.2	-	2.4	0.6	-	9.2
Depreciation and amortisation of software	65.5	26.1	5.5	6.6	2.5	106.2
	2019					
£m	Merchanting	Retail	Toolstation	Plumbing & Heating	Unallocated	Consolidated
Revenue	3,703.4	1,342.4	445.1	1,464.8	-	6,955.7
Segment result	275.4	85.0	22.0	3.7	(154.0)	232.1
Amortisation of acquired intangible assets	6.1	-	2.6	0.3	-	9.0
Adjusting items	23.5	11.6	-	45.4	119.9	200.4
Adjusted segment result	305.0	96.6	24.6	49.4	(34.1)	441.5
Less property profits	(20.7)	-	-	(1.0)	1.1	(20.6)
Adjusted segment result excluding property profits	284.3	96.6	24.6	48.4	(33.0)	420.9
Adjusted segment margin	8.2%	7.2%	5.5%	3.4%	-	6.3%
Adjusted segment margin excluding property profits	7.7%	7.2%	5.5%	3.3%	-	6.1%
Average capital employed	2,287.4	1,479.9	344.9	356.9	(82.3)	4,386.8
Segment assets	3,037.3	1,705.5	552.4	860.2	284.6	6,440.0
Segment liabilities	(1,224.6)	(1,134.7)	(241.0)	(528.7)	(723.9)	(3,852.9)
Consolidated net assets	1,812.7	570.8	311.4	331.5	(439.3)	2,587.1
Capital expenditure	89.0	23.8	13.2	15.8	1.0	142.8
Amortisation of acquired intangible assets	6.1	-	2.6	0.3	-	9.0
Depreciation and amortisation of software	67.4	27.8	4.3	8.0	9.4	116.9

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Income and expenses continued

5. Business segments continued

b. Unallocated segment assets and liabilities

Unallocated segment assets and liabilities comprise the following:

£m	2020	2019
Assets		
Interest in associates	-	1.9
Financial instruments	2.8	3.2
Property, plant and equipment	35.2	3.2
Investments	9.2	6.7
Cash and cash equivalents	505.6	207.9
Retirement benefit surplus	178.4	57.5
Unallocated corporate assets	2.0	4.2
Tax asset	6.5	-
	739.7	284.6
Liabilities		
Financial instruments	(3.5)	-
Tax liabilities	-	(13.3)
Deferred tax liabilities	(77.2)	(62.7)
Retirement benefit obligations	-	(4.9)
Interest-bearing loans, borrowings and loan notes	(575.7)	(583.3)
Unallocated corporate liabilities	(33.5)	(59.7)
	(689.9)	723.9

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	2020	2019
Interest on bank loans and overdrafts	(3.1)	(2.0)
Interest on bonds	(19.5)	(21.0)
Accelerated interest on repayments of 2014 bond (Note 22)	(10.0)	-
Unwinding of discounts – property provisions	(0.2)	(0.2)
Unwinding of discounts – pension SPV loan	(2.1)	(2.2)
Amortisation of issue costs of bank loans*	(2.3)	(2.9)
Other interest	-	(2.3)
Net loss on remeasurement of foreign exchange	-	(3.3)
Net loss on remeasurement of derivatives at fair value	-	(1.3)
Finance costs before lease interest	(37.2)	(35.2)
Interest on lease liabilities	(59.0)	(57.0)
Finance costs	(96.2)	(92.2)
Net gain on remeasurement of derivatives at fair value	1.4	-
Net gain on remeasurement of foreign exchange	6.4	-
Other finance income – pension scheme	1.1	2.4
Interest receivable	2.0	2.5
Finance income	10.9	4.9
Net finance costs	(85.3)	(87.3)

* Includes a £1.5m accelerated charge recognised as the result of the replacement of the Group's previous banking agreement with a new £400m agreement in January 2019.

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

b. Interest for non-statutory measures

£m	2020	2019
Interest on bank loans and overdrafts	3.1	2.0
Interest on bonds	29.5	21.0
Amortisation of issue costs of bank loans	2.3	2.9
Unwinding of discounts – liability to pension scheme	2.1	2.2
Interest for non-statutory measures	37.0	28.1

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	2020	2019
Current tax:		
Current year	24.1	44.0
Prior year	0.3	(3.1)
Total current tax	24.4	40.9
Deferred tax:		
Current year	(9.2)	(12.1)
Prior year	(1.0)	29.2
Total deferred tax	(10.2)	17.1
Total tax charge	14.2	58.0

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:

	2020		2019	
	£m	%	£m	%
(Loss)/profit before tax	(7.7)		180.8	
Tax at the UK corporation tax rate	(1.5)	19.0	34.4	19.0
Tax effect of expenses/credits that are not deductible/taxable	0.9		2.4	
Depreciation of non-qualifying property	3.4		3.0	
Share-based payments	2.5		(1.3)	
Deferred tax rate change	6.4		(0.7)	
Losses	3.4		1.9	
Gain on disposal of business	(0.2)		-	
Gain on Toolstation Europe acquisition	-		(7.8)	
Prior period adjustment	(0.7)		26.1	
Tax expense and effective tax rate for the year	14.2	(184.4)	58.0	32.1

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

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	2020	2019
Items that may not be reclassified:		
Deferred tax charge on actuarial movement	(22.2)	8.3
Income tax relating to other comprehensive income	(22.2)	8.3

c. Tax credited directly to equity

The following amounts of tax have been recognised in equity:

£m	2020	2019
Current tax: Excess tax deductions for share-based payments on exercised options	-	0.4
Deferred tax: Revaluation reserve	(0.9)	-
Deferred tax: Share-based payments	(1.7)	4.1
	(2.6)	4.5

Assets and liabilities

8. 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	Merchanting	Retail	Toolstation	Plumbing & Heating	Total
At 1 January 2019	661.0	455.2	103.4	69.6	1,289.2
Recognised on acquisitions (note 31e)	-	-	72.0	0.8	72.8
Reclassified to assets held for sale (note 14)	-	-	-	(2.9)	(2.9)
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 31 December 2020	661.0	455.2	174.8	67.5	1,358.5

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 2019	301.9	112.9	141.8	58.1	614.7
Additions	-	6.4	-	2.0	8.4
Additions from acquired business (note 31)	16.8	-	3.4	-	20.2
Transfers between categories	-	7.2	-	(7.2)	-
Disposals	-	(0.3)	-	(0.1)	(0.4)
Derecognition (note 3)	-	-	-	(48.8)	(48.8)
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 31 December 2020	318.7	132.8	145.2	2.6	599.3
Amortisation					
At 1 January 2019	67.8	59.0	102.5	-	229.3
Charged on acquired intangibles	2.2	0.9	5.9	-	9.0
Charged on internally generated intangibles	-	19.4	-	-	19.4
Disposals	-	(0.3)	-	-	(0.3)
Impairment	-	4.1	-	-	4.1
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 31 December 2020	72.9	99.7	114.7	-	287.3
Net book value					
At 31 December 2019	248.7	43.1	36.8	4.0	332.6
At 31 December 2020	245.8	33.1	30.5	2.6	312.0

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, Plumbnation, Underfloor Heating 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Assets and liabilities continued

8. Goodwill and other intangible assets continued

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	2020			2019		
	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
Retail						
Wickes	162.5	455.2	617.7	162.5	455.2	617.7
Toolstation						
Toolstation UK	-	103.4	103.4	-	103.4	103.4
Toolstation Europe	20.2	71.4	91.6	20.2	72.0	92.2
Plumbing & Heating						
City Plumbing Supplies	-	51.5	51.5	-	51.5	51.5
Plumbnation	-	1.7	1.7	-	1.7	1.7
PFP	-	-	-	-	2.9	2.9
Underfloor Heating Store	-	11.2	11.2	-	11.2	11.2
National Shower Spares	-	3.1	3.1	-	3.1	3.1
Reclassified to assets held for sale (note 14)	-	-	-	-	(2.9)	(2.9)
	232.0	1,358.5	1,590.5	232.0	1,359.1	1,591.1

9. 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
- Plant and equipment – 4 to 10 years
- Freehold land is not depreciated

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

£m	Freehold	Long leasehold	Short leasehold	Plant and equipment	Total
Cost or deemed cost					
At 1 January 2019	475.1	36.0	238.7	849.0	1,598.8
Adjustment for change in accounting policy	-	(0.8)	(23.1)	(26.0)	(49.9)
Adjusted balance at 1 January 2019	475.1	35.2	215.6	823.0	1,548.9
Additions	21.6	0.8	36.1	75.9	134.4
Acquisition through business combinations (note 31)	-	-	4.4	4.0	8.4
Disposals	(42.9)	(1.5)	(18.2)	(43.6)	(106.2)
Reclassified to assets held for sale (note 14)	-	-	-	(6.6)	(6.6)
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 31 December 2020	422.3	34.1	264.1	820.7	1,541.2
Accumulated depreciation					
At 1 January 2019	49.4	14.6	97.2	524.4	685.6
Adjustment for change in accounting policy	-	(0.3)	(20.2)	(11.1)	(31.6)
Adjusted balance at 1 January 2019	49.4	14.3	77.0	513.3	654.0
Charged in the year	6.1	0.8	12.1	78.5	97.5
Disposals	(4.8)	(0.5)	(4.2)	(45.3)	(54.8)
Impairment charged in the year as an adjusting item	1.2	-	0.2	1.2	2.6
Reclassified to assets held for sale (note 14)	-	-	-	(2.4)	(2.4)
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 31 December 2020	59.1	15.3	85.5	550.9	710.8
Net book value					
At 31 December 2019	401.9	19.9	152.8	307.4	882.0
At 31 December 2020	363.2	18.8	178.6	269.8	830.4

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

£m	Freehold	Long leases	Short leases	Plant and equipment	Total
At deemed cost	21.2	3.6	-	-	24.8
At cost	401.1	30.5	264.1	820.7	1,516.4
	422.3	34.1	264.1	820.7	1,541.2

Included within freehold property is land with a value of £182.7m (2019: £200.0m) 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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Assets and liabilities continued

10. Leases

Accounting policy

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

Identifying a lease

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

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

Recognition exceptions

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

- i) leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset
- ii) leases where the underlying asset has a low value when new – this election can be made on a lease-by-lease basis

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

Lessee accounting

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

Initial measurement

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

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

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

Subsequent measurement

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

The lease liability is subsequently remeasured to reflect changes in:

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

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

Depreciation

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

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

Lessor accounting

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

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

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

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

Sale and leaseback transactions

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

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

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

a. Amounts recognised in the balance sheet

Right-of-use assets:

£m	2020	2019
Land and buildings	1,103.3	1,220.5
Plant and equipment	42.2	75.3
Right-of-use assets reclassified as held for sale (note 14)	-	(19.0)
At 31 December	1,145.5	1,276.8

Additions to the right-of-use assets during the 2020 financial year end were £99.3m (2019: £77.5m).

