TO THE MEMBERS OF WICKES GROUP PLC

1. Our opinion is unmodified

We have audited the financial statements of Wickes Group Plc (“the Company”) for the 52 week period ended 31 December 2022 (“2022”) which comprise the Consolidated income statement and other comprehensive income, Consolidated and Company balance sheet, Consolidated and Company statement of changes in equity, Consolidated cash flow statement, and the related notes, including the accounting policies in note 2 to the Group financial statements and note C2 to the parent Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent Company’s affairs as at 31 December 2022 and of the Group’s profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were first appointed as auditor by the Directors on 6 March 2020 prior to the parent Company becoming a public interest entity. The period of total uninterrupted engagement is for two financial years ended 31 December 2022 as a Public Interest Entity, and four financial years in total. Prior to that we were also auditor to the Group’s main trading subsidiary Wickes Building Supplies Limited, but which, being unlisted, was not a Public Interest Entity. 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	£3.5m (2021:£3.4m) 4.6 % (2021: 4.0%) of adjusted profit before tax	
Coverage	100% (2021: 100%) of adjusted profit before tax	
Key audit matters		**vs 2021**
Recurring risks	Recoverability of store assets	▲
	Completeness of Do It For Me (“DIFM”) revenue recognition	◀▶
Parent Company	Recoverability of parent Company’s investment in subsidiary	▲

Independent Auditor's report continued

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

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from the 53 week period ended 1 January 2022 ("2021"), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of store assets Store assets carrying values (£69.7 million; 2021 £51.4 million) and impairment charges (£15.8 million; 2021: £4.1 million) *Refer to page 95 (Audit Committee Report), page 136 (accounting policy) and page 144 (financial disclosures).*	**Forecast based assessment:** Given the current macroeconomic environment, there is an increased risk of underperforming stores, or other performance related impairment triggers which would require the Directors to carry out an impairment assessment. Each store is considered a CGU for the purposes of impairment. Recoverability of store assets relies on a number of assumptions, most notably forecast future cash flows including the store revenue growth rate, gross margin, the allocation of central costs and the discount rate, which all involve a high degree of estimation uncertainty. Auditor judgement is required to assess whether the Directors' estimate of an individual store's recoverable amount falls within an acceptable range. The effect of these matters is that, as part of our risk assessment, we determined that the carrying value of store assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 15) disclose the sensitivity estimated by the Group.	We performed the detailed tests below 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. We performed an assessment of whether an understatement of the impairment of store assets identified through these procedures was material. Our procedures included: – **Assessing indicators of impairment:** We considered the actual and forecast performance by store for indicators of impairment to assess the completeness of the Group's store impairment review; – **Historical comparisons:** We assessed the reasonableness of the forecasts used by considering the historical accuracy of previous forecasts and the results currently being achieved; – **Tests of details:** We assessed whether the allocation of central costs to individual CGUs was complete and was deemed appropriate based on the nature of the costs; – **Our sector experience:** We assessed whether assumptions used, in particular those relating to forecast store revenue growth rate and gross margin reflect our knowledge of the business and industry, including known or probable changes in the business environment; – **Benchmarking assumptions:** We challenged the key inputs used in the Group's calculation of the discount rate by comparing it to externally derived data, including available sources for comparable companies; – **Sensitivity analysis:** We performed our own sensitivity analysis on the forecasts, including a reduction in assumed growth rates, the allocation of central costs, and discount rates; and – **Assessing transparency:** We assessed whether the Group's disclosures regarding the sensitivity of the outcome of the impairment assessment to changes in key assumptions appropriately reflects the risks inherent in the recoverable amount of the store assets. **Our results** – We found the store assets carrying values, and the related impairment charges to be acceptable (2021: acceptable).

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

	The risk	Our response
Completeness of Do It For Me "DIFM" revenue recognition (£371.1 million; 2021: £300.2 million) and Deferred income (£43.6 million; 2021: £60.6 million) *Refer to page 95 (Audit Committee Report), page 132 (accounting policy) and page 137 (financial disclosures).*	**Inappropriate deferral of 2022 DIFM revenue into 2023:** Professional standards require us to presume (unless rebutted) that the fraud risk from revenue recognition is a significant risk. In our view this risk is most prevalent in DIFM. A significant value of DIFM orders are deferred at the end of the financial year, and judgement exists as to whether performance obligations (delivery and/or installation) have been satisfied in relation to these orders. We consider the risk to relate to the completeness of revenue recognised in the financial year, on the basis that the fraud risk factors specific to the Group indicate there may be an incentive to defer income recognition into the following financial year.	We performed the detailed tests below 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. Our procedures included: – **Tests of details:** We carried out sample testing of DIFM orders included in the deferred income balance (products ordered and not delivered and/or installed) to assess whether they should have been recorded as revenue in the financial year, including agreeing to subsequent delivery and/or installation documentation, where applicable; and – **Tests of details:** We assessed whether the order dates of revenue recognised post period end indicated that revenue recognised in the period may be incomplete. **Our results** – The results of our testing were satisfactory and we considered the amount of DIFM revenue recognised in the financial year, and the deferred income at the period end, to be acceptable (2021: acceptable).
Recoverability of parent Company's investment in subsidiary (£598.9 million; 2021: £770.8 million) and impairment charge (£175.6 million; 2021: £nil) *Refer to page 95 (Audit Committee Report), 157 (accounting policy) and page 158 (financial disclosures).*	**Forecast based assessment:** The carrying amount of the parent Company's investment in its subsidiary is significant and at risk of irrecoverability due to the current macroeconomic environment. The estimated recoverable amount of this balance is subjective due to the inherent uncertainty in forecasting trading conditions and cash flows used in the forecasts. The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the cost of investment in the subsidiary has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note C6) disclose the sensitivity estimated by the Company.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: – **Benchmarking assumptions:** We challenged the assumptions used in the cash flows included in the discounted cash flow calculation based on our knowledge of the Group and the markets in which it operates; – **Historical comparisons:** We assessed the reasonableness of the cash flow forecasts by considering the historical accuracy of the previous forecasts; – **Benchmarking assumptions**: We challenged the key inputs used in the Company's calculation of the discount rate by comparing it to externally derived data, including available sources for comparable companies; – **Sensitivity analysis:** We performed our own sensitivity analysis on the forecasts, including a reduction in assumed future cash flows, growth rate in the terminal value, and discount rates; – **Our sector experience:** We evaluated the current level of trading, including identifying any indications of a downturn in activity, by examining the post financial year end management accounts, considering our knowledge of the Company and the market, and external expectations of future financial performance; and – **Assessing transparency:** We assessed whether the Company's disclosures regarding the sensitivity of the outcome of the impairment assessment to changes in key assumptions appropriately reflects the risks inherent in the recoverable amount of investment in its subsidiary. **Our results** – We found the balance of the Company's investment in its subsidiary and the related impairment charge to be acceptable (2021: no impairment of its investment in subsidiary to be acceptable).

Independent Auditor's report continued

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 £3.5m (2021: £3.4m), determined with reference to a benchmark of group profit before tax, normalised to exclude adjusting items of £35.1m (2021: £19.6m) as disclosed in note 9, of which it represents 4.6% (2021: 4.0%). We adjusted for these items because they do not represent the normal, continuing operations of the Group.

Materiality for the parent company financial statements as a whole was set at £3.4m (2021: £2.7m), determined with reference to a benchmark of parent Company total assets, of which it represents 0.6% (2021: 0.4%).

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

Performance materiality was set at 65% (2021: 65%) of materiality for the financial statements as a whole, which equates to £2.3m (2021: £2.2m) for the Group and £2.2m (2021: £1.76m) for the parent Company.

We applied this percentage in our determination of performance materiality based on the level of identified misstatements, control deficiencies, and the changes in the control environment during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.17m (2021: £0.17m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

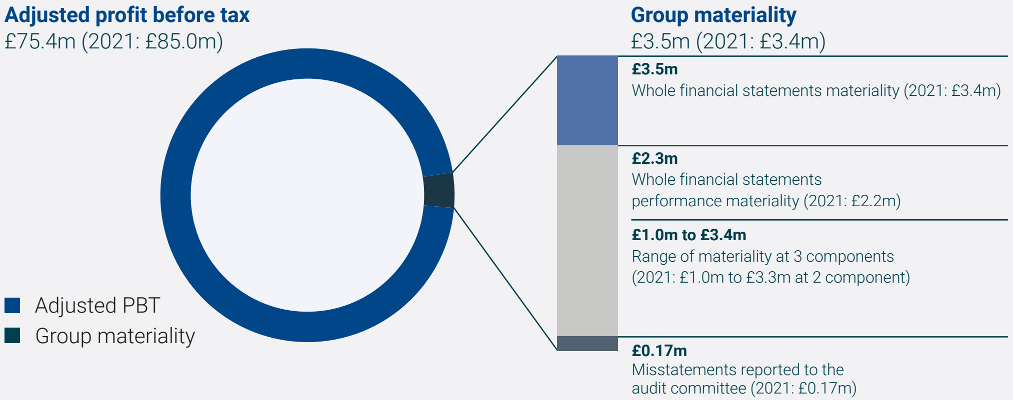
Of the Group's 5 (2021: 5) reporting components, we subjected 2 (2021: 2) to full scope audits for group purposes and 1 (2021: 0) to specified risk-focused audit procedures over treasury related balances. The latter was not financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. The components within the scope of our work accounted for the percentages illustrated opposite.

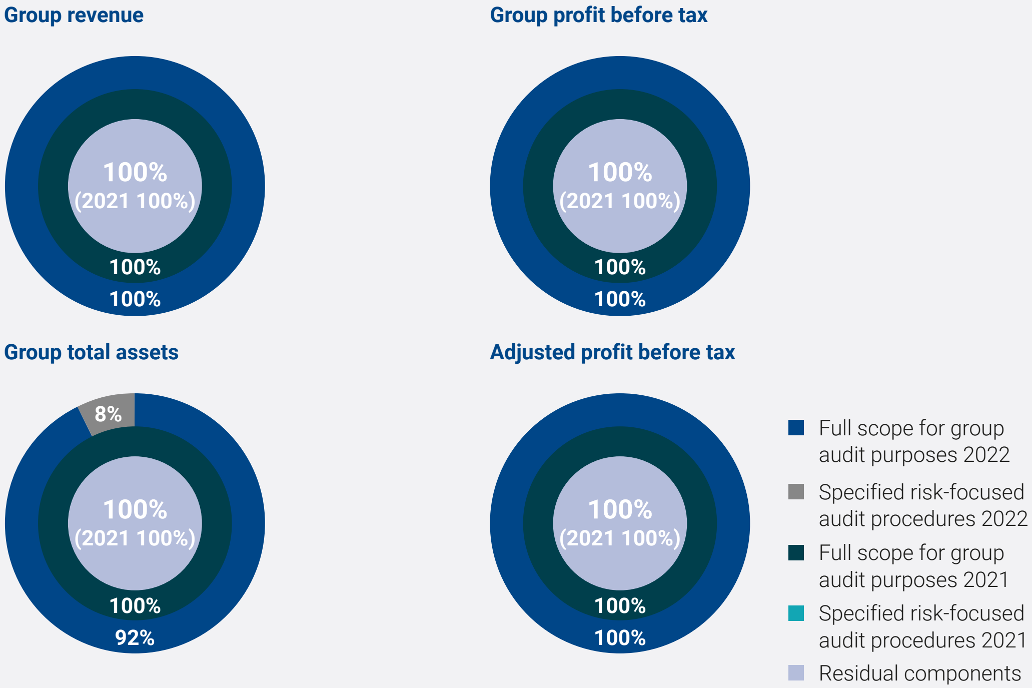
For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team set the component materialities, which ranged from £1.0m to £3.4m (2021: £1.0m to £3.3m), having regard to the mix of size and risk profile of the Group across the components.