Lease liabilities:

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

£m	2020	2019
Current	158.8	158.7
Non-current	1,168.3	1,253.6
Liabilities classified as held for sale (note 14)	-	19.6
	1,327.1	1,431.9

Certain accrual balances relating to rent-free periods and landlord incentives were incorrectly excluded from the adjustments made on transition to IFRS 16 – Leases on 1 January 2019 and so remained on the balance sheet in the prior year. This has been corrected in 2020, reducing other payables by £40.3m and increasing retained earnings by £40.3m.

Maturity analysis – contractual undiscounted cash flows:

£m	2020	2019
Less than one year	211.1	275.7
One to five years	700.1	919.4
More than five years	754.5	1,020.6
Total undiscounted lease liabilities at 31 December (note 27f)	1,665.7	2,215.7

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Assets and liabilities continued

10. Leases continued

b. Amounts recognised in the statement of profit and loss

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

£m	2020	2019
Depreciation of right-of-use assets	171.7	174.3
Interest expense (included in finance costs)	59.0	57.0
Expense relating to short-term leases	3.7	3.3
Expense relating to leases of low-value assets	3.2	3.4
Impairment of right-of-use assets	39.1	8.6
Gains on lease terminations	(1.4)	-
Gains arising from sale-and-leaseback transactions	(1.8)	(2.8)

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

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

£m	2020	2019
Land and buildings	148.3	147.5
Plant and equipment	23.4	26.8
	171.7	174.3

The total cash outflow for leases in 2020 was £222.1m (2019: £232.6m).

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

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

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

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

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

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

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

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

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

Extension and termination options

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

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

Judgements in determining the lease term

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

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

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

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

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 £5.4m (2019: £6.4m).

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

£m	2020	2019
Within one year	4.5	4.8
One to two years	3.9	3.6
Two to three years	3.5	3.9
Three to four years	3.1	3.5
Four to five years	2.8	3.1
After five years	8.7	13.4
	26.5	32.3

11. 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	2020	2019
Inventories	840.7	937.8

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Assets and liabilities continued

12. 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	2020	2019
Other receivables and trade payables	207.0	428.0
Inventories	(91.0)	(305.0)
Net balance sheet position	116.0	123.0

13. Trade and other receivables

Accounting policy

Trade and other receivables

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

Impairment of financial assets

Trade receivables are subject to the expected credit loss model in IFRS 9 – Financial Instruments.

The Group applies the IFRS 9 – Financial Instruments simplified approach to measuring expected credit losses.

This uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

£m	2020	2019
Current:		
Trade receivables	664.4	743.0
Allowance for doubtful debts	(30.6)	(20.0)
	633.8	723.0
Other receivables	187.9	444.4
Loan notes	2.8	–
Prepayments and accrued income	68.2	72.3
Trade and other receivables	892.7	1,239.7

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 59 days (2019: 57 days). No interest is charged on the trade receivable from the date of the invoice until the date the invoice is classified as overdue according to the trading terms agreed between the Group and the customer. Thereafter, the Group retains the right to charge interest at 4% pa above the clearing bank base rate on the outstanding balance.

Movement in the allowance for doubtful debts

£m	2020	2019
At 1 January	20.1	18.7
Amounts written off during the year	(8.9)	(19.3)
Charge in the year	19.4	20.6
At 31 December	30.6	20.0

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 2020.

£m	Gross carrying amount	Weighted average loss rate	Net 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	22.4	90.0%	(16.9)	Yes
	664.4		(30.6)	

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

Key estimate - impairment of trade receivables

The outbreak of Covid-19 has had a material impact on businesses around the world and the economies in which the Group operates. Given the rapidly changing economic impact and the effect of substantial government and central bank relief actions and support measures, the Directors have made various judgements to best reflect the range of outcomes at the reporting date. The expected credit loss for current debt has been increased to reflect the Group's experience in the 2008-2009 recession and overdue debt has been provided against as if it were one ageing bracket older.

In the view of the Directors, the highest reasonably possible level of debt impairment in 2021 would be 1.4% losses on current debt, reflecting the Group's experience in the 1990-1991 recession. This would increase the charge for credit losses in relation to debt as at 31 December 2020 by c.£2m and would reflect a scenario where the UK economy enters a deep recession in the financial and non-financial sectors of the economy and where there was limited support offered to businesses, households and the economy by the UK Government and the Bank of England. The lowest reasonably possible level of debt impairment would be 0.3% losses on current debt and historical levels on overdue debt. This would reduce the credit losses in relation to debt as at 31 December 2020 by c.£7m and would reflect a scenario where either continued government support or rapid economic recovery resulted in no significant economic downturn in 2021.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2019.

£m	Gross carrying amount	Weighted average loss rate	Loss allowance	Credit impaired
Current (not past due)	673.7	0.4%	(2.4)	No
Days overdue:				
1-30	35.0	4.2%	(1.5)	No
31-60	13.6	7.8%	(1.1)	No
61-90	3.5	17.9%	(0.6)	No
91-120	2.1	31.4%	(0.6)	No
More than 120	15.1	91.4%	(13.8)	Yes
	743.0		(20.0)	

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Assets and liabilities continued

14. Non-current assets held for sale

The Primaflow F&P wholesale business, which formed part of the Plumbing & Heating segment, was sold on 31 January 2020 for cash consideration of £50.1m. See note 31 for details. In accordance with IFRS 5 – Non-current Assets Held For Sale and Discontinued Operations, the assets and liabilities of this business have been classified as held for sale in the balance sheet as at 31 December 2019.

Assets of disposal group classified as held for sale

	£m
Goodwill (note 8)	2.9
Property, plant and equipment (note 9)	4.2
Right-of-use assets (note 10)	19.0
Inventories	35.7
Trade and other receivables	76.2
Total assets	138.0

Liabilities of disposal group classified as held for sale

	£m
Non-current lease liability (note 10)	17.5
Current lease liability (note 10)	2.1
Trade and other payables	71.9
Total liabilities	91.5

No adjustment was made to write down the assets and liabilities held for sale to their fair value less cost to sell as this was in excess of their carrying value. The Group has not presented Primaflow F&P's operations as discontinued as this business was not a major line of business or geographical area of operations, contributing £301.5m of the Group's revenue in the year ended 31 December 2019.

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.

It is Group policy to self insure using policies with a high excess against claims arising in respect of damage to 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.

The Group operates a large estate, with many sites running complex and busy yards. The Group also operates one of the largest vehicle fleets in the UK, distributing heavy and bulky materials. Certain products that the Group sells pose health and safety risks. The Group is exposed to the risk of accidents that cause significant harm to people, with associated fines and civil liabilities.

£m	Property	Insurance	Restructuring	Total
At 1 January 2019	29.8	31.3	17.3	78.4
Adjustment for change in accounting policy	(12.4)	-	-	(12.4)
At 1 January 2019 (adjusted)	17.4	31.3	17.3	66.0
Charge to income statement	8.0	7.8	20.3	36.1
Utilisation of provision	(4.3)	(6.4)	(23.1)	(33.8)
Unwinding of discount	0.1	-	-	0.1
At 1 January 2020	21.2	32.7	14.5	68.4
Charge/(release) to income statement	27.4	2.1	36.3	65.8
Utilisation of provision	(6.8)	(3.5)	(44.0)	(54.3)
At 31 December 2020	41.8	31.3	6.8	79.9
Included in current liabilities	19.9	31.3	6.8	58.0
Included in non-current liabilities	21.9	-	-	21.9
	41.8	31.3	6.8	79.9

Restructuring provision relates to the branch closures and restructuring activities treated as adjusting items and discussed note 3. It excludes property-related provisions and inventory and trade creditor amounts which are separately classified.

Should a provision ultimately prove to be unnecessary then it is credited back to the income statement. Where the provision was originally established as an adjusting item, any release is disclosed as an adjusting credit. The 2020 charge to property provisions of £27.4m is presented after a credit of £5.8m 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
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
2019:					
Property	10.5	5.1	5.6	0.5	21.7
Insurance	32.7	-	-	-	32.7
Restructuring	14.5	-	-	-	14.5
	57.7	5.1	5.6	0.5	68.9

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 2019	Acquisitions	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 1 Jan 2020	Acquisitions	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 Dec 2020
Capital allowances	(2.2)	-	1.3	-	-	(0.9)	-	(4.8)	-	-	(5.7)
Trading losses	-	(1.9)	-	-	-	(1.9)	-	(0.4)	-	-	(2.3)
Revaluation of property	7.6	-	-	-	-	7.6	-	-	0.9	-	8.5
Share-based payments	(2.0)	-	(3.6)	(4.1)	-	(9.8)	-	(0.2)	1.7	-	(8.3)
Provisions	6.0	-	(4.5)	-	-	1.5	-	1.3	-	-	2.8
Property assets acquired in business combinations	5.5	-	(0.6)	-	-	4.9	-	(0.1)	-	-	4.8
Brand	47.5	3.4	(2.5)	-	-	48.4	-	4.1	-	-	52.5
Pension scheme asset (note 18)	15.4	-	1.8	-	(8.3)	9.0	-	2.9	22.0	-	33.9
Adjusting items - deferred tax (note 3)	-	-	27.1	-	-	27.1	-	0.9	-	-	28.0
Leases	(21.3)	-	(1.9)	-	-	(23.2)	-	(13.8)	-	-	(37.0)
Deferred tax	56.5	1.5	17.1	(4.1)	(8.3)	62.7	-	(10.1)	24.6	-	77.2

At 31 December 2020, the Group had unused capital losses of £40.6m (2019: £40.6m) available for offset against future capital profits. No deferred tax asset has been recognised because it is improbable that future taxable profits will be available against which the Group can utilise the losses. £38.7m arose prior to the Group acquiring Wickes and the remainder arose in PTS in 2015. Those businesses own no assets that may generate a future capital gain against which the losses can be offset. Other than disclosed above, no deferred tax assets and liabilities have been offset.

The Group also has unused trading losses of £82.8m in relation to its Toolstation Europe business. Of these, no deferred tax asset has been recognised on £70.9m as it is considered, at the balance sheet date, improbable that sufficient taxable profits will be generated in a time frame suitable to allow for recognition. £21.0m of these losses are also subject to restricted carry forward rules reducing their likelihood of being utilised further. This position will be reviewed annually.

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2020 has been calculated at 19% (2019: 17%).

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

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	2020	2019
Trade payables	892.7	1,143.4
Other taxation and social security	50.1	74.2
Other payables	124.1	227.5
Accruals and deferred income	237.3	168.8
Trade and other payables	1,304.2	1,613.9

Included in trade payables at 31 December 2020 are amounts of £89.8m (2019: £177.9m) 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, and extension of 31 days.

The total net amount outstanding where terms have been extended at 31 December 2020 was £18.3m (2019: £14.4m). 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.

During the year the Group deferred £107.4m of VAT payments through the UK Government's financial support packages to help companies affected by Covid-19. This was repaid on 18 December 2020. The other payables balance includes £37.5m in relation to the government assistance from Business Rates Relief, following the Group's decision to repay the benefits received by Wickes and Toolstation.

18. Pension arrangements

Accounting policy

Payments to defined contribution retirement benefit schemes are recognised as an expense when colleagues have rendered services entitling them to the contributions.

For defined benefit schemes, the cost of providing benefits 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.

Where the Group is committed to pay additional contributions under a minimum funding arrangement and it has no unconditional right to receive any surplus in a winding up of the scheme, the pension obligation recognised in the financial statements is the higher of the IAS 19 (revised 2011) obligation or the net present value of future minimum funding payments to which the Group is unconditionally committed, discounted using the IAS 19 (revised 2011) discount rate.

The Group operates four final salary schemes being The Travis Perkins Pensions and Dependents' Benefit Scheme ("the TP DB scheme") and the immaterial Platinum pension scheme ("the TP Schemes") and the "BSS Schemes" being the BSS Defined Benefit Scheme ("the BSS DB Scheme") and the immaterial BSS Ireland Defined Benefit Scheme. All defined benefit schemes are closed to new members and future accrual.

Defined benefit schemes

The assets of the TP DB schemes are held separately from those of the Group under the control of the schemes' trustees. Colleagues are entitled to start drawing a pension, based on their membership of a scheme, on their normal retirement date. If colleagues choose to retire early and draw their pension, or late and defer drawing their pension, then the amount they receive is scaled down or up accordingly.

A full actuarial valuation of the TP DB scheme was carried out as at 30 September 2020. The IAS 19 valuation has been based upon the results of the 30 September 2020 valuation and then updated to 31 December 2020 by a qualified actuary. The present values of the defined benefit obligations, the related current service costs and the past service costs for the TP Schemes were measured using the projected unit method.

The assets of the BSS Schemes are held separately from those of the Group in funds under the control of the schemes' trustees. The most recent actuarial valuations of the BSS schemes' assets and the present value of the defined benefit obligations were carried out as at 30 September 2020. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the projected unit method.

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 entitlement was previously contingent and subject to funding levels, which resulted in a restriction in the amount recognised as a scheme asset. These payments were guaranteed in December 2018. 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 TP Schemes and the BSS 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. 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.
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.

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.

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.

The Directors have agreed with the BSS Schemes' Trustees and the TP DB Schemes' Trustees that, following the elimination of the deficits in these schemes, no further contributions from the Group are currently required. The ongoing management and administrative expenses of the BSS Schemes and the TP DB Schemes are also now being met by the schemes.

a. Major actuarial assumptions

	At 31 December 2020	At 31 December 2019
Rate of increase of pensions in payment (post 2006 entitlement)	1.95%	2.05%
Rate of increase of pensions in payment 1997-2006	2.70%	2.95%
Discount rate	1.40%	2.00%
Inflation assumption - RPI	2.75%	3.05%
Inflation assumption - CPI	2.15%	2.05%

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 methodology for determining the inflation assumptions has been revised in the year in line with recent reforms. The net impact of the revisions, principally changes to the inflation risk premium and the gap applied between RPI and CPI, has not had a material impact on the net IAS 19 position.

Weighted average life expectancy at age 65 for mortality tables used to determine pension liabilities at 31 December 2020:

Current member age	Sex	Life expectancy
45	Male	22.5
45	Female	25.6
65	Male	21.3
65	Female	23.4

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Assets and liabilities continued

18. Pension arrangements continued

b. Amounts recognised in income

£m	2020			2019		
	TP Schemes	BSS Schemes	Group	TP Schemes	BSS Schemes	Group
Current service costs and administration expenses	(1.2)	(0.4)	(1.6)	(0.9)	(0.5)	(1.4)
Net interest income	1.1	-	1.1	2.3	0.1	2.4
Total pension (charge)/credit	(0.1)	(0.4)	(0.5)	1.4	(0.4)	1.0

c. Amounts included in the balance sheet

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	2020			2019		
	TP Schemes	BSS Schemes	Group	TP Schemes	BSS Schemes	Group
Fair value of plan assets	1,359.7	411.1	1,770.8	1,220.4	361.6	1,582.0
Present value of defined benefit obligations	(1,214.1)	(378.3)	(1,592.4)	(1,165.4)	(364.0)	(1,529.4)
Gross actuarial surplus/(deficit)	145.6	32.8	178.4	55.0	(2.4)	52.6
Gross pension asset/(liability) at 31 December	145.6	32.8	178.4	55.0	(2.4)	52.6
Deferred tax liability (note 16)			(33.9)			(8.9)
Net pension asset at 31 December			144.5			43.7

The deferred tax liability of £33.9m (2019: £8.9m) 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.

£m	2020			2019		
	TP Schemes	BSS Schemes	Group	TP Schemes	BSS Schemes	Group
At 1 January actuarial asset/(deficit)	55.0	(2.4)	52.6	82.3	(1.1)	81.2
Current service costs and administration expenses charged to the income statement	(1.2)	(0.4)	(1.6)	(0.9)	(0.5)	(1.4)
Net interest income	1.1	-	1.1	2.3	0.1	2.4
Contributions from sponsoring companies	2.4	10.6	13.0	2.1	11.3	13.4
Foreign exchange	-	0.1	0.1	-	-	-
Return on plan assets (excluding amounts included in net interest)	148.1	45.2	193.3	127.1	34.7	161.8
Actuarial gain/(loss) arising from changes in demographic assumptions	47.0	13.5	60.5	(0.9)	(0.3)	(1.2)
Actuarial loss arising from changes in financial assumptions	(127.4)	(36.1)	(163.5)	(161.5)	(48.3)	(209.8)
Actuarial gain arising from experience adjustments	20.6	2.3	22.9	4.5	1.7	6.2
Gross pension asset/(liability) at 31 December	145.6	32.8	178.4	55.0	(2.4)	52.6

d. Major categories and 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 2020		At 31 December 2019	
	TP Schemes	BSS Schemes	TP Schemes	BSS Schemes
Level 1:				
Cash	7.1	3.0	3.7	3.2
Level 2:				
Equities	2.3	2.1	65.0	20.6
Secured finance	169.2	57.0	172.8	48.9
Corporate bonds	418.0	124.9	336.5	105.6
Diversified growth fund	0.9	36.0	119.6	34.7
Liability driven investments	1,428.4	403.0	1,040.1	323.0
Repurchase agreements	(800.3)	(243.9)	(656.7)	(203.5)
Property funds	100.0	29.0	100.5	29.1
Level 3:				
SPV asset	34.1	-	38.9	-
	1,359.7	411.1	1,220.4	361.6

e. Actual return on scheme assets

	2020		2019	
	£m	%	£m	%
TP Schemes	172.2	14.1%	158.3	14.3%
BSS Schemes	52.3	14.5%	43.7	13.5%

f. Movements in the fair value of scheme assets

£m	2020			2019		
	TP Schemes	BSS Schemes	Group	TP Schemes	BSS Schemes	Group
At 1 January	1,220.4	361.6	1,582.0	1,103.8	322.8	1,426.6
Interest on scheme assets	24.1	7.1	31.2	31.2	9.1	40.3
Return on scheme assets not including interest	148.1	45.2	193.3	127.1	34.7	161.8
Foreign exchange	-	0.6	0.6	-	(0.6)	(0.6)
Administration expenses	(0.8)	(0.4)	(1.2)	(0.7)	(0.5)	(1.2)
Contributions from sponsoring companies	2.4	10.6	13.0	2.1	11.3	13.4
Benefits paid	(34.5)	(13.6)	(48.1)	(43.1)	(15.2)	(58.3)
At 31 December	1,359.7	411.1	1,770.8	1,220.4	361.6	1,582.0

g. Movements in the present value of defined benefit obligations

£m	2020			2019		
	TP Schemes	BSS Schemes	Group	TP Schemes	BSS Schemes	Group
At 1 January	(1,165.4)	(364.0)	(1,529.4)	(1,021.5)	(323.9)	(1,345.4)
Service cost	(0.4)	-	(0.4)	(0.2)	-	(0.2)
Interest cost	(23.0)	(7.1)	(30.1)	(28.9)	(9.0)	(37.9)
Foreign exchange	-	(0.5)	(0.5)	-	0.6	0.6
Experience adjustments	20.6	2.3	22.9	4.5	1.7	6.2
Actuarial gain/(loss) arising from changes in demographic assumptions	47.0	13.5	60.5	(0.9)	(0.3)	(1.2)
Actuarial loss arising from changes in financial assumptions	(127.4)	(36.1)	(163.5)	(161.5)	(48.3)	(209.8)
Benefits paid	34.5	13.6	48.1	43.1	15.2	58.3
At 31 December	(1,214.1)	(378.3)	(1,592.4)	(1,165.4)	(364.0)	(1,529.4)

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Assets and liabilities continued

18. Pension arrangements continued

h. Amounts recognised in the statement of other comprehensive income

£m	2020			2019		
	TP Schemes	BSS Schemes	Group	TP Schemes	BSS Schemes	Group
Return on scheme assets (excluding amounts included in net interest)	148.1	45.2	193.3	127.1	34.7	161.8
Actuarial gain/(loss) arising from changes in demographic assumptions	47.0	13.5	60.5	(0.9)	(0.3)	(1.2)
Actuarial loss arising from changes in financial assumptions	(127.4)	(36.1)	(163.5)	(161.5)	(48.3)	(209.8)
Actuarial gain arising from experience adjustments	20.6	2.3	22.9	4.5	1.7	6.2
Remeasurement of net defined pension liability	88.3	24.9	113.2	(30.8)	(12.2)	(43.0)

i. Maturity profile of obligations

The maturity profile and weighted average duration of the defined benefit obligations for the schemes are as follows:

£m	2020	
	TP Schemes	BSS Schemes
2020–2029	20.3%	21.0%
2030–2039	26.6%	27.0%
2040–2049	24.4%	24.5%
2050–2059	17.9%	17.6%
2060–2069	8.5%	8.2%
2070–2079	2.0%	1.7%
2080–2089	0.2%	0.1%
Weighted average duration	19.3 years	19.3 years

£m	2019	
	TP Schemes	BSS Schemes
2019–2028	20.1%	19.7%
2029–2038	26.4%	26.9%
2039–2048	24.5%	24.8%
2049–2058	18.1%	18.1%
2059–2068	8.6%	8.6%
2069–2078	2.1%	1.8%
2079–2088	0.2%	0.1%
Weighted average duration	19.2 years	19.2 years

j. Sensitivities

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 2020 is given below.