The audit of all components, including the audit of the parent Company, were completed by the Group engagement team, who also performed procedures on those items excluded from adjusted profit before tax.

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





4. The impact of climate change on our audit

We considered the impacts of climate change on the financial statements as part of our planning of the Group audit, including enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. The key areas of our consideration included the Group's plan to be a net zero business by 2040, to remove operational waste from the business, and to decarbonise various parts of the business.

We did not consider that any specific areas of the financial statements were materially affected by assumptions or commitments made in relation to climate change.

There was no significant impact of this on our key audit matters.

We also read the disclosure of climate related information in the front half of the annual report and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

In addition to this we held discussions with our own climate change professionals to challenge our risk assessment.

5. Going concern

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and parent Company's available financial resources over this period was the ability of the Group to remain profitable and deliver on the budgeted Group performance for the 2023 period end.

We also considered less predictable but realistic second order impacts, such as the current macroeconomic environment and the erosion of customer confidence, which could result in a rapid reduction of available financial resources.

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

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, and related sensitivities. We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 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 parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 72 is materially consistent with the financial statements and our audit knowledge.

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

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

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of the Directors and Audit committee as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management (including Directors) including the profit target for management remuneration.
- 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.

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 Group management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates; and
- the risk that DIFM revenue is understated through recording revenues in the wrong period in order to increase the likelihood of management meeting future profit targets.

We did not identify any additional fraud risks.

Further detail in respect of the DIFM revenue risk is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by certain Executive Directors and unusual account pairings.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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

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

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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, and taxation 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 or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, consumer credit law, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

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

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 period 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 on page 66 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 and uncertainties 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 71 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 parent Company's longer-term viability.

Corporate governance disclosures

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

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

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

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

Independent Auditor's report continued

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

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

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

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 118, 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.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Cawthray (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
22 March 2023

Consolidated income statement and other comprehensive income

(£m)	Notes	52 weeks ended 31 December 2022 Adjusted	52 weeks ended 31 December 2022 Adjusting items (note 9)	52 weeks ended 31 December 2022 Total	53 weeks ended 1 January 2022 Adjusted	53 weeks ended 1 January 2022 Adjusting items (note 9)	53 weeks ended 1 January 2022 Total
Revenue	5	**1,559.0**	**3.4**	**1,562.4**	1,534.9	—	1,534.9
Cost of sales		**(991.9)**	**–**	**(991.9)**	(966.4)	—	(966.4)
Gross profit		**567.1**	**3.4**	**570.5**	568.5	—	568.5
Selling costs (*)		**(332.1)**	**(15.8)**	**(347.9)**	(334.9)	(0.1)	(335.0)
Administrative expenses		**(131.1)**	**(24.4)**	**(155.5)**	(117.3)	(19.5)	(136.8)
Operating profit	6	**103.9**	**(36.8)**	**67.1**	116.3	(19.6)	96.7
Net finance costs	7	**(28.5)**	**1.7**	**(26.8)**	(31.3)	—	(31.3)
Profit before tax		**75.4**	**(35.1)**	**40.3**	85.0	(19.6)	65.4
Tax	10	**(15.2)**	**6.8**	**(8.4)**	(16.5)	9.9	(6.6)
Profit for the period and total comprehensive income		**60.2**	**(28.3)**	**31.9**	68.5	(9.7)	58.8
Profit for the period attributable to owners of the parent company		**60.2**	**(28.3)**	**31.9**	68.5	(9.7)	58.8
Earnings per share							
Basic	11			**12.6p**			23.3p
Diluted	11			**12.5p**			23.3p
Adjusted earnings per share							
Basic	11			**23.8p**			27.2p
Diluted	11			**23.7p**			27.1p

* Impairment charges in 2022 have been presented within Selling Costs. Impairment charges recorded in 2021 were originally presented within administrative expenses but have now been reclassified accordingly – see note 15

Consolidated balance sheet

(£m)	Notes	As at 31 December 2022	As at 1 January 2022 (Restated*)
Assets			
Non-current assets			
Goodwill	12	**8.4**	8.4
Other intangible assets	12	**16.6**	12.5
Property, plant and equipment	13	**114.9**	105.0
Right-of-use assets	14	**542.4**	604.6
Deferred tax asset	16	**22.7**	30.1
Total non-current assets		**705.0**	760.6
Current assets			
Inventories	18	**201.6**	188.2
Trade and other receivables	19	**87.4**	77.5
Corporation tax		**8.4**	6.5
Derivative financial instruments	29	**2.6**	0.7
Cash and cash equivalents	20	**99.5**	123.4
Total current assets		**399.5**	396.3
Total assets		**1,104.5**	1,156.9

* For details of restatement please see note 19

(£m)	Notes	As at 31 December 2022	As at 1 January 2022 (Restated*)
Equity and Liabilities			
Capital and reserves			
Issued share capital	21	**26.0**	26.0
EBT share reserve	21	**(0.7)**	(0.8)
Other reserve	21	**(785.7)**	(785.7)
Retained earnings		**924.8**	921.3
Total equity		**164.4**	160.8
Non-current liabilities			
Lease liabilities	14, 23	**610.4**	660.7
Long-term provisions	24	**1.8**	1.2
Total non-current liabilities		**612.2**	661.9
Current liabilities			
Lease liabilities	14, 23	**80.9**	81.4
Trade and other payables	25	**237.7**	241.8
Derivative financial instruments	29	**0.2**	–
Short-term provisions	24	**9.1**	11.0
Total current liabilities		**327.9**	334.2
Total liabilities		**940.1**	996.1
Total equity and liabilities		**1,104.5**	1,156.9

The consolidated financial statements of Wickes Group Plc, registered number 12189061, were approved by the Board of Directors on 22 March 2023 and signed on its behalf by:

David Wood
Chief Executive Officer

Mark George
Chief Financial Officer

Consolidated statement of changes in equity

(£m)	Notes	Issued share capital	EBT Share reserves	Other reserves	Retained earnings	Total equity
At 26 December 2020		25.2	–	(785.7)	890.3	129.8
Profit for the period and other comprehensive income		–	–	–	58.8	58.8
Issue of share capital	21	0.8	(0.8)	–	–	–
IFRS 16 adoption adjustments		–	–	–	3.1	3.1
Dividends paid	26	–	–	–	(35.3)	(35.3)
Equity-settled share-based payments	27	–	–	–	3.8	3.8
Tax on equity-settled share-based payments		–	–	–	0.6	0.6
At 1 January 2022		26.0	(0.8)	(785.7)	921.3	160.8
Profit for the period and other comprehensive income		–	–	–	31.9	31.9
Dividends paid	26	–	–	–	(31.2)	(31.2)
Equity-settled share-based payments	27	–	0.1	–	4.3	4.4
Tax on equity-settled share-based payments		–	–	–	(1.5)	(1.5)
At 31 December 2022		**26.0**	**(0.7)**	**(785.7)**	**924.8**	**164.4**

Consolidated cash flow statement

(£m)	Notes	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Cash flows from operating activities			
Operating profit		**67.1**	96.7
Adjustments for:			
Amortisation of other intangible assets	12	**5.2**	5.2
Depreciation of property, plant and equipment	13	**20.1**	19.1
Depreciation of right-of-use assets	14	**77.7**	78.1
Impairment of property, plant and equipment	15	**0.4**	0.2
Impairment of right-of-use assets	15	**15.4**	5.1
Reversal of impairment of right-of-use assets	15	**–**	(1.0)
Gains on terminations of leases		**(1.8)**	(1.6)
Losses on disposal of property, plant and equipment	6	**0.6**	0.6
Foreign exchange	6	**–**	(2.0)
Share-based payments	27	**4.4**	3.8
Operating cash flows		**189.1**	204.2
Movements in working capital:			
(Increase) in inventories		**(13.4)**	(49.9)
(Increase) in trade and other receivables		**(9.9)**	(7.4)
(Decrease) in trade and other payables		**(4.1)**	(0.7)
(Decrease)/increase in provisions		**(1.3)**	1.8
Cash generated from operations		**160.4**	148.0
Interest paid		**(1.0)**	(0.7)
Interest on lease liabilities		**(29.4)**	(31.3)
Income taxes paid		**(4.3)**	(14.6)
Net cash inflow from operating activities		**125.7**	101.4

(£m)	Notes	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Cash flows from investing activities			
Purchases of property, plant and equipment		**(31.1)**	(20.4)
Development costs of computer software		**(9.3)**	(6.1)
Proceeds on disposal of property, plant and equipment		**0.4**	1.2
Interest received		**1.9**	0.1
Net repayments from Travis Perkins Plc		**–**	123.5
Net cash (outflow)/inflow from investing activities		**(38.1)**	98.3
Cash flows from financing activities			
Payment of lease liabilities		**(82.4)**	(77.8)
Lease incentives received		**2.1**	0.3
Dividends paid to equity holders of the Parent	26	**(31.2)**	(5.3)
Net cash outflow from financing activities		**(111.5)**	(82.8)
Net (decrease)/increase in cash and cash equivalents		**(23.9)**	116.9
Cash and cash equivalents at the beginning of the period		**123.4**	6.5
Cash and cash equivalents at the end of the period	20	**99.5**	123.4
Adjusting items	9		
Adjusting items paid included in the cash flow		**21.7**	17.9
Total pre-tax Adjusting items		**35.1**	19.6

Notes to the consolidated financial statements

1 GENERAL INFORMATION AND ACCOUNTING POLICIES

Overview
Wickes Group Plc (the 'Company') is a limited company incorporated on 4 September 2019 in the United Kingdom under the Companies Act 2006. The registered office of the Company is 19 Colonial Way, Watford, WD24 4JL.

The consolidated financial statements represent the results of the Company and its subsidiaries (together referred to as the 'Group').

The principal activity of the Group is the operation of retail DIY stores across the United Kingdom.

Basis of accounting
The annual financial statements of the Group for the 52 weeks ending 31 December 2022 have been prepared in accordance with UK-adopted international accounting standards.

The current financial period is 52 weeks long, whereas the comparative financial period was 53 weeks long.

The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; these are presented on pages 155 to 159.

Basis of preparation
The consolidated financial statements have been prepared on the historical cost basis, except that certain financial instruments including derivative instruments are stated at their fair value.

Summary of impact of Group restructure and listing of shares on the London Stock Exchange
On 28 April 2021, the Group listed its shares on the London Stock Exchange and was admitted to the premium segment of the Official List of the Financial Conduct Authority.

Ahead of the listing and in order to establish an appropriate capital structure for the independent Group, cash of £123.5 million was received from Travis Perkins Plc, through repayment of existing intercompany receivables. The remaining intercompany receivables were settled through a non-cash dividend to Travis Perkins Plc (£30 million), and a transaction whereby Travis Perkins Plc settled the repayment of 2020 rates on behalf of the Group (£32.6 million).

Going concern
Based on the Group's liquidity position and cash flow projections, including a forward looking severe but plausible scenario, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the duration of the going concern period, being the 12 month period following the date of approval of these financial statements, and accordingly they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements for the period ended 31 December 2022.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 60 to 62. The principal risks and viability statement of the Group are set out on pages 66 to 72. The Directors have considered these areas and how they may impact going concern.

The Directors do not consider going concern to be a critical accounting judgement. In determining this the Directors have taken into account the ongoing profitability and positive operating cashflow in 2022, despite the impacts of the economic environment in the UK and global supply issues, and a positive start to the 2023 financial year. Although the Group saw some weakening of sales as a result of the ongoing cost of living crisis, and continuing cost pressures in the second half of the 2022 financial year, the Group continues to demonstrate the flexibility of Wickes' operational model, including a number of actions undertaken to both respond to more challenging market conditions and to continue to drive efficiencies within the business.

At 31 December 2022, cash and cash equivalents stood at £99.5m. In addition the Group had available an undrawn committed Revolving Credit Facility (RCF) of £80m which expires in March 2025, and which is not forecast to be utilised for a period of at least 12 months.

Net debt stood at £591.8m relating to lease liabilities of £691.3m included on the balance sheet under IFRS 16, with £80.9m due within one year: the Group has no other debt obligations.

Considering whether the Group's financial statements can be prepared on a going concern basis, the Directors have undertaken a detailed review which entails assessing the Group's current and projected financial performance and position, including current assets and liabilities, debt maturity profile, future commitments and forecast cash flows. In forming their outlook on the future financial performance, the Directors considered the risk of higher business volatility arising from the potential negative impact of the general economic environment driven by the cost of living crisis.

1 GENERAL INFORMATION AND ACCOUNTING POLICIES CONTINUED

The Directors' review also included a severe but plausible scenario to assess the impact of a sales reduction of 6% from 2022, a margin reduction of 1%, and a short period of operational shock, together with increases to energy costs, staff costs, and the cost to complete the IT autonomy project, reflecting the current economic uncertainty. Under this severe but plausible scenario the group retains a significant cash balance and does not assume utilisation of the RCF: the severe but plausible scenario does show a covenant breach but, as it does not require use of the facility at any point, this does not indicate a risk to going concern. Nevertheless, if required there are further measures that could be taken to assist with covenant compliance if this was considered necessary, including reducing bonuses and discretionary spend in the short term.

The Directors remain watchful of ongoing pressures on customers and suppliers given the current economic environment, and are aware that the Group is exposed to a number of risks and uncertainties, which could affect the Group's ability to meet its forecasts. The Directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully.

2 ACCOUNTING POLICIES

Functional and presentational currency

The financial information is presented in Pounds Sterling, the currency of the primary economic environment in which the Group operates. All amounts in the financial statements have been rounded to the nearest £0.1m except where otherwise noted.

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.

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 Executive Board of Directors, to assess performance and allocate capital. Management considers there to be one operating segment.

2.1. Impact of new standards and interpretations

The following standards and interpretations, which have not yet been applied in these consolidated financial statements, have been issued by the IASB but not yet adopted by the UK Endorsement Board:

- Amendments to IAS 1 – Presentation of Financial Statements
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

The following standards have been adopted by the UK Endorsement Board but are not yet effective for the Group

- Amendments to IAS 12 – Deferred Tax
- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to IAS1 – Disclosure of Accounting Policies
- IFRS 17 – Insurance Contracts, Amendments to IFRS 17, Initial Application of IFRS 17
- Annual Improvements to IFRS 2018 – 2020
- Amendments to IAS 37 – Onerous Contracts
- Amendments to IAS 16 – Property, Plant and Equipment
- Amendments to IFRS 3 – Reference to the Conceptual Framework

Adoption of these standards in future periods is not expected to have a material impact on the financial statements.

2.2. Revenue

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. Revenue is measured at the transaction price received or receivable less a deduction for actual and expected returns and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added tax.

Customers are entitled to return goods for a period after purchase. A right of return is not a separate performance obligation and the Group is required to recognise revenue net of estimated returns. A refund liability and a corresponding asset in inventory representing the right to recover products from the customer are recognised.

Services comprise kitchen and bathroom installations and these are typically completed over a short period of time. The Group does not sell installation services separately from the sale of kitchen and bathroom products. Control of installed kitchens and bathrooms passes to the customer when the Group has fulfilled its obligations under the installation contract and revenue from the installation of kitchens and bathrooms is recognised at this point.

2.3. Inventories

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.

Cost of inventories

In determining the cost of inventories the Directors have to make estimates to arrive at cost and net realisable value. Determining the net realisable value of the wide range of products held in many locations requires an assessment to be applied to determine the likely saleability of the product and the potential price that can be achieved. In arriving at any provisions for net realisable value the Directors take into account the age, condition and quality of the product stocked and the recent trend in sales. The Group does not consider that there is a significant risk of material adjustment arising within the next financial period as a result of this estimate.

2 ACCOUNTING POLICIES CONTINUED

2.4. Adjusting items

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 consolidated financial statements to ensure both that the reader has an understanding of the Group's underlying trading performance and the separate impact of one off or unusual events in the year, 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, significant write downs or impairments of current and non-current assets, the costs of demerging and listing the business, the associated costs of separating the business from Travis Perkins Plc's IT systems, the impact of fair value movements on derivatives through the profit and loss statement, the effect of changes in corporation tax rates on deferred tax balances, and in the current year a reclaim of overpaid VAT relating to prior years.

2.5. Tax

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

Current tax

Tax payable is based on taxable profit for the period. 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 periods and it further excludes items that 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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated 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.

In respect of the deferred tax on IFRS 16 leases, as Wickes Buildings Supplies Limited prepares its accounts under FRS 102, tax deductions flow from the payment of rent, effectively the settlement of the lease liability. This gives rise to a deferred tax asset in respect of that lease liability, including any onerous lease element that might be required under FRS 102, and deferred tax liability in respect of the corresponding Right-of-Use asset. No initial recognition exception was utilised in respect of these, in line with Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments to IAS 12) 2021. They are presented as the net deferred tax asset/liability in the balance sheet and in the Lease section of the deferred tax note.

2.6. Goodwill and other intangible assets

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. 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.

Software

The directly attributable costs incurred for the development of computer software controlled by and for use within the business are capitalised and written off as an expense over their estimated useful life, which range from 3 years to 10 years. No amortisation is charged on computer software under construction.

Costs relating to research, maintenance and training are expensed as they are incurred. Licence fees for using third-party software are expensed over the period the software is in use.

2.7. Property, plant and equipment

Property, plant and equipment is stated at 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:

- Leasehold improvements – term of the lease
- Plant and equipment – 3 to 10 years

The residual value and useful life of assets are reviewed annually.

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.

2.8. Supplier income

Supplier income comprises fixed price discounts and volume rebates.

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 period end, the cost of that inventory reflects those discounts and rebates.

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.

2 ACCOUNTING POLICIES CONTINUED

2.9. Trade and other receivables

The Group's trade and other receivables at the balance sheet date comprises principally of amounts receivable from the sale of goods and related services, amounts due in respect of rebates and sundry prepayments.

Trade receivables, which are held at amortised cost, 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.

2.10. Provisions

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 date, and are discounted to present value.

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 shown as an adjusting credit

The Group's stores operate from a significant number of 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 insure itself 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.

2.11. Trade payables and liabilities

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.

2.12. Employee benefits – pensions

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

2.13. Equity

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

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

- The 'Other reserves' was created on the acquisition in March 2020 by Wickes Group Plc of Wickes Group Holdings Limited and by Wickes Group Holdings Limited of Wickes Building Supplies Limited and Wickes Finance Limited, via share for share exchanges, and represents the difference between the carrying value of the assets and liabilities of the acquired companies and the nominal value and premium of the shares issued.
- Retained earnings represents cumulative results for the Group.

2.14. Leases

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 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 plant and equipment 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; and

(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.

2 ACCOUNTING POLICIES CONTINUED

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 the 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.

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.

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.

2.15. Borrowings

Interest bearing bank loans and overdrafts and other loans are recognised in the balance sheet initially at fair value and subsequently at amortised cost. Finance charges associated with arranging the undrawn revolving credit facility 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.

2.16. Net debt

Net debt comprises cash and cash equivalents (being cash balances net of overdrafts) and the carrying value of lease liabilities. The carrying amount of these assets and liabilities approximates to their fair value.

2.17. Financial instruments

Classification

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

- those to be measured subsequently at fair value through profit or loss "FVTPL"; and
- those to be measured at amortised cost.

The classification depends on the business model for managing the financial instruments 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 other comprehensive income (FVOCI). 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.

2 ACCOUNTING POLICIES CONTINUED

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (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.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with 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.

2.18. Impairment

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 cash-generating unit ("CGU") to which the asset belongs. The Group has determined that each store is a separate CGU. 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. The carrying value of CGUs includes right-of-use assets.

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 for impairment annually or more frequently if there are indications that an impairment may have occurred. The recoverable amounts of the goodwill is determined from value in use calculations.

2.19. Share-based payments

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

Fair value is measured by use of the Black-Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Prior to the demerger, the Group was part of a group share-based payment plan with Travis Perkins Plc. It recognised and measured its share-based payment expense on the basis of a reasonable allocation of the expense recognised for Travis Perkins Plc. This allocation was based on individual employees and where their services were rendered for group companies.

2.20. Post balance sheet events

These accounts reflect events only up to the date on which the relevant underlying consolidated financial statements were approved.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements are based on historical experience and management's best knowledge at the time and the actual results may ultimately differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are explained below.

Impairment of store assets (significant estimate)

Determining whether store assets (right of use assets relating primarily to the lease of each individual store, and any associated property, plant and equipment) are impaired requires an estimation of the value in use of the cash-generating units to which such fixed assets have been allocated. The value in use calculation requires estimation of future cash flows expected to arise from the cash-generating unit (CGU) discounted at a suitable discount rate in order to calculate the present value. The significant estimates relate to the discount rate used, the store revenue and gross margin over the 5 Year Plan period, and the percentage of central costs allocated. Details of CGUs as well as further information about the assumptions made are disclosed in note 15.