£m	Assumption	TP Schemes	BSS Schemes
Discount rate	Increase of 0.1%	(22)	(7)
	Decrease of 0.1%	23	7
Inflation	Increase of 0.1%	14	6
	Decrease of 0.1%	(15)	(6)
Longevity	Increase of 1 year	57	20
	Decrease of 1 year	(57)	(19)

k. 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 £21.4m (2019: £20.7m).

l. Pension scheme contributions for the year

The total charge to the income statement disclosed in note 4 of £23.0m (2019: £25.0m) comprises defined benefit scheme current service costs of £1.6m (2019: £1.4m) and £21.4m (2019: £23.6m) of contributions payable to the defined contribution schemes.

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 deficit 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 sensitivity of the balance sheet position to changes in key assumptions is disclosed in note 18(j).

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 of 10p	Authorised, Issued and fully paid	
	No.	£m
At 1 January 2019	252,143,923	25.2
Allotted under share option schemes	-	-
At 1 January 2020	252,143,923	25.2
Allotted under share option schemes	-	-
At 31 December 2020	252,143,923	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.

b. Own shares

No.	2020	2019
At 1 January	3,944,144	3,803,831
Acquired	-	1,000,000
Reissued	(1,065,123)	(859,687)
At 31 December	2,879,021	3,944,144

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Capital continued

19. 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 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	2020	2019
Earnings for the purposes of earnings per share	(21.9)	121.1
Weighted average number of shares for the purposes of basic earnings per share	248,566,317	247,957,050
Dilutive effect of share options on potential ordinary shares	-	2,293,525
Weighted average number of ordinary shares for the purposes of diluted earnings per share	248,566,317	250,250,575
(Loss)/earnings per share	(8.8p)	48.9p
Diluted (loss)/earnings per share	(8.8p)	48.4p

382,770 share options (2019: 1,878,458 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	2020	2019
Earnings for the purposes of earnings per share	(21.9)	121.1
Adjusting items	140.4	160.1
Amortisation of acquired intangible assets	9.2	9.0
Tax on adjusting items	(27.0)	(36.3)
Adjusting deferred tax	6.4	27.1
Tax on amortisation of acquired intangible assets	(1.7)	(1.6)
Adjusted earnings	105.4	279.4
Adjusted earnings per share	42.4p	112.7p
Adjusted diluted earnings per share	42.4p	111.6p

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	2020	2019
Final dividend for the year ended 31 December 2019 of 31.50 pence (2018: 31.50 pence) per ordinary share	-	78.2
Interim dividend for the year ended 31 December 2020 of nil pence (2019: 15.50 pence) per ordinary share	-	38.0
Total dividend recognised during the year	-	116.2

The dividends for 2020 and for 2019 were as follows:

Pence	2020	2019
Interim paid	-	15.5
Final proposed	-	33.0
Total dividend for the year	-	48.5

The Board suspended the proposal final dividend payment of 33.0 pence per ordinary share in respect of the year ended 31 December 2019 due to the impact of Covid-19. The Directors do not recommend a final dividend in respect of the year ended 31 December 2020.

22. Borrowings

Accounting policy

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

A summary of the Group's objectives, policies, procedures and strategies with regard to financial instruments and capital management can be found in the Strategic Report on page 43. At 31 December 2020 all borrowings were denominated in sterling (2019: sterling).

a. Summary

£m	2020	2019
Liability to pension scheme	30.1	31.5
Sterling bonds	550.0	555.8
Finance charges netted off borrowings	(4.4)	(4.0)
	575.7	583.3
Current liabilities	-	-
Non-current liabilities	575.7	583.3
	575.7	583.3

b. Analysis of other borrowings

£m	2020	2019
Borrowings repayable:		
On demand or within one year	-	-
More than one year, but not more than five years	550.0	555.8
More than five years	30.1	31.5
Gross borrowings	580.1	587.3
Unamortised fees	(4.4)	(4.0)
	575.7	583.3

c. Facilities

At 31 December 2020, the following facilities were available:

£m	2020	2019
Drawn facilities:		
£250m sterling bond (2014)	-	255.8
£250m sterling bond (2020)	250.0	-
£300m sterling bond	300.0	300.0
	550.0	555.8
Undrawn facilities:		
Five year committed revolving credit facility	400.0	400.0
Bank overdrafts	30.0	30.0
	430.0	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, loan notes or the effect of finance charges netted off bank debt.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Capital continued

22. Borrowings continued

c. Facilities continued

During November 2020 the Group raised £250m via a long five-year public bond issuance at a coupon of 3.75%. The proceeds were used to repay the £250m September 2021 bond maturity before the end of December, As a result the previous bond was derecognised and a new one was issued.

The Group continues to work closely with its relationship banking syndicate. Despite the strong liquidity position, given the impact of the Covid-19 crisis and the resulting lockdown period on the Group's income statement for 2020, the Group took the prudent step to agree a relaxation of the financial covenants for the test dates at the end of June and December 2020, as follows:

- The interest cover covenant was waived for both June and December 2020
- The net leverage covenant was relaxed to 3.5x for June 2020
- The net leverage covenant was waived for December 2020
- A minimum liquidity headroom covenant of £100m was established as at 30 September 2020 and 31 December 2020

d. Interest

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

%	2020	2019
Assets:		
Short-term deposits	0.3	0.8
Liabilities:		
£250m sterling bond (2020)	-	3.0
£250m sterling bond (2026)	3.8	-
£300m sterling bond	4.5	4.5
Bank loans and overdrafts	1.2	1.6

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	2020		2019	
	Effective interest rate	£m	Effective interest rate	£m
Assets:				
Short-term deposits	0.1%	455.0	0.8%	140.0
Liabilities:				
£250m sterling bond (2020)	-	-	4.4%	255.8
£250m sterling bond (2026)	3.8%	250.0	4.5%	300.0
£300m sterling bond	4.5%	300.0	4.5%	300.0
		550.0		555.8

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, Wickes Building Supplies Limited, Travis Perkins (Properties) Limited, TP Property Company Limited, Keyline Civils Specialist Limited, Toolstation Limited, The BSS Group Limited and City Plumbing Supplies Holdings 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 £25m (2019: £25m).

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 and revolving credit facility and loan notes	Unsecured senior US\$ notes and Sterling bonds	Liability to pension scheme	Total
At 1 January 2019	(255.4)	21.0	(1.4)	556.6	32.8	353.6
Recognition of lease liability	-	1,566.9	-	-	-	1,566.9
Cash flow	47.5	(232.6)	(2.9)	-	(3.4)	(191.4)
Finance charges movement	-	-	2.2	0.7	-	2.9
Amortisation of swap cancellation receipt	-	-	-	(3.4)	-	(3.4)
Discount unwind on liability to pension scheme	-	-	-	-	2.1	2.1
Discount unwind on lease liabilities	-	57.0	-	-	-	57.0
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
31 December 2020	(505.6)	1,327.1	(2.0)	547.6	30.1	1,397.2

b. Covenant net debt

£m	2020	2019
Cash and cash equivalents	505.6	207.9
Non-current interest-bearing loans and borrowings	(575.7)	(583.3)
Non-current lease liabilities (note 10a)	(1,168.3)	(1,253.6)
Current lease liabilities (note 10a)	(158.8)	(158.7)
Net debt	(1,397.2)	(1,787.7)
Less: Liability to pension scheme	30.1	31.5
Less: Lease liabilities	1,327.1	1,412.3
Covenant net debt	(40.0)	(343.9)

Cash and cash equivalents comprises short term deposits of £455.0m (2019: £140.0m) and cash of £50.6m (2019: £67.9m).

24. Free cash flow

£m	2020	2019
Adjusted operating profit	226.7	441.5
Less: Profit on disposal of properties	(11.5)	(20.6)
Adjusted operating profit excluding property profit	215.2	420.9
Depreciation of property, plant and equipment	89.6	97.5
Amortisation and impairment of internally generated intangibles	16.6	23.5
Share-based payments	15.6	19.9
Movement on working capital	194.6	(128.7)
Other net interest paid	(28.2)	(26.2)
Interest on lease liabilities	(59.0)	(57.0)
Income tax paid	(44.5)	(52.9)
Capital expenditure excluding freehold purchase	(107.7)	(120.9)
Disposal of plant and equipment	11.9	19.4
Free cash flow	304.1	195.5

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Risk

25. Net debt to adjusted EBITDA

£m	2020	2019
Operating profit	77.1	232.1
Depreciation and amortisation	287.1	300.2
EBITDA	364.2	532.3
Adjusting operating items (note 3)	140.4	200.4
Share of associates' results	0.5	(4.3)
Adjusted EBITDA	505.1	728.4
Net debt (note 23b)	1,397.2	1,787.7
Net debt to adjusted EBITDA	2.8x	2.5x

26. Return on capital ratios

Group return on capital employed is calculated as follows:

£m	2020	2019
Operating profit	77.1	232.1
Amortisation of acquired intangible assets	9.2	9.0
Adjusting items	140.4	200.4
Adjusted operating profit	226.7	441.5
Opening net assets	2,587.1	2,611.6
Net pension (surplus)/deficit	(43.7)	(65.8)
Net debt, including opening adjustment for change in accounting policy	1,787.7	1,876.9
Opening capital employed	4,331.1	4,422.7
Closing net assets	2,713.8	2,587.1
Net pension surplus	(144.5)	(43.7)
Net debt	1,397.2	1,787.7
Closing capital employed	3,966.5	4,331.1
Average capital employed	4,148.8	4,376.9

Group return on capital employed is calculated as follows:

£m	2020	2019
Adjusted operating profit	226.7	441.5
Average capital employed	4,148.8	4,376.9
Return on capital employed	5.5%	10.1%

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.

Put options on non-controlling interests

Put options on non-controlling interests are initially recognised directly in equity at the present value of the redemption liability. Subsequent movements in fair value are recognised directly in equity.

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.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Risk continued

27. Financial instruments continued

a. The carrying value of categories of financial instruments

£m	2020	2019
Financial assets:		
Mandatorily at FVTPL	2.8	-
Loans and receivables (including cash and cash equivalents) at amortised cost	1,327.3	1,320.7
Designated instrument-by-instrument as either FVTPL or FVOCI	4.7	2.2
	1,334.8	1,322.9
Financial liabilities:		
Mandatorily at FVTPL	1.6	0.7
Borrowings (note 22a)	575.7	583.3
Put options on non-controlling interests	-	1.8
Trade and other payables at amortised cost (note 17)	1,016.8	1,293.9
	1,594.1	1,879.7

Loans and receivables exclude prepayments of £68.2m (2019: £54.3m). Trade and other payables exclude taxation and social security and accruals and deferred income totalling £287.4m (2019: £243.0m). 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.