4 AUDITOR'S REMUNERATION

During the period the Group incurred the following costs for services provided by the Company's auditors:

(£'000)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Fees payable to the Company's auditor for audit services:		
Audit of the Company's annual accounts	**100**	100
Auditor for the audit of the Company's subsidiaries	**665**	665
Fees paid to the Company's auditor for other services:		
Services relating to corporate finance transactions (demerger)	**–**	575
Review of interim statement	**80**	70
	845	1,410

A description of how the Audit & Risk Committee ensures that auditor objectivity and independence is safeguarded when the auditor provides non-audit services is set out in the report on page 96.

5 REVENUE

The Group has one operating segment in accordance with IFRS 8 'Operating Segments', which is the retail of home improvement products and services, both in stores and online.

The Chief Operating Decision Maker is the Executive Board of Directors. Internal management reports are reviewed by them on a regular basis. Performance of the segment is assessed based on a number of financial and non-financial KPIs as well as on profit before taxation.

The Group identifies two distinct revenue streams within its operating segment which are analysed below.

Both revenue streams operate entirely in the United Kingdom. The Group's revenue is driven by a large number of individual small value transactions and as a result, Group revenue is not reliant on a major customer or group of customers.

Adjusted Revenue (£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Core (product revenue)	**1,187.9**	1,234.7
"Do It For Me" (project revenue)	**371.1**	300.2
	1,559.0	1,534.9

Revenue reconciliation and like-for-like adjusted revenue (£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Adjusted revenue	**1,559.0**	1,534.9
Network change	**(1.0)**	(0.4)
Other movements (week 53)	**–**	(17.6)
Adjusted revenue (like-for-like basis)	**1,558.0**	1,516.9
Prior period revenue	**1,534.9**	1.346.9
Prior period network change	**(5.1)**	(4.8)
Prior period other movements	**(24.5)**	–
Prior period revenue (like-for-like basis)	**1,505.3**	1,342.1
Increase arising on a like-for-like basis	**52.7**	174.8
Like-for-like adjusted revenue (%)	**3.5%**	13.0%

Calculating like-for-like revenue enables management to monitor the performance trend of the business period-on-period. It also gives management a good indication of the health of the business compared to competitors.

Like-for-like revenue is a measure of sales performance for two successive periods. Stores contribute to like-for-like revenue once they have been trading for more than twelve months. Revenue included in like-for-like revenue is for the equivalent times in both periods being compared. When stores close, revenue is excluded from the prior period figures for the months equivalent to the post closure period in the current period. These movements are explained by the Network change amounts. The Network change number varies year on year as it represents a different number of stores.

Other movements (week 53) reflects that the period ended 1 January 2022 was a 53 week period, whereas the periods ended 31 December 2022 and 26 December 2020 were 52 week periods. The extra week is presented separately to enable direct comparison.

Notes to the consolidated financial statements continued

6 OPERATING PROFIT

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

(£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Realised net foreign exchange gains recognised in cost of sales	**(4.9)**	(2.0)
Depreciation of property, plant and equipment (note 13)	**20.1**	19.1
Depreciation of right of use assets (note 14)	**77.7**	78.1
Amortisation of internally-generated intangible assets (note 12)	**5.2**	5.2
Impairment of right-of-use assets (note 14 and 15)	**15.4**	5.1
Reversal of impairment of right-of-use assets (note 14 and 15)	**–**	(1.0)
Impairment of property, plant and equipment (note 13 and 15)	**0.4**	0.2
Gains on terminations of leases	**(1.8)**	(1.6)
Loss on disposal of property, plant and equipment	**0.6**	0.6
Income from subleasing right-of-use assets (note 14)	**(2.6)**	(3.1)
Staff costs (note 8)	**220.5**	217.9

7 NET FINANCE COSTS

Finance income and expense recognised within adjusted profit (£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Finance income		
Net unrealised gains on remeasurement of derivatives at fair value	**–**	0.7
Interest receivable	**1.9**	0.1
	1.9	0.8
Finance costs		
Interest on lease liabilities (note 14)	**(29.4)**	(31.3)
Amortisation of loan arrangement fees	**(0.3)**	(0.1)
Commitment fee on revolving credit facilities	**(0.7)**	(0.6)
Other interest	**–**	(0.1)
	(30.4)	(32.1)
Net finance costs within adjusted profit	**(28.5)**	(31.3)
Adjusting items (£m)		
Finance income		
Net unrealised gains on remeasurement of derivatives at fair value	**1.7**	–
Net finance income within adjusting items	**1.7**	–
Total net finance costs	**(26.8)**	(31.3)

The net unrealised gains on remeasurement of foreign currency derivatives relate to the movement in the fair value of foreign currency forward contracts. No hedge accounting is applied and all movements in the fair value of derivatives are recognised in the income statement as net finance costs.

8 STAFF COSTS

Average number of persons employed by the Group (including directors) during the period (No.)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Administration	**513**	443
Stores	**7,827**	7,995
	8,340	8,438

Average number of full-time equivalent persons employed by the Group during the period (No.)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Administration	**505**	436
Stores	**6,068**	6,048
	6,573	6,484

Aggregate payroll costs of these persons were as follows:

(£m)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Wages and salaries	**194.3**	194.8
Social security costs	**16.6**	15.5
Other pension costs (defined contribution plans)	**4.6**	3.8
Share-based payments (equity-settled)	**5.0**	3.8
	220.5	217.9

There are wages and salaries and social security costs for the 52 weeks ended 31 December 2022 of £0.2m in Adjusting items (53 weeks ended 1 January 2022: £0.2m).

All qualifying employees are able to contribute to the Wickes Group Pension Plan, a defined contribution pension scheme. A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions. The pension costs represent contributions payable by the Group.

The amounts charged to the Income Statement in respect of pension costs and other post-retirement benefits are the contributions payable in the period. Differences between the contributions payable in the period and those actually paid are shown as either accruals or prepayments in the balance sheet.

9 ADJUSTING ITEMS

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 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, significant write downs or impairments of current and non-current assets, the costs of demerging and listing the business, the associated costs of separating the business from Travis Perkins Plc's IT systems, the effect of changes in corporation tax rates on deferred tax balances, net gains on remeasurement of derivatives at fair value, and in the current period a VAT reclaim relating to overpaid output VAT in prior periods.

(£m)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Adjusting items – operating		
Demerger related costs	**–**	5.3
Property, plant and equipment impairment charge	**0.4**	–
Right-of-use asset impairment charge	**15.4**	1.1
Reversal of impairment of right-of-use assets recognised in prior periods	**–**	(1.0)
IT separation project costs	**24.4**	14.2
Net unrealised gains on remeasurement of derivatives at fair value	**(1.7)**	–
Output VAT reclaim	**(3.4)**	–
Total pre-tax Adjusting items	**35.1**	19.6
Adjusting items – tax		
Tax on adjusting items	**(6.8)**	(3.2)
Adjusting items – deferred tax rate change	**–**	(6.7)
Total tax on Adjusting items	**(6.8)**	(9.9)
Total post-tax Adjusting items	**28.3**	9.7

Demerger related costs
Demerger related costs are the costs incurred during the process of demerging the Wickes business from Travis Perkins Plc. Costs predominantly relate to professional services fees.

Notes to the consolidated financial statements continued

9 ADJUSTING ITEMS CONTINUED

Right-of-use asset and property, plant and equipment impairment charges and reversals

In the period ended 31 December 2022, due to the economic circumstances outlined in more detail in note 15, 20 stores were identified as impaired with a resulting impairment charge of £15.4m to right of use assets and £0.4m to property, plant and equipment. Given the size of the total store impairment charge, and that fact a key contributory to the existence of the charge is the broader UK macro-economic events impacting many retail businesses, and not solely the underlying performance of the Group's individual stores, this impairment charge is included within adjusting items. Future revisions to these impairments will also be recognised within adjusting items.

In the period ended 1 January 2022, an impairment charge of £1.1m was recognised on stores that had been identified as impaired in previous periods with the impairment charge included in adjusting items. Additionally, £1.0m of previously identified impairment charge was reversed due to the improved performance of the store.

In a portfolio of stores there will be, from time to time, impairments rising on certain specific stores that do not arise from a broader macro economic condition but arise from underlying trading performance. Such impairments are therefore included within adjusted profit. In the current period, no impairment charges (53 weeks ended 1 January 2022: £4.0m) due to such impairments are included within adjusted profit.

Impairment charges are discussed in further detail in note 15.

IT separation project costs

IT separation project costs are the costs incurred to enable the Wickes Group to operate an IT environment independent of Travis Perkins Plc. These include the following; the cost of creating standalone versions of existing systems, the cost of transferring data from Travis Perkins Plc to standalone systems, the cost of upgrading legacy systems including moving to "software as a service solutions" and the costs of transitioning the IT and support function into the Wickes environment including the project management costs of all the above. Costs related to the maintenance and licencing of existing systems are included in Adjusted profit as these costs will continue after the separation project is concluded. Where costs meet the definition of an intangible asset they have been capitalised, and future amortisation will be included in Adjusted profit.

Net unrealised gains on remeasurement of derivatives at fair value

During the period, the high level of foreign exchange rate volatility created significant fluctuations in the gains and losses relating to derivatives at fair value. Recognising that these movements would have distorted the trading result due to factors outside of management's control, and that they may reverse in future periods, a decision was made to treat these unrealised gains and losses as adjusting on an ongoing basis.

An unrealised gain of £1.7m was recognised in relation to the remeasurement of derivatives at fair value through the profit and loss account. As such movements can be significant due to major currency fluctuations and the timing of the Group's purchases, it has been classified as an adjusting item, which was not the case in the prior year period. As the prior period movement was not considered material to the financial statements, the comparatives have not been represented.

Output VAT reclaim

A claim for output VAT overpaid during the period from Q3 2018 to Q4 2021 was lodged with HMRC in August 2022. The claim arose due to output VAT being paid in error on zero and reduced rate products. Given the claim related to the three years prior to the current year, the £3.4m credit has been reflected in adjusting items. There were no such claims in the 53 weeks ended 1 January 2022.

Deferred tax rate change

The tax charge includes an adjusting credit of £nil (53 weeks ended 1 January 2022: £6.7m) arising from the increase in the rate of UK corporation tax effective from 1 April 2023 from 19% to 25%. The legislation enacting this rate increase was substantively enacted on 24 May 2021.

10 TAXATION

(£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Current tax		
UK corporation tax expense	**6.2**	12.4
UK corporation tax adjustment to prior periods	**(3.7)**	(0.1)
Total current tax charge	**2.5**	**12.3**
Deferred tax		
Deferred tax movement in period	**0.6**	0.7
Other	**0.2**	–
Effect of change in tax rate	**–**	(6.7)
Adjustments in respect of prior periods	**5.1**	0.3
Total deferred tax credit	**5.9**	**(5.7)**
Total tax charge	**8.4**	**6.6**

10 TAXATION CONTINUED

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax of 19.0% (53 weeks ended 1 January 2021: 19.0%) to the profit before tax for the Group are as follows:

(£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Profit before taxation	**40.3**	65.4
Tax at the standard corporation tax rate	**7.7**	12.4
Effects of:		
Depreciation of non-qualifying property	**1.0**	0.9
Tax effect of non taxable income and non deductible expenses	**(0.3)**	0.4
Adjustment to prior period	**1.4**	0.2
Effect of share based payments	**(0.2)**	(0.2)
Change in tax rate	**–**	(6.7)
Other	**0.2**	–
Impact of superdeduction	**(1.4)**	(0.4)
Total tax charge	**8.4**	**6.6**

The tax charge includes an adjusting credit of £nil (53 weeks ended 1 January 2022: £6.7m) arising from the increase in the rate of UK corporation tax effective from 1 April 2023 from 19% to 25%. The legislation enacting this rate increase was substantively enacted on 24 May 2021.