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	2020	2019
Included in assets:		
Level 1		
Loan notes at fair value through profit and loss	2.8	-
	2.8	-
Included in liabilities:		
Level 2		
Foreign currency forward contracts at fair value through profit and loss	1.6	0.7
Level 3		
Deferred consideration at fair value through equity	-	1.8
	1.6	2.5

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 2020 no interest rate risks were hedged (2019: 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. The Group has entered into forward foreign exchange contracts (all of which are less than one year in duration) to buy US dollars 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 US\$85.0m (2019: US\$35.0m). The fair value of these derivatives was £1.6m liability (2019: £0.7m 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.

At 31 December 2020 the Group had no floating rate liabilities. There was £455m on short-term deposit at 31 December 2020 (2019: £140m). 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 2020 would have increased/decreased by £4.6m (2019: increased/decreased by £1.4m) due to the short-term deposits
- Net equity would have increased/decreased by £3.7m (2019: increased/decreased by £1.1m)

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	2020				Total
	0-1 year	1-2 years	2-5 years	5+ years	
Total gross settled: foreign exchange forward contracts	(64.7)	-	-	-	(64.7)
Net settled:					
Put options on non-controlling interests	-	-	-	-	-
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)
Leases (note 10a)	(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)

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Risk continued

27. Financial instruments continued

£m	2019				Total
	0-1 year	1-2 years	2-5 years	5+ years	
Total gross settled: foreign exchange forward contracts	(32.0)	-	-	-	(32.0)
Net settled:					
Put options on non-controlling interests	(1.8)	-	-	-	(1.8)
Total derivative financial instruments	(33.8)	-	-	-	(33.8)
Net settled:					
Borrowings	-	-	(555.8)	(31.5)	(587.3)
Trade and other payables at amortised cost (note 27a)	(1,293.9)	-	-	-	(1,293.9)
Finance leases	(275.7)	(259.5)	(659.9)	(1,020.6)	(2,215.7)
Total financial instruments	(1,603.4)	(259.5)	(1,215.7)	(1,052.1)	(4,130.7)

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 at each annual balance sheet date.

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.

Due to Covid-19 and its impact on the UK economy and the Group, an impairment review was performed on Wickes business and the branches and stores of the Travis Perkins General Merchant, BSS, CCF, Keyline, Plumbing & Heating and Wickes as at 30 June 2020 as part of the preparation of the Group's interim financial statements. No additional impairment triggers were identified for the Wickes business nor for these stores and branches in the second half of 2020. The Travis Perkins General Merchant, BSS, CCF, Keyline, Plumbing & Heating, Toolstation UK and Toolstation Europe businesses were reviewed for impairment as at 31 December 2020.

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.

	2020	2019
Pre-tax discount rate	8.2-11.8%	7.4-9.3%
Long-term growth rate	1.5%	1.6%

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. Due to Covid-19 and its impact on debt and equity markets, the Group’s cost of capital has increased since December 2019.
- 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 corporate plans updated for changes in current trading conditions and adjusted for risks relevant to the cash flows. These updates have included the impact of Covid-19 on sales, operating costs and government support schemes, with the forecasts incorporating grants from business rates relief to March 2021. The forecasts have not assumed any government support beyond March 2021. 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 2020 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 the Wickes CGU, which was disclosed as being sensitive to impairment in the Group’s 2019 Annual Report & Accounts, remains sensitive to changes in the assumptions used in the impairment review. Additionally, an impairment of £45.1m was recognised in respect of closed branches across the Merchandising and Plumbing & Heating networks and five Wickes stores as discussed in note 3.

Sensitivity to changes in assumptions

Whilst the Directors believe the assumptions are realistic, there are reasonably possible changes in key assumptions that would cause the recoverable amount of the Wickes CGU to be lower than the carrying amount. The key variables applied to the value-in-use calculations for Wickes and the value at which the recoverable amount would be equal to the carrying amount of £593.6m (2019: £564.3m), including the effect of lease liabilities £128.2m (2019: £102.6m) in excess of right-of-use assets, were:

£m	2020		2019	
	Assumption	Sensitivity	Assumption	Sensitivity
Pre-tax discount rate	11.8%	12.3%	9.3%	10.7%
Long-term growth rate	1.6%	1.2%	1.6%	0.3%
Sales market volume growth	1.0%	0.6%	1.0%	(0.1%)
Operating margin	5.2%	4.9%	5.1%	4.3%

All other variables have been held equal.

The Directors have assumed that the unusual economic circumstances and government restrictions that currently exist as a result of Covid-19 will not exist at the end of the corporate plan period. Therefore, the market volume growth and operating margin assumptions and sensitivities in this disclosure are based on conditions and performance before Covid-19 as the assumed conditions at the end of the corporate plan period.

The Directors assessed whether, as a result of estimation uncertainty in the key assumptions used in the impairment reviews, there is a significant risk of a material adjustment to the carrying amount of any other CGU in 2021 and concluded that this is not the case.

Proposed Wickes demerger

In July 2019 the Group announced its intention to demerge Wickes business. Due to the impact of Covid-19 the planned demerger of the Wickes business was put on hold in 2020. This activity has been restarted and if shareholders approve the demerger at the Extraordinary General Meeting, scheduled for 27 April 2021, the Wickes business will be distributed to the Group’s shareholders. Should this happen then, in accordance with IFRIC 17 – Distributions of Non-cash Assets to Owners, the Group will recognise the distribution at fair value. Any difference between the fair value of the Wickes business and the carrying amount of the assets distributed will be recognised in profit or loss.

This is a different valuation basis from that applied in the impairment test, which compares the carrying amount to the higher of value-in-use and fair value less costs of disposal.

Other CGU groupings

For all other material CGU groupings, given the prudence already built into the Group’s corporate plan and the level of headroom they show, the Directors do not envisage reasonably possible changes to the key operating assumptions that are sufficient to generate a different outcome from the impairment calculations undertaken.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Risk continued

28. Impairment continued

Key estimates over assumptions used in value-in-use calculations

In testing for impairment, the recoverable amount of goodwill and intangible assets is determined by reference to the value-in-use of the CGU grouping to which they are attributed. In addition the Directors have made certain estimates concerning discount rates, future cash flows and the future development of the business that are consistent with its corporate plan. Whilst the Directors consider their assumptions to be realistic, should actual results, including those for market volume changes, be different from expectations, for instance due to a worsening of the UK economy, then it is possible that the value of goodwill and other intangible assets included in the balance sheet could become materially impaired.

The pre-tax discount rate is derived from the Group's WACC. The WACC is based upon the risk-free rate for 20 year UK gilts, adjusted for the UK market risk premium, which reflects the increased risk of investing in UK equities and the relative volatilities of the equity of the Group compared to the market as a whole. The Directors have applied risk-based adjustments to cash flows to reflect their view of the relative risk of the Group's operations.

29. Capital commitments

£m	2020	2019
Contracted for but not provided in the accounts	39.2	37.2

30. Investments

a. Interest in associates

The reconciliation of the Group's interest in associates is given below:

£m	2020	2019
At 1 January	1.9	34.2
Additions to investments	-	20.6
Disposal of investments	-	(0.7)
Impairment of investments	-	(0.3)
Share of profit/(losses)	0.5	(4.3)
Derecognised following step acquisition (note 31)	-	(47.6)
Reclassification	(2.4)	-
At 31 December	-	1.9

Travis Perkins plc holds a 34% investment in The Mosaic Tile Company Limited. On 30 September 2020, the Group granted the holders of the majority of the share capital a call option over the Group's interest. The call option was exercisable by the purchase prior to the year-end. As a result of this, the Directors concluded that they do not have significant influence and accordingly this investment was reclassified as an equity investment.

During the year ended 31 December 2019 the Group disposed of its 49% investment in Toriga Limited and, following the step acquisition of Toolstation Europe Limited (see note 31), the Group now owns 97.1% of the business and this is now accounted for as a subsidiary.

The interest in associates includes £nil (2019: £nil) of loans and preference shares.

The Group's share of associates' assets and liabilities are as follows:

£m	2020	2019
Current assets	-	13.5
Current liabilities	-	(8.4)
Non-current assets	-	0.3
Non-current liabilities	-	-
Net assets	-	5.4
Group share of net assets	-	1.8
Goodwill	-	0.1
Carrying amount of investment in associates	-	1.9

The Group's share of associates' income and expenses are as follows:

£m	2020	2019
Income	-	66.4
Expense	-	(77.4)
Net expense of equity accounted investments	-	(11.0)
Group share of revenue	-	27.0
Group share of net expense	-	(31.3)

b. Investments

£m	2020	2019
Equity investments designated as FVTPL:		
Investment in property entity	1.2	1.2
Shares held in invested entities	3.5	1.0
Loans receivable at amortised cost:		
Loans to property entities	0.8	0.8
Loans to invested entities	3.7	3.7
	9.2	6.7

The investment in property entity represents a minority holding in a property-owning entity that acquired properties from the Group in 2006 and 2015. This investment presents the Group with an opportunity to generate returns through both income and capital gains. The Directors consider that the carrying amount of these investments approximates to their fair value. The Group provides loans to this entity totalling £0.8m (2019: £0.8m) and charges interest at rates of between 10% and 12%.

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. Disposal of Primaflow F&P

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 presented in note 14, the net assets and liabilities of this business were classified as held for sale on the balance sheet as at 31 December 2019. As a result of this transaction, £2.9m of goodwill was derecognised by the Group.

As this business did not represent a separate major line of business or geographical area of operations, it has not been shown as a discontinued operation in the income statement. The revenue of £27.9m and adjusted operating profit of £0.7m in the period to 31 January 2020 are presented in the Group's financial statements as part of the Plumbing & Heating segment.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

Group structure continued

31. Business combinations and disposals continued

b. Disposal of Tile Giant Ltd

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 consists of cash consideration of £3.3m and loan notes of £2.8m.

As this business did not represent a separate major line of business or geographical area of operations it has not been shown as a discontinued operation in the income statement. The revenue of £31.0m and adjusted operating loss of £0.2m in the period to 30 September 2020 are presented in the Group's financial statements as part of the Retail segment.

c. Acquisition of the Underfloor Heating Store Limited

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. The Group now owns 100% of the issued share capital of this subsidiary. As a result of this transaction, the amount of non-controlling interest recognised in the Group's equity was reduced by £2.8m.

d. Acquisition of TFS Holdings Limited

On 17 December 2020 the Group acquired an additional 10% of the issued share capital of the TFS Holdings Limited for consideration of £1.9m. The Group now owns 100% of the issued share capital of this subsidiary. As a result of this transaction, the amount of non-controlling interest recognised in the Group's equity was reduced by £1.6m.

e. Acquisition of Toolstation Europe Ltd in 2019

On 30 September 2019 the Group acquired an additional 49.5% of the ordinary share capital of Toolstation Europe Limited for transferred cash consideration of £21.9m, giving the Group a controlling 97.1% share of the business. In accordance with the requirements of the acquisition accounting method, the existing 47.5% investment in associate was remeasured to fair value. This fair value was calculated based on the amount paid for the additional 49% acquired, creating a gain of £40.3m that was credited to the consolidated income statement as an adjusting item (see note 3).