The effective tax rate for the period is 20.8% (53 weeks ended 1 January 2022: 10.1%). The effective tax rate for the period was higher than the standard rate primarily due to enhanced capital allowance claims made in the 2021 submitted tax computations, which whilst reducing the current tax charge at 19%, resulted in a deferred tax charge at the future enacted rate of 25%. The effective tax rate for the 53 weeks ended 1 January 2022 was affected by the impact of the change in tax rate on the Group's deferred tax asset. These events and their tax effect do not provide a guide to the Group's future tax charge.

The underlying effective tax rate (before adjusting items) for the 52 weeks ended 31 December 2022 is 20.2% (53 weeks ended 1 January 2021: 19.4%). The underlying effective tax rate can be calculated directly from the income statement.

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the 52 week period ended 31 December 2022.

(£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Profit attributable to the owners of the Parent	**31.9**	58.8
(No.)		
Weighted average number of ordinary shares	**259,637,998**	256,163,656
Adjustment for weighted average number of shares held in EBT	**(6,941,807)**	(4,019,733)
Weighted average number of ordinary shares in issue	**252,696,191**	252,143,923
Basic earnings per share (in pence per share)	**12.6p**	23.3p

For dilutive earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options.

(£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Profit attributable to the owners of the Parent	**31.9**	58.8
(No.)		
Weighted average number of shares in issue	**252,696,191**	252,143,923
Diluted effect of share options on potential ordinary shares	**1,698,226**	259,182
Diluted weighted average number of ordinary shares in issue	**254,394,417**	252,403,105
Diluted earnings per share (in pence per share)	**12.5p**	23.3p

The Directors believe that EPS excluding Adjusting items ("Adjusted EPS") reflects the underlying performance of the business before the impact of unusual or one off events and assists in providing the reader with a consistent view of the trading performance of the Group.

Notes to the consolidated financial statements continued

11 EARNINGS PER SHARE CONTINUED

Reconciliation of profit after taxation to profit after taxation excluding Adjusting items ("Adjusted profit"):

(£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Profit attributable to the owners of the parent from continuing operations	**31.9**	58.8
Adjusting items before tax	**35.1**	19.6
Tax on adjusting items	**(6.8)**	(3.2)
Adjusting items – deferred tax	**–**	(6.7)
Adjusting items after tax (note 9)	**28.3**	9.7
Adjusted profit	**60.2**	68.5
Weighted average number of ordinary shares in issue	**252,696,191**	252,143,923
Weighted average number of dilutive ordinary shares in issue	**254,394,417**	252,403,105
Adjusted basic earnings per share (in pence per share)	**23.8p**	27.2p
Adjusted diluted earnings per share (in pence per share)	**23.7p**	27.1p

12 GOODWILL AND OTHER INTANGIBLE ASSETS

(£m)	Goodwill	Software	Total
Cost or valuation			
At 26 December 2020	8.4	23.3	31.7
Additions	–	6.1	6.1
Disposals	–	(1.0)	(1.0)
At 1 January 2022	8.4	28.4	36.8
Additions	–	9.3	9.3
Disposals	–	(0.4)	(0.4)
At 31 December 2022	8.4	37.3	45.7
Amortisation			
At 26 December 2020	–	11.0	11.0
Charged in the period	–	5.2	5.2
Disposals	–	(0.3)	(0.3)
At 1 January 2022	–	15.9	15.9
Charged in the period	–	5.2	5.2
Disposals	–	(0.4)	(0.4)
At 31 December 2022	–	20.7	20.7
Net book value			
At 31 December 2022	**8.4**	**16.6**	**25.0**
At 1 January 2022	8.4	12.5	20.9

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. The goodwill held by the Group arose on the acquisition of Focus DIY stores in 2007 and 2011.

At the beginning and end of the financial periods the recoverable amount of goodwill with indefinite useful lives 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 was determined according to value in use. The Directors' calculations have shown that no impairments have occurred. Details of impairment tests are shown in note 15.

13 PROPERTY, PLANT AND EQUIPMENT

(£m)	Land and buildings	Leasehold improvements	Plant and equipment	Total
Cost				
At 26 December 2020	–	126.4	240.6	367.0
Additions		14.3	8.0	22.3
Disposals	–	(4.7)	(17.2)	(21.9)
Impairments	–	(0.2)	–	(0.2)
At 1 January 2022	–	135.8	231.4	367.2
Additions	6.1	16.9	8.1	31.1
Disposals	–	(18.9)	(52.6)	(71.5)
Impairments	–	(0.4)	–	(0.4)
At 31 December 2022	**6.1**	**133.4**	**186.9**	**326.4**
Accumulated depreciation				
At 26 December 2020	–	70.9	193.0	263.9
Charged in the period	–	6.5	12.6	19.1
Disposals	–	(3.9)	(16.9)	(20.8)
At 1 January 2022	–	73.5	188.7	262.2
Charged in the period	0.1	7.4	12.6	20.1
Disposals	–	(18.3)	(52.5)	(70.8)
At 31 December 2022	**0.1**	**62.6**	**148.8**	**211.5**
Net book value				
At 31 December 2022	**6.0**	**70.8**	**38.1**	**114.9**
At 1 January 2022	–	62.3	42.7	105.0

£0.4m (53 weeks ended 1 January 2022: £0.2m) of impairment was recognised in the period on stores where the remaining cash flows from the store are not expected to support the carrying value of the asset.

14 RIGHT-OF-USE ASSETS

The Group leases many assets including land and buildings and vehicles, the weighted average remaining lease term of all leases is ten years (1 January 2022: ten years). Information about leases for which the Group is a lessee is presented below.

At 31 December 2022, the Group had no material leases committed to but not yet commenced (1 January 2022: nil). The Group, which does not enter into turnover rent agreements, does not have material variable payments in its leases and does not have significant exposure to extension options that are not reflected in the lease liability.

Net carrying value (£m)	Land and buildings	Plant and equipment	Total
At 26 December 2020	642.8	11.4	654.2
Additions	1.4	3.0	4.4
Modifications	32.5	–	32.5
Terminations	(3.6)	(0.7)	(4.3)
Depreciation	(72.6)	(5.5)	(78.1)
Impairments	(5.1)	–	(5.1)
Reversal of previous impairments	1.0	–	1.0
At 1 January 2022	596.4	8.2	604.6
Additions	–	8.2	8.2
Modifications	30.0	4.8	34.8
Terminations	(10.9)	(1.2)	(12.1)
Depreciation	(69.9)	(7.8)	(77.7)
Impairments	(15.4)	–	(15.4)
At 31 December 2022	**530.2**	**12.2**	**542.4**

Notes to the consolidated financial statements continued

14 RIGHT-OF-USE ASSETS CONTINUED

Lease liabilities (£m)	As at 31 December 2022	As at 1 January 2022
Maturity analysis – contractual undiscounted cash flow		
Less than one year	**107.3**	109.5
One to two years	**102.9**	105.8
Two to five years	**275.7**	284.6
Five to ten years	**260.4**	290.1
More than ten years	**89.7**	108.4
Total undiscounted lease liabilities	**836.0**	898.4
Lease liabilities included in the balance sheet		
Current	**80.9**	81.4
Non-current	**610.4**	660.7
	691.3	742.1

Amounts recognised in profit and loss (£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Interest expense on lease liabilities	**29.4**	31.3
Expenses related to short-term leases	**0.5**	0.9
Expenses related to low-value assets	**–**	0.3
Depreciation	**77.7**	78.1
Impairment	**15.4**	5.1

The weighted average incremental borrowing rate applied to property leases is 4.1% (1 January 2022: 4.1%), and for fleet leases is 3.0% (1 January 2022: 2.4%). Incremental borrowing rates for property leases are calculated from Group debt costs modified for retail property yields across the UK. Incremental borrowing rates for fleet leases are calculated from hire-purchase rates.

Sublet income

The Group leases space in some of its stores to third parties. Property rental income earned during the period in respect of these properties is disclosed in note 6.

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

(£m)	As at 31 December 2022	As at 1 January 2022
Within one year	**2.0**	2.9
One to five years	**6.1**	7.9
After five years	**3.2**	4.7
Total	**11.3**	15.5

15 IMPAIRMENT TESTING

Measuring recoverable amounts

For impairment testing purposes, the Group has determined that each store is a separate CGU. 'Click and collect' sales and an allocation of delivered online sales are included in store cash flows to reflect the contributions stores make to fulfilling such orders and marketing the Group's products.

CGUs are reviewed for indicators of impairment at each reporting date to determine if an impairment review is required; initially this requires a review of each store's performance to identify loss making or low profitability stores, after taking account of an appropriate proportion of central costs, over the period of the Board approved 5 Year Plan. In some particular cases, other factors are also considered including stores with recent losses or proportionately higher asset values, as well as assessing whether any stores are exposed to risks, including specifically those related to climate change, that could indicate that it will not be able to remain open to the end of its lease, or result in any non-property assets having reduced useful lives.

The Group's goodwill balance, which arose in relation to the acquisition of certain stores formerly operating under the Focus brand in 2007 and 2011, is allocated and monitored for impairment testing purposes to groups of individual CGUs. The Group tests goodwill for impairment annually, as well as for interim reporting if there are indications that an impairment may have occurred.

In accordance with accounting standards, the recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Recognising that a value in use approach will reflect the valuation premium arising from both the Group's store network and fulfilment model, as well as the significant investment made centrally to support its key growth drivers, which should be excluded when calculating fair value, value in use has been used when calculating recoverable amount.

The recoverable amount of each CGU is determined from value-in-use calculations, derived from the Group's approved 5 Year Plan. The carrying value represents each store's specific assets, as well as the IFRS 16 right-of-use asset, plus an allocation of corporate assets (and related cash flows) where these assets can be allocated on a reasonable and consistent basis.

Key assumptions

The estimation of future cash flows is derived from the Board approved 5 Year Plan, which is developed from a variety of sources including store performance, competitor activity, and consumer and market outlook. The key assumptions underpinning the value in use model include revenue growth, gross margin, and an allocation of a percentage of central costs.

	2022	2021
Pre-tax discount rate	**11.2%**	10.5%
Revenue growth rate	**1% – 6%**	5% – 6%
Gross margin	**39% – 47%**	44% – 45%
Central cost allocation	**60.5%**	50.2%

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

- The pre-tax discount rate is derived from the Group's weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include a UK risk-free rate, equity risk premium, Group size premium and a risk adjustment ("beta").

15 IMPAIRMENT TESTING CONTINUED

- Revenue growth rates and gross margin in the 5 Year Plan period are after removing the impact of new stores, re-fits, and cost saving programmes that are yet to be enacted at the period end, but include the impact of all known ESG commitments and risks. These rates change each year based on the latest expectations of the business and will fluctuate based on both external and internal factors: the lower revenue growth rates in the near term, arising from the current economic uncertainty, are forecast to improve in the later years, reflecting the anticipated recovery in the UK economy and the continuing successful execution of the Group's growth strategy.
- Central costs are reviewed to identify amounts which are necessarily incurred to generate the CGU cash flows. Costs are allocated by category using appropriate volumetrics. A proportion of stewardship costs are allocated to CGUs, excluding those costs which are incurred solely due to the listed nature of the Group.
- Cash flows beyond the 5 Year Plan period (2028 and beyond) have been determined using a long-term nominal growth rate referencing UK nominal GDP.

Whilst the Directors consider their assumptions to be realistic: should actual results, including those for market changes, be different from expectations, for instance due to a worsening of the UK economy, then it is possible that the value of non-current assets included in the balance sheet could be further impaired.

Impairment of goodwill

At 31 December 2022 the recoverable amount of goodwill was in excess of its book value and therefore no impairment has been recognised. Of the impairments noted on right-of-use assets below, £1.5m relates to right-of-use assets for stores associated with some goodwill: however, the goodwill is associated with a group of CGUs and there remains significant headroom within this group as a whole. The impairment review was not sensitive to changes in the assumptions used in the value-in-use model.

Impairment of store related fixed assets

The impairment trigger review noted above identified 31 stores for which an impairment review was required. The number of stores with an indicator of impairment in the period has increased significantly reflecting the deterioration in the UK macro-economic environment and economic outlook in 2022, leading to an expectation of a downturn in financial performance in the short term, with a potentially significant impact across the retail sector as a whole.

The impairment reviews were carried out using the assumptions and methodology disclosed in this note. Any impairments have been recognised initially against the right-of-use assets associated with these stores, and in some cases where the impairment charge calculated is greater than the right of use asset, also against the other plant and equipment associated with the stores.

The impairment review identified 20 stores that should be impaired resulting in £15.8m (1 January 2022: £5.1m) of impairment charge, split as £15.4m (1 January 2022: £5.1m) relating to right of use assets and £0.4m (1 January 2022: £nil) relating to property, plant and equipment. No reversal of previous impairments has been recognised (1 January 2022: £1.0m). This impairment charge is recognised within selling costs.

Given the size of the total store impairment charge, and that fact a key contributory to the existence of the charge is the broader UK macro-economic events impacting many retail businesses, and not solely the underlying performance of the Group's individual stores, this impairment charge is included within adjusting items as disclosed in note 9.

The carrying amount of non-current assets attributable to the stores that have been subject to an impairment review after this impairment is £69.7m. The impairment sensitivities set out below are calculated with reference to those stores that have been subject to an impairment review.

Impairment sensitivities

It is possible that a materially different impairment would have been identified if the key assumptions were changed significantly in the value-in-use calculations. The impact on the impairment charge recognised from reasonably possible changes in assumption, all other assumptions remaining the same, are shown in the table below.

Assumption

(£m)	Change in impairment charge
Store revenue increases/(decreases) by 2%	£6.5m – £(6.5)m
Gross margin increases/(decreases) by 1%	£7.8m – £(7.9)m
Percentage of central costs allocated (increases)/decreases by 10%	£4.7m – £(4.0)m
Discount rate (increases)/decreases by 100 basis points	£3.4m – £(3.0)m

Reasonably possible changes of the other key assumptions, including reducing the growth rate to 0 per cent past the 5 Year Plan period, would not result in a material increase to the impairment charge.

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.

	Pension	Capital Allowance	Share-based payments	Leases	Total
At 26 December 2020	–	0.3	0.5	23.2	24.0
(Credit)/charge to the profit or loss	–	(0.7)	0.2	(0.2)	(0.7)
Charge to equity	–	–	0.4	–	0.4
Prior period adjustment	–	(0.1)	(0.2)	–	(0.3)
Change in tax rates	–	(0.2)	0.2	6.7	6.7
At 1 January 2022	–	(0.7)	1.1	29.7	30.1
(Credit)/charge to the profit or loss	(0.2)	(4.7)	0.8	3.3	(0.8)
Charge to equity	–	–	(1.5)	–	(1.5)
Prior period adjustment	0.2	(3.1)	(0.2)	(2.0)	(5.1)
At 31 December 2022	**–**	**(8.5)**	**0.2**	**31.0**	**22.7**
Disclosed within non-current assets	**–**	**(8.5)**	**0.2**	**31.0**	**22.7**

Notes to the consolidated financial statements continued

16 DEFERRED TAX CONTINUED

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted, or substantively enacted, at the balance sheet date. The Group has separately calculated the tax rates applicable in respect of Adjusting items for the period as well as the tax rate change as a result of the increase in the rate of UK corporation tax effective from 1 April 2023 from 19% to 25%. The legislation enacting this rate increase was substantively enacted on 24 May 2021.

At 31 December 2022, the Group had unused capital losses of £37.6m (1 January 2022: £37.6m) available for offset against future capital profits. No deferred tax asset has been recognised because it is unlikely that future taxable profits will be available against which the Group can utilise the losses.

17 INVESTMENTS

As at 31 December 2022, these consolidated financial statements of the Group comprise the Company, Wickes Group Plc, and the following companies which are all incorporated in the United Kingdom. All subsidiaries are 100% owned.

Incorporated in England and Wales and registered at Vision House, 19 Colonial Way, Watford, WD24 4JL	Principal activity	Class of share
Wickes Group Holdings Limited	Holding company	Ordinary
Wickes Building Supplies Limited*	Home improvement retailer	Ordinary
Wickes Finance Limited*	Dormant	Ordinary
Wickes Holdings Limited*	Dormant	Ordinary

* indirect shareholding

18 INVENTORIES

(£m)	As at 31 December 2022	As at 1 January 2022
Inventories	201.6	188.2

Inventories consist of goods for resale. Inventories are stated after provisions for impairment of £5.0m (2021: £4.4m).

Inventories include a deduction to account for rebates receivable on inventory purchases of £8.1m (1 January 2022: £8.8m).

Cost of sales for the 52 weeks ended 31 December 2022 includes inventory recognised as an expense amounting to £856.2m (1 January 2022: £829.1m).

	Period ended 31 December 2022	Period ended 1 January 2022
Movement in stock provisions		
Opening provision	4.4	4.0
Provision utilised	(13.2)	(10.9)
Provision increased	13.8	11.3
Closing provision	5.0	4.4

19 TRADE AND OTHER RECEIVABLES

(£m)	As at 31 December 2022	As at 1 January 2022 (Restated)
Trade receivables	38.7	33.3
Allowance for expected credit losses	(1.3)	(1.6)
	37.4	31.7
Other receivables	32.8	32.2
Prepayments	17.2	13.6
Total current trade and other receivables	87.4	77.5

Trade receivables primarily represent amounts receivable following the delivery of goods purchased through finance agreements or the completion of a DIFM project installation and electronic payment transactions with customers that were not received into the bank at the year end. Cash received from third parties providing finance to the Group's customers is recognised in the Cash Flow Statement as an operating cash flow.

The ageing of trade receivables is shown below. A provision for expected credit losses has been recognised at the reporting date through consideration of the ageing profile and the risk of non-recovery. The carrying amount of trade receivables, net of expected credit losses, is considered to be an approximation to its fair value.

Trade receivables on financed sales are ordinarily settled by financing providers; the Group does not retain consumer credit risk in respect of these sales. In a small number of cases, despite the Group having fulfilled its obligations under the installation contract, there may be a technical delay in receiving final settlement from the finance partner. The Group assesses whether these delays may result in amounts ultimately not being received and establishes a credit loss accordingly. Credit risk on credit card transactions is retained by the card issuer.

19 TRADE AND OTHER RECEIVABLES CONTINUED

The loss allowance for trade receivables was determined as follows:

31 December 2022	Current	1-30 days	31-60 days	61-120 days	More than 120 days	Total
Expected loss rate	0.8%	–	–	–	83.3%	3.4%
Carrying amount of trade receivables (£m)	36.8	0.5	–	0.2	1.2	38.7
Loss allowance (£m)	(0.3)	–	–	–	(1.0)	(1.3)

1 January 2022	Current	1-30 days	31-60 days	61-120 days	More than 120 days	Total
Expected loss rate	–	–	–	–	64.0%	4.8%
Carrying amount of trade receivables (£m)	29.7	0.7	0.2	0.2	2.5	33.3
Loss allowance (£m)	–	–	–	–	(1.6)	(1.6)

The Group assesses expected credit losses associated with the trade receivables on a forward looking basis by considering actual credit loss experience and whether there has been a significant increase in credit risk.

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

(£m)	As at 31 December 2022	As at 1 January 2022
At the beginning of the period	1.6	0.6
Provided in the period	0.2	1.6
Released during the period	(0.5)	(0.6)
At the end of the period	1.3	1.6

Trade receivables are written off when there is no longer a reasonable expectation of recovery. This is primarily where settlement is not received from the finance partners and an alternative payment plan cannot be agreed with the customer directly, or where a payment plan exists and the customer has failed to make contractual payments for a period greater than one year past due.

When assessing credit losses, trade receivables are grouped according to shared characteristics (payor / payor type) and the days past due. Given the primary settlor of trade receivables is large financing providers, such as Barclays or Hitachi, that have stable credit ratings, the Group has concluded that historical debt performance of the portfolio during the last three reporting periods provides a reasonable approximation of the future expected loss rates for each payor age category.

Other receivables primarily represent amounts due from suppliers to the Group for rebates of £23.4m (1 January 2022: £28.9m).

For the year ended 1 January 2022, the tax receivable of £6.5m was disclosed within current trade and other receivables. In accordance with paragraph 54(n) of IAS 1, 'Presentation of Financial Statements', the tax receivable should have been presented separately on the face of the consolidated balance sheet. The consolidated balance sheet for the year ended 1 January 2022 has been restated to separately present the tax receivable. This adjustment has no impact on the prior year reported profit or net assets.

20 CASH AND CASH EQUIVALENTS

(£m)	As at 31 December 2022	As at 1 January 2022
Cash at Bank	29.5	28.4
Short-term deposits	70.0	95.0
	99.5	123.4

Cash and cash equivalents comprise cash balances, short-term deposits and other short term highly liquid investments (including money market funds) with maturities not exceeding three months from the date of acquisition placed with investment grade counterparties which are subject to an insignificant risk of change in value.

21 CAPITAL AND RESERVES

	10 pence ordinary shares	
The Group and Company	Shares	£m
Authorised, issued and fully paid		
At 26 December 2020	252,143,923	25.2
Allotted under share option schemes	7,494,075	0.8
At 1 January 2022 and 31 December 2022	259,637,998	26.0

The Group and Company has 259,637,998 allotted and fully paid ordinary shares of 10 pence each. There is a single class of ordinary shares and all shares rank equally with regard to the Company's residual asset. 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.