Consideration and assets and liabilities acquired

The consideration is as follows:

	£m
Consideration transferred: cash paid	21.9
Fair value of pre-existing equity investment	21.0
Settlement of pre-existing loans and preference shares	66.7
Total consideration	109.6

Fair values ascribed to the identifiable assets and liabilities acquired and the goodwill recognised are:

	£m
Property, plant and equipment (note 9)	8.4
Intangible assets – trade name (note 8)	16.8
Intangible assets – customer relationships (note 8)	3.4
Deferred tax liability (note 16)	(1.5)
Right-of-use assets (note 10)	14.9
Inventory	14.3
Trade and other receivables	4.0
Cash	1.4
Trade and other payables	(9.1)
Lease liabilities (note 10)	(14.9)
Net identifiable assets acquired	37.7
Less: non-controlling interest	(0.6)
Goodwill (note 8)	72.0
Net assets acquired	109.1

The goodwill recognised is principally made up of the value of the assembled workforce and the value to be derived from recently-opened stores that have not yet reached maturity. It will not be deductible for tax purposes.

Measurement of non-controlling interest

The Group has elected to recognise the non-controlling interest in Toolstation Europe Limited at its proportionate share of the acquired identifiable assets and liabilities.

Revenue and profit contribution

In 2020 the acquired business contributed revenue of £11.2m and a net loss of £4.6m to the Group results. If the acquisition had occurred on 1 January 2019, the Group revenue for the year ended 31 December 2019 would have been £38.8m higher and the Group profit would have been £18.5m lower.

Outflow of cash to acquire subsidiary, net of cash acquired:

	£m
Cash consideration	21.9
Less: cash acquired	(1.4)
Net outflow of cash – investing activities	20.5

f. Other business combinations and investment activity in 2019

On 2 January 2019 the Group acquired the remaining 25% of the issued share capital of National Shower Spares Limited for cash consideration of £1.3m. National Shower Spares Limited is now a wholly-owned subsidiary.

On 15 January 2019 the Group acquired the trade and assets of Ambient Electrical Limited, an online retailer of electric underfloor heating products, for cash consideration of £1.0m, generating goodwill of £0.8m.

On 17 May 2019 the Group acquired an additional 35% of the issued share capital of the Underfloor Heating Store Limited for cash consideration of £18.5m. This took the Group's ownership to 90% of the issued share capital of this subsidiary. As a result of this transaction, the amount of non-controlling interest recognised in the Group's equity was reduced by £6.8m.

32. Staff costs**a. Average number of persons employed**

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

No.	2020	2019
Sales and distribution	27,912	28,544
Administration	1,376	1,515
	29,288	30,059

b. Aggregate remuneration

£m	2020	2019
Staff costs – wages and salaries	728.6	790.0
Staff costs – social security costs	70.9	66.7
Staff costs – other pension costs (note 18)	23.0	25.0
Share-based payments (note 33)	17.3	23.0
	839.8	904.7

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 108.

The total amounts received or receivable by directors under long term incentive schemes in respect of qualifying service in the year is £275,000 (2019: £1,298,000). The aggregate of gains made by the directors in the year on the exercise of share options equated to £8,000 (2019: £34,000).

Details with respect to share options exercised in the year are set out on page 113.

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

People

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	2020			2019		
	Executive options	SAYE	Nil price options	Executive options	SAYE	Nil price options
Share price at grant date (pence)	1,148.5	1,204.0	1,110.8	1,294.0	-	1,249.2
Option exercise price (pence)	1,143.5	898.0	-	1,405.5	-	-
Volatility (%)	42.5%	40.7%	42.5%	32.2%	-	31.8%
Option life (years)	2.2	3.9	2.2	2.2	-	2.3
Risk-free interest rate (%)	(0.1%)	(0.0%)	(0.1%)	0.7%	-	0.7%
Expected dividends as a dividend yield (%)	2.5%	2.5%	2.5%	3.7%	-	3.7%

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 93 to 96. The estimated fair values of the shares under option granted under the Group's share schemes in 2020 are as follows:

Share scheme	Grant date	Fair value for the Group £m
Co-investment plan (Nil price options)	22 September 2020	5.8
Performance share plan (Approved scheme - executive options, unapproved scheme - nil price options)	14 September 2020	9.9
Deferred share bonus plan (Nil price options)	14 September 2020	1.7
SAYE	8 October 2020	15.0

The Group charged £15.6m (2019: £23.0m) to the income statement in respect of equity-settled share-based payment transactions.

c. Share options for the Group

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

In thousands of options	The Group					
	2020			2019		
	Weighted average exercise price (pence)	Number of options	Number of nil price options	Weighted average exercise price (pence)	Number of options	Number of nil price options
Outstanding at the beginning of the year	1,092	4,356	3,597	1,152	6,221	3,508
Forfeited during the year	1,081	(874)	(429)	1,225	(1,462)	(467)
Exercised during the year	1,167	(554)	(454)	1,499	(522)	(619)
Granted during the year	908	3,304	1,550	1,407	119	1,176
Outstanding at the end of the year	947	6,233	4,265	1,092	4,356	3,598
Exercisable at the end of the year	1,563	225	304	1,401	162	163

Details of the options outstanding at 31 December 2020 are as follows:

	The Group					
	2020			2019		
	Executive options	SAYE	Nil price options	Executive options	SAYE	Nil price options
Range of exercise prices (pence)	743-1,958	898-1,616	-	473-1,958	909-1,616	-
Weighted average exercise price (pence)	1,298	926	-	1,420	1,069	-
Number of shares (thousands)	347	5,798	4,373	291	4,054	3,737
Weighted average expected remaining life (years)	1.4	2.3	1.2	1.2	1.9	1.6
Weighted average contractual remaining life (years)	8.3	2.4	8.3	8.0	2.4	8.2

d. Impact of vesting and exercise

If all 0.3m outstanding executive options vest and then are exercised on the date of vesting, or in the case of SAYE all 5.2m shares are acquired on the first possible day 5.5m of shares will be issued for a consideration of £52.3m in the years below:

	2021		2022		2023		2024		2025	
	No. m	£m	No. m	£m	No. m	£m	No. m	£m	No. m	£m
Options	0.1	0.9	0.1	1.3	0.1	1.6	-	-	-	-
SAYE	0.2	3.0	1.8	17.1	0.1	1.0	3.0	27.4	-	-

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	2020	2019
Short-term employee benefits	11.3	12.5
Post-employment benefits	0.4	0.3
Share-based payments	7.8	14.1
	19.5	26.9

Notes to the consolidated financial statements continued

For the year ended 31 December 2020

People continued

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.

The Group advanced a total of nil (2019: £20.6m) to all the Group's associate companies in 2020. Operating transactions with the associates during the year were not significant.

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:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform; Phase 1 amendments to IFRS 9, IAS 39 and IFRS 7

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:

- 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)
- Onerous Contracts - cost of fulfilling a contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Classification of Liabilities as Current or Non-current (Amendments to IAS1)
- IFRS 17 - Insurance Contracts.
- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)

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 2020

£m	Notes	2020	2019 (restated – note 14)
Assets			
Non-current assets			
Tangible assets		0.2	0.1
Interest in associates		-	0.1
Investment in subsidiaries	2	2,726.9	3,589.5
Investments	3	6.7	4.7
Deferred tax asset	4	4.5	3.9
Total non-current assets		2,738.3	3,598.3
Current assets			
Debtors	5	1,317.6	731.3
Cash and cash equivalents		461.1	96.0
Total current assets		1,778.7	827.3
Total assets		4,517.0	4,425.6
Equity and liabilities			
Capital and reserves			
Issued capital		25.2	25.2
Share premium account		544.3	544.3
Merger reserve		326.5	326.5
Own shares		(39.5)	(50.8)
Other reserve		-	(4.1)
Accumulated profits		2,191.6	931.9
Total equity	6	3,048.1	1,773.0
Non-current liabilities			
Interest-bearing loans and borrowings	7	545.6	551.8
Amounts due to subsidiaries	8	744.7	2,076.9
Total non-current liabilities		1,290.3	2,628.7
Current liabilities			
Derivative financial instruments	9	1.6	2.5
Amounts due to subsidiaries	8	160.0	-
Other creditors	10	17.0	21.4
Total current liabilities		178.6	23.9
Total liabilities		1,468.9	2,652.6
Total equity and liabilities		4,517.0	4,425.6

The Company's profit for the year was £1,253.4m (2019 (restated – note 14): £335.0m).

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 1 March 2021 and signed on its behalf by:

Nick Roberts
Director

Alan Williams
Director

Company statement of changes in equity

For the year ended 31 December 2020

£m	Share capital	Share premium	Merger reserve	Own shares	Other	Retained earnings	Total equity
At 1 January 2019	25.2	544.3	326.5	(47.8)	(5.6)	693.2	1,535.8
Profit and total comprehensive income for the year (restated - note 14)	-	-	-	-	-	335.0	335.0
Dividends	-	-	-	-	-	(116.2)	(116.2)
Dividend equivalent payments	-	-	-	-	-	(0.1)	(0.1)
Purchase of own shares	-	-	-	(7.7)	-	-	(7.7)
Own shares movement	-	-	-	4.7	-	(4.7)	-
Equity-settled share-based payments	-	-	-	-	-	23.0	23.0
Tax on equity-settled share-based payments	-	-	-	-	-	1.7	1.7
Options on non-controlling interest	-	-	-	-	1.5	-	1.5
At 31 December 2019 - Restated (note 14)	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
Purchase 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

Notes to the Company's financial statements

For the year ended 31 December 2020

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 3 to 73. The Company is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 192.

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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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.

Transition to FRS 101

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 101, "Reduced Disclosure Framework" ("FRS 101") issued by the Financial Reporting Council. The last financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union for the year ended 31 December 2019 and the date of transition to FRS 101 was 1 January 2020. There were no transition adjustments.

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 making enquiries, in particular in light of the unprecedented circumstances that have arisen since the outbreak of the Covid-19 pandemic, the Directors have formed a 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 12 months from the date of signing these accounts. Furthermore, the Directors have concluded that there is not a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern.

For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Detailed considerations of going concern and principal risks and uncertainties are provided in the Annual Report on pages 82 and 44 to 51 respectively.

Notes to the Company's financial statements continued

For the year ended 31 December 2020

General information continued

Significant accounting policies

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

Standards issued but not yet effective

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

Key judgements and estimates

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

Page	Note	Description
183	2	Carrying value of investments in subsidiaries

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 87 to 92

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

Staff costs (including Directors):

£m	2020	2019
Wages and salaries	6.9	7.1
Social security costs	0.8	0.9
Other pension costs	0.2	0.1
Share-based payments (note 12)	7.0	10.7
	14.9	18.8

The average monthly number of persons employed including Directors during the year was 60 (2019: 52).

2. Investments in subsidiaries

Accounting policy

Investments in subsidiaries are carried at cost less impairment.

£m	2020	2019
Cost		
At 1 January	3,945.7	3,894.9
Additions	106.1	79.4
Disposals	(3.9)	(28.6)
At 31 December	4,047.9	3,945.7
Provision for impairment	(1,321.0)	(356.2)
Net book value at 31 December	2,726.9	3,589.5

The additions to investments in 2020 represent the capitalisation of a £73.3m intercompany loan with Toolstation Europe and other additions as part of the Group's ongoing project to simplify the legal structure.

During 2020 the Company sold its investment in Tile Giant Limited (note 31 to the Group accounts), generating a profit on disposal of £0.7m.

As a result of the ongoing simplification of the Group, there has been a reduction to the net asset value of certain non-trading subsidiaries, following distribution from these entities, and they no longer supported the carrying value of the Company's investment. As a result the Company recognised impairments of £964.8m (2019: £19.6m).

During 2019 the Company sold its investments in National Shower Spares Limited, KA Venture Limited and the Underfloor Heating Store Limited to other Group companies at book value for consideration left as intercompany balance.

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

Key estimate - carrying value of investment in subsidiaries

In assessing the carrying value of investment in subsidiaries, the recoverable amount of each investment is determined by reference to the value-in-use. The Company's investment in Wickes Group Limited of £768.5m is subject to the same estimates and sensitivities as apply to the Wickes CGU in the Group's consolidated accounts. See note 28 in the consolidated financial statements for details of these.

3. Investments

£m	2020	2019
Equity investments designated as FVTPL: shares held in invested entities	3.0	1.0
Loans receivable at amortised cost: loans to invested entities	3.7	3.7
	6.7	4.7

4. Deferred tax

£m Liability/(asset):	At 1 Jan 2019	Recognised in income	Recognised in equity	At 1 Jan 2020	Recognised in income	Recognised in equity	At 31 Dec 2020
Share-based payments	1.1	0.7	1.7	3.5	0.9	(0.3)	4.1
Other timing differences	0.4	-	-	0.4	-	-	0.4
	1.5	0.7	1.7	3.9	0.9	(0.3)	4.5

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	2020	2019
Current:		
Amounts owed by subsidiaries	1,261.4	655.3
Other financial assets - loan notes	2.8	-
Other debtors	53.4	76.0
	1,317.6	731.3

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 2019	252,143,923	25.2
Allotted under share option schemes	-	-
At 1 January 2020	252,143,923	25.2
Allotted under share option schemes	-	-
At 31 December 2020	252,143,923	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.

b. Own shares

No.	2020	2019
At 1 January	3,944,144	3,803,831
Acquired	-	1,000,000
Reissued	(1,065,123)	(859,687)
At 31 December	2,879,021	3,944,144

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

Notes to the Company's financial statements *continued*

For the year ended 31 December 2020

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 its accumulated profits of £2,191.6m (2019 restated (see note 14) £931.9m). 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	2020	2019
Sterling bonds	550.0	555.8
Finance charges netted off borrowings	(4.4)	(4.0)
	545.6	551.8
Current liabilities	-	-
Non-current liabilities	545.6	551.8
	545.6	551.8

£m	2020	2019
Borrowings repayable:		
More than one year, but not more than five years	550.0	555.8
More than five years	-	-
Unamortised fees	(4.4)	(4.0)
	545.6	551.8

At 31 December 2020 all borrowings were denominated in sterling (2019: 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.

	2020		2019	
	Effective interest rate	£m	Effective interest rate	£m
Assets:				
Short-term deposits	0.8%	455.0	0.8%	140.0
Liabilities:				
£250m sterling bond	3.8%	250.0	4.4%	255.8
£300m sterling bond	4.5%	300.0	4.5%	300.0
		550.0		555.8

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

8. Amounts due to subsidiary undertakings

£m	2020	2019 (restated - note 14)
Amounts due to subsidiary undertakings - non current	744.7	2,076.9
Amounts due to subsidiary undertakings - current	160.0	-
	904.7	2,076.9

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 and a £100.3m loan bearing interest at 1.4% above the 12 month LIBOR rate. Except for £160.0m that is due for settlement within 12 months of 31 December 2020, the remaining amounts due to subsidiary undertakings are not due for repayment within 12 months of the balance sheet date and are non-current.

9. Financial instruments

a. The carrying value of categories of financial instruments

£m	2020	2019
Financial assets:		
Mandatorily at FVTPL	2.8	-
Loans and receivables (including cash and cash equivalents) at amortised cost	1,726.2	755.3
Designated instrument-by-instrument as either FVTPL or FVOCI	3.0	1.0
	1,732.0	756.3
Financial liabilities:		
Mandatorily at FVTPL	1.6	0.7
Borrowings (note 7)	545.6	551.8
Put options on non-controlling interests	-	1.8
Trade and other payables at amortised cost	920.3	2,097.4
	1,467.5	2,651.7

b. Liquidity analysis

The following table details the Company'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	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)

£m	2019				Total
	0-1 year	1-2 years	2-5 years	5+ years	
Total gross settled: foreign exchange forward contracts	(0.7)	-	-	-	(0.7)
Net settled:					
Put options on non-controlling interests	(1.8)	-	-	-	(1.8)
Total derivative financial instruments	(2.5)	-	-	-	(2.5)
Net settled:					
Borrowings	-	-	(551.8)	-	(551.8)
Trade and other payables at amortised cost	(20.5)	-	-	-	(20.5)
Total financial instruments	(20.5)	-	(551.8)	-	(572.3)

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	2020	2019
Other creditors	15.6	20.5
Accruals	1.4	0.9
	17.0	21.4

Notes to the Company's financial statements continued

For the year ended 31 December 2020

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
 City Plumbing Supplies Holdings Limited
 Direct Heating Spares Limited
 Keyline Civils Specialist Limited¹
 National Shower Spares Limited¹
 PTS Group Limited
 Solfex Limited
 The BSS Group Limited
 The Cobtree Scottish Limited Partnership¹
 The Underfloor Heating Store Limited
 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 Leasing Company Limited
 Travis Perkins P&H Group Holdings Limited
 Travis Perkins P&H Holdings Limited
 Travis Perkins P&H Partner Limited
 Travis Perkins Trading Company Limited
 Wickes Building Supplies Limited⁹
 Wickes Group Holdings Limited⁹
 Wickes Group Limited⁹
 Wickes Properties Limited

Dormant & non-trading subsidiary companies

(100% ownership and UK registered)

B. & G. (Heating & Plumbing) Limited Baird
 Lindsay Limited¹
 Baird Lindsay Limited
 Benchmarx Kitchens and Joinery Limited
 BMSS Limited
 Boston (2011) Limited
 British Steam Specialties (International) Limited (The)
 Bss (UK) Limited
 BSS GPS Trustee Limited
 Builders Mate Limited
 Built For Trade Limited
 Burt Boulton (Timber) Limited
 Chandler Forest Products Limited
 Christie & Vesey Limited
 City Plumbing Supplies Limited
 Cobtree Nominees Limited
 Curran Sawmills Limited (The)⁵
 Downpatrick Timber Slate and Coal Company Limited⁵
 E. East & Son Limited¹³
 Elecnation Limited
 Fry & Pollard Limited
 Gammon & Smith Limited
 Garratt Timber Supplies Limited
 Gestion Toolstation inc.¹²
 Grundy & Pilling Limited
 Harrison Trenery Limited
 HT (1995) Limited
 HTG (1996) Limited
 Hunter Limited
 Hunter Estates Limited
 IJM Enterprises Limited
 IJM Holdings Limited
 J T Stanton & Co. Limited
 John Dove & Co. Limited
 KA Venture Limited
 Kisling Limited
 M & H (North East) Limited
 Malden Timber (West) Limited
 May & Hassell (Cumbria) Limited

May & Hassell (Scotland) Limited¹
 May & Hassell Limited
 MD (1995) Group Limited¹
 MD (1995) Limited
 MD (Park Street) Limited
 MD-DOR3 Limited
 MD-DOR4 Limited
 Monteith Building Services Limited¹
 Norman Mackenzie (Building Supplies) Limited¹
 P.T.S. Plumbing Trade Supplies Limited
 Primaflow (Birmingham) Limited
 Property Newco Two Limited
 R A Thomas (Joinery) Limited
 Rudridge Limited
 Spendlove C. Jebb⁷
 Terant Supplies Limited
 TFS Holdings Limited
 The BSS EBT Company Limited
 Tile Giant Holdings Limited
 TP Directors Ltd
 TP General Partner (Scotland) Limited¹
 TP Shelfco No.2 Limited
 TP Shelfco No.3 Limited
 TPG Management Services Limited
 Travis & Arnold Limited
 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
 Tricom Group Limited
 Tricom Supplies Limited
 UGS Limited
 Vaner Holdings Limited
 Wickes Developments Limited
 Wickes Finance Limited
 Wickes Group Trustees Limited
 Wickes Holdings Limited⁹
 Wickes Retail Sourcing Limited
 William Bloore & Son Limited

Other subsidiary companies

Company Name	Registered	% Ownership	Status
BSS (Ireland) Limited ³	Ireland	100	Active
City Investments Limited ⁴	Jersey	100	Dormant
Toolexpert Benelux BV ⁸	Netherlands	97	Active
Toolstation BV ⁹	Netherlands	97	Active
Toolstation ¹⁶	Belgium	97	Active
Toolstation Europe BV ⁸	Netherlands	97	Active
Toolstation Europe Limited	United Kingdom	97	Active
Toolstation GmbH ¹⁴	Germany	97	Dormant
Toolstation Netherlands BV ⁸	Netherlands	97	Active
Toolstation SAS ¹⁵	France	97	Active
Travis Perkins Hong Kong Limited ¹⁰	Hong Kong	100	Active
Travis Perkins Sourcing (Shanghai) Ltd ¹¹	China	100	Active

Investments

Company Name	Registered	% Ownership	Status
The Mosaic Tile Company Limited ²	United Kingdom	34	Active
Independent Construction Technologies Limited ⁶	United Kingdom	15	Active
P H Properties Limited ⁵	United Kingdom	15	Active
Staircraft Group Limited ⁶	United Kingdom	15	Active
Staircraft Integrated Solutions Limited ⁶	United Kingdom	15	Active

Registered offices (not Lodge Way House)

- 1 50 Mauchline Street, Glasgow, G5 8HQ, United Kingdom
- 2 Project House, Armley Road, Leeds, England and Wales, LS12 2DR, United Kingdom
- 3 White Heather Industrial Estate, South Circular Road, Dublin, 8, Ireland
- 4 Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
- 5 Tughans, Marlborough House, 30 Victoria Street, Belfast, BT1 3GS, United Kingdom
- 6 Staircraft Building, Dunns Close, Nuneaton, Warwickshire, CV11 4NF, United Kingdom
- 7 107-127 Grosvenor Road, Belfast, BT12 4GT, United Kingdom
- 8 Touwbaan 40, 2352CZ Leiderdorp, Netherlands
- 9 Vision House, 19 Colonial Way, Watford, United Kingdom, WD24 4JL
- 10 Suite 2401, 24/F, China Insurance Group Building, 141 Des Voeux Road, Central, Hong Kong
- 11 Building No.17, No. 800 Changde Road, JingAn District, Shanghai 200040
- 12 5303 boul. Saint-Laurent, Montréal Québec H2T1S5, Canada
- 13 43-45 Chiltern Avenue, Woodside Road, Amersham, Bucks, HP6 5AF
- 14 Regus Building, Kranhaus 1, Business Centre GmbH Co KG, Im Zollhafen 18, 50678 Koln, Germany
- 15 61 Route de Grenoble, 69800 Saint Priest, Lyon, France
- 16 Boomssesteenweg 58, 2630 Aarlselaar, Belgium

12. Share-based payments

The Company operates a number of share incentive plans. A description of the share schemes operated by the Group, including that of the Company, is contained in the remuneration report on page 92 and pages 95 to 97 and in note 33 to the consolidated financial statements.