Further to a prospectus of the Group dated 24 March 2021, the Group issued and allotted 6,557,475 ordinary shares at 10 pence each on the 17 June 2021 to the trustee of the Group's employee benefit trust. In addition and on the same date, the Group issued and allotted a further 936,600 ordinary shares of 10 pence each to the trustee of the Group's Share Incentive Plan. These shares were issued to support the employee share schemes put in place at the point of demerger.

EBT share reserves

The Wickes Employee Benefit Trust and Equiniti Share Plan Trustees Limited (together "the Trusts") have been put in place to further the interests of the Company by benefiting employees of the Group. The Trusts are treated as an extension of the Group and the Company.

Notes to the consolidated financial statements continued

21 CAPITAL AND RESERVES CONTINUED

During the 52 weeks ended 31 December 2022, nil ordinary shares were issued and allotted to the Wickes Employee Benefit Trust and Equiniti Share Plan Trustees Limited (53 weeks ended 1 January 2022: 6,557,475 and 936,600 shares).

Where the Trusts purchase the Company's equity share capital the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. As at 31 December 2022, 6,818,863 shares (1 January 2022: 7,489,514 shares) were held by the Trusts in relation to the Company's Share Incentive Plan.

(number of shares)	As at 31 December 2022	As at 1 January 2022
At beginning of the period	**7,489,514**	–
Issued and allotted shares	**–**	7,494,075
Shares released to participants	**(670,651)**	(4,561)
At end of the period	**6,818,863**	7,489,514

Other reserves

The 'Other reserves' balance as at 31 December 2022 of £785.7m (1 January 2022: £785.7m) was created on the acquisition in March 2020 by Wickes Group Plc of Wickes Group Holdings Limited and by Wickes Group Holdings Limited of Wickes Building Supplies Limited and Wickes Finance Limited, via share for share exchanges, and represents the difference between the carrying value of the assets and liabilities of the acquired companies and the nominal value and premium of the shares issued.

22 BORROWINGS

Bank borrowings

On 23 March 2021, the Group entered into a three-year £80.0m committed Revolving Credit Facility (RCF) with a syndicate of banks. The Revolving Credit Facility is intended to be used for general corporate purposes and was undrawn as at 31 December 2022 (1 January 2022: undrawn). In March 2022, a one year extension was obtained on the revolving credit facility, extending the expiry date to March 2025. A further one year extension, extending the expiry date to March 2026, is available.

The group does not have an overdraft facility as at 31 December 2022 (1 January 2022: no facility).

At the period end, the Group had the following borrowing facility available:

(£m)	As at 31 December 2022	As at 1 January 2022
Undrawn facilities:		
3-year committed revolving credit facility (expires March 2025)	**80.0**	80.0
	80.0	80.0

Lease liabilities

Obligations under finance leases

The Group has entered into lease agreements in respect of retail stores, warehouses, vehicles and office equipment. The leases are secured on floating charges over the assets of material subsidiaries in the Group. Leases, with a present value liability of £691.3m (1 January 2022: £742.1m), expire in various years to 2043 and carry an average incremental borrowing rate of 4.1% (1 January 2022: 4.0%). Rent in respect of retail stores leases are reviewed by the landlord periodically, subject to assorted floors and caps. Except for these reviews, cash flows and charges are expected to remain in line with the current period.

The discount rates used are calculated at inception of the lease on a lease by lease basis, and are based on estimates of incremental borrowing rates.

Changes in lease liabilities arising from financing activities are detailed in Movement in Net Debt note 23.

In the period, the Group recognised charges of £0.5m (1 January 2022: £1.2m) of lease expenses relating to short term and low value leases for which the exemption under IFRS 16 has been taken.

See note 14 for more detail on the depreciation of the Right-of-Use (ROU) assets and note 7 for more detail on the interest expense relating to leases.

23 MOVEMENT IN NET DEBT

(£m)	Cash and cash equivalents	Lease liability	Total
At 26 December 2020	6.5	(790.0)	(783.5)
Cashflow			
Net repayments from Travis Perkins Plc	123.5	–	123.5
Decrease in cash and cash equivalents – other	(6.6)	–	(6.6)
Repayment of lease liabilities	–	109.1	109.1
Discount unwind on lease liability	–	(31.3)	(31.3)
Lease modifications	–	(32.5)	(32.5)
Lease additions	–	(3.0)	(3.0)
Lease incentives received	–	(0.3)	(0.3)
Lease terminations	–	5.9	5.9
At 1 January 2022	123.4	(742.1)	(618.7)
Cashflow			
Decrease in cash and cash equivalents – other	**(23.9)**	**–**	**(23.9)**
Repayment of lease liabilities	**–**	**111.8**	**111.8**
Discount unwind on lease liability	**–**	**(29.4)**	**(29.4)**
Lease additions	**–**	**(34.8)**	**(34.8)**
Lease modifications	**–**	**(8.2)**	**(8.2)**
Lease incentives received	**–**	**(2.1)**	**(2.1)**
Lease terminations	**–**	**13.5**	**13.5**
At 31 December 2022	**99.5**	**(691.3)**	**(591.8)**

23 MOVEMENT IN NET DEBT CONTINUED

Balances (£m)	As at 1 January 2022	As at 1 January 2022
Cash and cash equivalents	**99.5**	123.4
Current lease liabilities	**(80.9)**	(81.4)
Non-current lease liabilities	**(610.4)**	(660.7)
Net debt	**(591.8)**	(618.7)

During the 53 weeks ended 1 January 2022, the Group received a £123.5m cash settlement of certain intercompany balances owed by Travis Perkins Plc as part of the pre-Demerger Reorganisation. On settlement of these intercompany balances the Group derecognised an equivalent amount of the intercompany receivables due from Travis Perkins Plc.

24 PROVISIONS

(£m)	Property	Warranty	Insurance	Total
At 26 December 2020	2.4	1.5	6.8	10.7
Charge to income statement	1.1	1.7	–	2.8
Cash received from Travis Perkins Plc in respect of dilapidations	1.2	–	–	1.2
Utilisation	(1.0)	(1.0)	(0.5)	(2.5)
At 1 January 2022	3.7	2.2	6.3	12.2
Charge to income statement	**0.9**	**2.5**	**–**	**3.4**
Utilisation	**(2.5)**	**(1.8)**	**(0.4)**	**(4.7)**
At 31 December 2022	**2.1**	**2.9**	**5.9**	**10.9**

(£m)	As at 31 December 2022	As at 1 January 2022
Current	**9.1**	11.0
Non-current	**1.8**	1.2
	10.9	12.2

Property provisions primarily arise following a decision to close a store where there is still an obligation to fulfil rate, insurance and dilapidation payments under the lease contract, or if there is other evidence that enables a dilapidation provision to be reliably estimated. The provision will be revised in future periods should the lease be terminated early or a subtenant found.

In the period ended 1 January 2022, £1.2m was received from Travis Perkins Plc in respect of dilapidations on a distribution centre previously leased by Travis Perkins Plc and transferred to the Group in the period.

The insurance claims provision represents management's best estimate, based on external advice, of the value of outstanding claims against it where the final settlement date is uncertain, using an expected value approach in line with IAS 37. There are no individually material claims and the potential settlement dates and amounts vary widely based on the portfolio of insurance claims provided for. The Group has no material self insured claims.

All provisions as at 31 December 2022 other than £1.8m of property provisions (1 January 2022: £1.2m of property provisions) are considered to be current and expected to be utilised within the next twelve months.

25 TRADE AND OTHER PAYABLES

(£m)	As at 31 December 2022	As at 1 January 2022
Trade payables	**119.9**	112.6
Social security and other taxes	**15.9**	8.9
Other payables	**12.4**	15.3
Deferred income	**48.1**	64.2
Accrued expenses	**41.4**	40.8
Trade and other payables	**237.7**	241.8

The trade payables balance includes a deduction to account for amounts due from suppliers to the Group for rebates of £8.6m (1 January 2022: £9.1m).

The deferred income balance represents amounts received directly from customers for goods and services where the Group has not fulfilled its performance obligations. Under the terms of the relevant contracts, sales made where third parties have provided finance to the customer do not give rise to deferred income. Of the total deferred income balance, £43.6m (1 January 2022: £60.6m) related to DIFM deferred income.

Revenue of £56.8m was recognised in the 52 weeks ended 31 December 2022 which had been included in the deferred income balance at the beginning of the period (53 weeks ended 1 January 2022: £32.1m).

As at 31 December 2022, no supply chain finance arrangements were in place.

26 DIVIDENDS

(£m)	As at 31 December 2022	As at 1 January 2022
Amounts recognised in the financial statements as distributions to equity shareholders are shown below:		
– final dividend for the 53 weeks ended 1 January 2022 of 8.8 pence (52 weeks ended 26 December 2020: nil pence)	**22.1**	–
– interim dividend for the 52 weeks ended 31 December 2022 of 3.6 pence (53 weeks ended 1 January 2022: 2.1 pence)	**9.1**	5.3
– Pre demerger dividend paid to Travis Perkins Plc	**–**	30.0
Total dividend	**31.2**	35.3

In the period prior to demerger, a dividend payment of £30.0m was recognised in the financial statements as a distribution to the former sole shareholder, Travis Perkins Plc, in the 53 weeks ended 1 January 2022.

26 DIVIDENDS CONTINUED

The dividend paid to Travis Perkins Plc was as a result of the reorganisation of the legal structure of the Wickes entities in preparation for the demerger. The dividend paid was in the form of an intercompany transfer, as a result no cash payment was made.

A final dividend of 7.3p is proposed in respect of the 52 weeks ending 31 December 2022. It will be paid on 7 June 2023 to shareholders on the register at the close of business on 21 April 2023 (the Record Date). The shares will be quoted ex-dividend on 20 April 2023.

Shareholders may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 16 May 2023.

27 SHARE-BASED PAYMENTS

The Group operates a number of share-based payment schemes for Executive Directors and other employees, all of which are classified as equity settled. The Group has no legal or constructive obligation to repurchase or settle any of the options in cash.

The total cost in respect of LTIPs, SAYE and Free Shares recognised in the income statement was £5.0m in the period ended 31 December 2022 (period ended 1 January 2022: £3.8m). Of this charge, £4.4m, which is the amount net of Employer's National Insurance, is credited to equity. Employer's National Insurance (including Apprenticeship Levy) is being accrued on the balance sheet, where applicable, at the rate of 14.3%, which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total National Insurance charge for the period was £0.6m (period ended 1 January 2022: £0.7m).