Notes to the Company's financial statements continued

For the year ended 31 December 2020

13. Related party transactions

The Company has a related party relationship with its subsidiaries, its Directors and with its pension schemes. Transactions between the Company and its subsidiaries are disclosed below. 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 95 to 97. Other than the payment of remuneration there have been no related party transactions with Directors.

The Company undertakes the following transactions with its active subsidiaries:

- Providing day-to-day funding from its UK banking facilities
- Paying interest to members of the Group totalling £7.2m (2019: £17.2m)
- Receiving annual dividends totalling £2,256.3m (2019 restated – note 14: £411.1m)

Details of balances outstanding with subsidiary companies are shown in notes 5 and 8 and in the balance sheet on page 179.

14. Prior year restatement

During 2020 it was identified that an intercompany dividend received by the Company as part of the ongoing simplification of the legal structure of the Travis Perkins Group had not been correctly recorded in the Company's results for the year ended 31 December 2019. A written resolution was executed to settle the intercompany receivable arising from the declaration of the dividend by offset of outstanding intercompany payables, as a result the profit for the year was understated by £331.1m and amounts owed to subsidiaries was overstated by £331.1m. This adjustment has no impact on the Group's consolidated results, cashflows or balance sheet reported for 2019.

A prior year restatement has been recorded and the impact is shown below:

£m	2019 (previously reported)	Effect of restatement	2019 (restated)
Assets			
Non-current assets			
Tangible assets	0.1	-	0.1
Interest in associates	0.1	-	0.1
Investment in subsidiaries	3,589.5	-	3,589.5
Investments	4.7	-	4.7
Deferred tax asset	3.9	-	3.9
Total non-current assets	3,598.3	-	3,598.3
Current assets			
Debtors	731.3	-	731.3
Cash and cash equivalents	96.0	-	96.0
Total current assets	827.3	-	827.3
Total assets	4,425.6	-	4,425.6
Equity and liabilities			
Capital and reserves			
Issued capital	25.2	-	25.2
Share premium account	544.3	-	544.3
Merger reserve	326.5	-	326.5
Own shares	(50.8)	-	(50.8)
Other reserve	(4.1)	-	(4.1)
Accumulated profits	600.8	331.1	931.9
Equity attributable to owners of the Company	1,441.9	331.1	1,773.0
Total equity	1,441.9	331.1	1,773.0
Non-current liabilities			
Interest-bearing loans and borrowings	551.8	-	551.8
Amounts due to subsidiaries	2,408.0	(331.1)	2,076.9
Total non-current liabilities	2,959.8	(331.1)	2,628.7
Current liabilities			
Derivative financial instruments	2.5	-	2.5
Other creditors	21.4	-	21.4
Total current liabilities	23.9	-	23.9
Total liabilities	2,983.7	(331.1)	2,652.6
Total equity and liabilities	4,425.6	-	4,425.6

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Five-year summary

Consolidated income statement

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Revenue	6,157.5	6,955.7	6,740.5	6,433.1	6,217.2
Operating profit before amortisation and adjusting items	226.7	441.5	374.5	380.1	409.0
Amortisation	(9.2)	(9.0)	(9.5)	(12.3)	(16.6)
Adjusting items – operating	(140.4)	(200.4)	(386.7)	(40.9)	(292.0)
Operating profit	77.1	232.1	(21.7)	326.9	100.4
Adjusting items – business acquisitions	–	40.3	–	–	–
Share of associates' results	0.5	(4.3)	(4.0)	(2.2)	–
Net finance costs	(85.3)	(87.3)	(23.7)	(35.0)	(27.7)
(Loss) / profit before tax	(7.7)	180.8	(49.4)	289.7	72.7
Adjusting items – deferred tax	(6.4)	(27.1)	–	–	–
Income tax expense	(7.8)	(30.9)	(34.1)	(55.7)	(58.6)
Net (loss)/profit	(21.9)	122.8	(83.5)	234.0	14.1
Basic (loss) / earnings per share	(8.8p)	48.9	(34.4p)	93.1p	5.1p
Adjusted earnings per share	42.4p	112.7p	114.5p	92.2p	120.4p
Dividend declared per ordinary share	–	48.5p	47.0p	46.0p	45p
Number of branches at 31 December (includes branches of associates)	1,976	2,154	2,091	2,076	2,053
Average number of colleagues	29,288	30,059	29,748	30,251	29,814

Consolidated free cash flow statement

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Adjusted operating profit	226.7	441.5	374.5	380.1	409.0
Less: Profit on disposal of properties	(11.5)	(20.6)	(26.8)	(29.4)	(17.0)
Adjusted operating profit excluding property profit	215.2	420.9	347.7	350.7	392.0
Depreciation of property, plant and equipment	89.6	97.5	102.0	102.0	97.6
Amortisation of internally generated intangibles	16.6	23.5	15.5	12.6	7.5
Share-based payments	15.6	19.9	19.6	15.6	17.5
Movement on working capital	194.6	(128.7)	(107.1)	(76.5)	4.9
Other net interest paid	(28.2)	(26.2)	(25.5)	(27.1)	(22.2)
Interest on lease liabilities	(59.0)	(57.0)	–	–	–
Income tax paid	(44.5)	(52.9)	(55.1)	(57.2)	(104.7)
Capital expenditure excluding freehold purchase	(107.7)	(120.9)	(143.1)	(166.0)	(161.0)
Disposal of plant and equipment	11.9	19.4	13.8	–	–
Free cash flow	304.1	195.5	167.8	154.1	231.6

Consolidated balance sheet

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Assets					
Non-current assets					
Property, plant and equipment	830.4	882.0	913.2	932.0	929.5
Goodwill and other intangible assets	1,670.5	1,691.7	1,674.6	1,926.3	1,889.1
Right-of-use assets	1,145.5	1,276.8	-	-	-
Interest in associates	-	1.9	34.2	20.3	11.5
Other receivables	-	-	43.3	30.4	8.3
Retirement benefit asset	178.4	57.5	81.2	-	-
Investment property and other investments	9.2	6.7	6.6	9.5	9.1
Current assets					
Inventories	840.7	937.8	855.3	816.3	768.0
Trade and other receivables	892.7	1,239.7	1,253.8	1,130.2	1,059.3
Tax debtor	6.5	-	-	-	-
Derivative financial instruments	-	-	-	-	1.7
Cash and cash equivalents	505.6	207.9	255.4	276.8	250.5
Assets held for sale	-	138.0	-	-	-
Total assets	6,079.5	6,440.0	5,117.6	5,141.8	4,927.0
Capital and reserves					
Issued capital	25.2	25.2	25.2	25.2	25.1
Share premium account	545.6	545.6	545.4	543.4	528.5
Merger reserve	326.5	326.5	326.5	326.5	326.5
Own shares	(39.5)	(50.8)	(47.8)	(15.3)	(8.7)
Other reserves	15.5	13.6	9.1	10.8	16.8
Accumulated profits	1,840.5	1,722.6	1,847.5	1,958.0	1,760.1
Equity attributable to owners of the Company	2,713.8	2,582.7	2,705.9	2,848.6	2,648.3
Non-controlling interests	-	4.4	11.8	11.7	7.3
Total equity	2,713.8	2,587.1	2,717.7	2,860.3	2,655.6
Non-current liabilities					
Interest-bearing loans and borrowings	575.7	583.3	605.2	612.1	621.1
Lease liability	1,168.3	1,253.6	-	-	-
Derivative financial instruments	-	-	0.9	4.9	-
Retirement benefit obligations	-	4.9	-	28.3	127.3
Long-term provisions and other payables	21.9	8.0	18.4	17.1	21.2
Deferred tax liabilities	77.2	62.7	77.8	61.0	45.8
Current liabilities					
Interest-bearing loans and borrowings	-	-	3.8	6.2	6.9
Lease liability	158.8	158.7	-	-	-
Derivative financial instruments	1.6	2.5	4.7	1.2	-
Trade and other payables	1,304.2	1,613.9	1,603.2	1,453.6	1,348.3
Tax liabilities	-	13.4	25.9	44.5	43.8
Short-term provisions	58.0	60.4	60.0	52.6	57.0
Total liabilities	3,365.7	3,761.4	2,399.9	2,281.5	2,271.4
Liabilities held for sale	-	91.5	-	-	-
Total equity and liabilities	6,079.5	6,440.0	5,117.6	5,141.8	4,927.0

Other shareholder information

Financial diary

Annual General Meeting 27 April 2021

Annual General Meeting (“AGM”)

The AGM will be held on 27 April 2021 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.

2020

Thank you



I reflect on 2020 with great pride in the commitment, professionalism and tenacity of all our colleagues across the Group and their determination to support our customers, suppliers and the communities. The courage of all colleagues through successive periods of the pandemic has enabled the construction industry, a vital part of the national economy, to continue safely.

Nick Roberts
Chief Executive Officer



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A close-up photograph of a brick wall. The bricks are primarily a reddish-brown color with a rough, textured surface. Two vertical metal bars, likely made of steel, run through the wall from top to bottom, positioned roughly one-third and two-thirds of the way across the frame. Two bricks are painted a bright yellow-green color: one in the top right and one in the bottom right. The lighting is even, highlighting the texture of the bricks and the metallic sheen of the bars.

Travis Perkins ^{plc}

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