The total cost between each of the relevant schemes, together with the number of options outstanding are shown below:

	52 weeks ended 31 December 2022			53 weeks ended 1 January 2022		
Charge (£m)	**Wickes Group Plc**	**Travis Perkins Plc***	**Total**	Wickes Group Plc	Travis Perkins Plc*	Total
Long Term Incentive Plan	**0.4**	**–**	**0.4**	0.9	0.3	1.2
Transition Awards	**2.1**	**–**	**2.1**	1.2	–	1.2
Save As You Earn (SAYE)	**2.2**	**–**	**2.2**	0.2	0.8	1.0
Free Shares	**0.3**	**–**	**0.3**	0.4	–	0.4
	5.0	**–**	**5.0**	2.7	1.1	3.8

Number of options (thousands)	**Wickes Group Plc**	**Travis Perkins Plc***	**As at 31 December 2022**	Wickes Group Plc	Travis Perkins Plc*	As at 1 January 2022
Long Term Incentive Plan	**4,371**	**–**	**4,371**	1,795	–	1,795
Transition Awards	**862**	**–**	**862**	1,617	–	1,617
Save As You Earn (SAYE)	**10,727**	**–**	**10,727**	5,434	–	5,434
Free Shares	**612**	**–**	**612**	882	–	882
	16,572	**–**	**16,572**	9,728	–	9,728

* to the date of demerger

A summary of the main features of the schemes are shown below:

Long Term Incentive Plan

The Long Term Incentive Plan ('LTIP') is open to Executive Directors and designated senior managers, and awards are made at the discretion of the Remuneration Committee. Awards are subject to market and non-market performance criteria.

Awards granted under the LTIP vest subject to achievement of performance conditions measured over a period of at least three years and the Wickes Group Awards are in the form of nil-cost options as allowed by the Plan rules.

Vesting of awards will be dependent on financial and share price measures, as set by the Remuneration Committee, which are aligned with the long-term strategic objectives of the Group and shareholder value creation. 30% of an award is based on share price measures. The remaining 70% are based on financial measures. At the threshold performance, no more than 20% of the award will vest, rising to 100% for maximum performance.

The charge in the period for LTIP includes an accrual of £0.1m (period ended 1 January 2022: £nil) for the LTIP Buy-out in respect of the award granted to Mark George on his appointment as CFO, following the decision to buy-out some of the incentive awards forfeited by him from his previous employer, The Gym Group.

The charge in the period for LTIP includes an accrual of £nil (period ended 1 January 2022: £0.6m) for the Group's Deferred Share Bonus plan in respect of the bonus payable in shares for the period ended 31 December 2022.

On 31 March 2022 and 28 September 2022, the Company granted a total of 1,998,542 and 666,396 options respectively, to the Executive directors and other senior management. The options will vest based on earnings per share ('EPS') (70%) targets for the period ending 29 December 2024 and relative total shareholder return ('TSR') (30%) targets on performance over the three year period to 31 December 2024. Upon vesting, the options will remain exercisable until 31 March 2032 and 28 September 2032 respectively.

On 28 September 2022, the Company granted 148,114 options to Mark George. These Buy-out awards were granted following the decision to buy-out some of The Gym Group incentive awards forfeited from his previous employment. Of the total options, 101,216 will vest on 9 September 2023, with the balance vesting on 25 March 2024. Upon vesting, the options will remain exercisable until 28 September 2032. The awards are subject to his continued employment.

On 28 September 2021, the Company granted a total of 1,795,194 options to the Executive directors and other senior management. The options will vest based on earnings per share ('EPS') (70%) targets for the period ending 30 December 2023 and relative total shareholder return ('TSR') (30%) targets on performance over the three year period to 31 August 2024. Upon vesting, the options will remain exercisable until 28 September 2031.

The Travis Perkins Plc charges included in the prior period are in respect of options on shares in Travis Perkins Plc held by the staff of Wickes Building Supplies Limited, now a subsidiary of Wickes Group plc, up to the point of demerger in 2021. All these shares were accrued up to the date of demerger and are available to be exercised.

27 SHARE-BASED PAYMENTS CONTINUED

Transition Awards

On 28 September 2021, the Company granted a total of 1,616,863 Transition Awards as planned shortly after the announcement of the Company's half year financial results.

The Transition Awards vested 50% on the first anniversary of the completion of the Demerger (28 April 2022) with the balance vesting on the second anniversary of the completion of the Demerger (28 April 2023).

Any awards made will be subject to the continued employment of recipients and for Executive Directors, a performance underpin.

Save As You Earn

The Save As You Earn ("SAYE") scheme is open to all Wickes Group employees. Vesting will be dependent on continued employment for a period of 3 years from grant. A maximum monthly contribution of £500 is permitted under the option scheme.

On 18 October 2022 the Company launched its second SAYE scheme, following its first SAYE scheme which the Company launched on 19 October 2021. There are no performance conditions in respect of the schemes and the vesting dates are 18 October 2025 and 19 October 2024 for the second and first schemes respectively. Upon vesting, the options will remain exercisable for 6 months.

Free Shares

Free Shares are free Wickes Shares which have been allocated to all full-time and part-time employees at demerger and had a market value of £300 or £150 respectively.

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. Judgements including the probability of the performance conditions being achieved, the number of employees who may leave the Group or the scheme, and dividend yields, are included in the fair value calculations.

The following information is relevant to the determination of the fair value of the awards granted under the schemes for the 52 weeks ended 31 December 2022, the 53 weeks ended 1 January 2022 and, in the case of Travis Perkins Plc, the options granted in the periods prior to the demerger. The information is expressed as weighted averages where relevant:

	52 weeks ended 31 December 2022	
The Group and Company:	LTIP (nil cost options)	SAYE
Share price at grant date (pence)	**166.6**	**124.8**
Option exercise price (pence)	**–**	**104.0**
Option life (years)	**2.9**	**3.0**
Expected dividends as a dividend yield (%)	**n/a**	**5.4%**
Risk free interest rate (%)	**2.2%**	**3.7%**
Volatility (%)	**30.4%**	**35.1%**

	53 weeks ended 1 January 2022			
The Group and Company:	LTIP (nil cost options)	Transition Awards	SAYE	Free Shares
Share price at grant date (pence)	221.2	221.2	232.8	249.0
Option exercise price (pence)	–	–	196.0	–
Option life (years)	2.8	0.8	2.8	2.5
Expected dividends as a dividend yield (%)	2.5%	2.5%	2.5%	2.5%
Risk free interest rate (%)	0.4%	0.2%	0.7%	0.2%
Volatility (%)	26.8%	26.8%	26.5%	31.9%

As the LTIP awards have a nil exercise price the risk free rate of return does not have any effect on the estimated fair value.

If options remain unexercised after a period of 10 years from the date of grant, these options expire. Options are forfeited if the employee leaves the Group before options vest. SAYE options vest after 3 and expire 3½ years after the date of grant.

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

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 using the Group's 5 year plan.

Volatility is based on historic share prices over the period since the demerger date, when Wickes Group Plc joined the London Stock Exchange. Option life used in the model has been based on options being exercised in accordance with historical patterns. For LTIP options (nil cost options) the vesting period is three years.

Travis Perkins Plc shares before Demerger

	53 weeks ended 1 January 2022		
	Executive options	SAYE	Nil price options
Share price at grant date (pence)	1,149	1,204	1,096
Option exercise price (pence)	1,144	898	–
Option life (years)	2.2	3.1	2.2
Expected dividends as a dividend yield (%)	2.5%	2.5%	2.6%
Risk free interest rate (%)	(0.1%)	0.0%	(0.1%)
Volatility (%)	42.5%	42.4%	42.6%

If options remain unexercised after a period of 10 years from the date of grant, these options expire. Options are forfeited if the employee leaves the Group before options vest. SAYE options vest after 3 or 5 years and expire 3½ or 5½ years after the date of grant.

27 SHARE-BASED PAYMENTS CONTINUED

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

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 Travis Perkins Board's target range at the time).

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.

Income statement charge, shares granted and outstanding at the end of the period

A description of the share schemes operated by the Group is contained in the remuneration report on pages 101 to 114. The number of share options granted and the estimated fair values of the shares under option granted under the Group's share schemes in both 2022 and 2021 are shown below:

Grant date – scheme	Expiry date	Exercise price (pence)	Share options (thousands)	Fair value for the Group (£m)
31/03/2022 – Long Term Incentive Plan	31/03/2032	–	1,999	0.6
28/09/2022 – Long Term Incentive Plan	28/09/2032	–	666	0.1
28/09/2022 – Long Term Incentive Plan Buy-Out	31/03/2032	–	148	0.2
18/10/2022 – Save As You Earn Plan	18/04/2026	104.0	9,475	1.9
28/09/2021 – Long Term Incentive Plan	28/09/2031	–	1,795	2.5
28/09/2021 – Transition Awards	28/09/2031	–	1,617	3.5
19/10/2021 – Save As You Earn plan	19/04/2025	196.0	5,434	2.7
28/06/2021 – Free Shares	n/a	–	882	1.5

In the period the Group charged £5.0m (1 January 2022: £3.8m) to the income statement in respect of equity-settled share-based payment transactions.

The aggregate number of share awards outstanding for the Group and their weighted average exercise price is shown below:

	52 weeks ended 31 December 2022			53 weeks ended 1 January 2022		
	Weighted average exercise price (pence)	**Number of options (thousands)**	**Number of nil price options (thousands)**	Weighted average exercise price (pence)	Number of options (thousands)	Number of nil price options (thousands)
Outstanding at the beginning of the period	**110**	**5,182**	**4,294**	932	1,108	346
Exercised during the period – Travis Perkins Plc				932	(1,108)	(346)
Outstanding at end of period / before the date of the Demerger				–	–	–
Granted during the period – Wickes Group Plc	**80**	**9,475**	**2,813**	109	5,434	4,294
Exercised during the period	**–**	**–**	**(636)**	–	–	–
Forfeited during the period – Wickes Group Plc	**192**	**(3,930)**	**(626)**	90	(252)	–
Outstanding at the end of the period	**75**	**10,727**	**5,845**	110	5,182	4,294
Exercisable at the end of the period	**–**	**–**	**126**	–	–	–

Details of the share options outstanding at 31 December 2022 are shown below:

	52 weeks ended 31 December 2022			53 weeks ended 1 January 2022		
	LTIP	**Transition Awards**	**SAYE and Free Shares**	LTIP	Transition Awards	SAYE and Free Shares
Range of exercise price (pence)	**–**	**–**	**nil–196**	–	–	nil–196
Weighted average exercise price (pence)	**–**	**–**	**110**	–	–	169
Number of shares (thousands)	**4,371**	**862**	**11,339**	1,795	1,617	6,316
Weighted average expected remaining life (years)	**2.1**	**0.3**	**2.6**	2.8	0.8	2.8
Weighted average contractual remaining life (years)	**9.2**	**8.8**	**3.1**	9.8	9.8	3.2

28 COMMITMENTS

Consignment stock
At 31 December 2022, the Group held consignment stock on sale or return of £8.0m (1 January 2022: £9.0m). The Group is only required to pay for the goods it chooses to sell and therefore this stock is not recognised as an asset.

Capital commitments
Capital commitments comprise amounts payable under capital contracts which are duly authorised and in progress at the consolidated balance sheet date. They include the full cost of goods and services to be provided under the contracts through to completion. The Group has rights within its contracts to terminate at short notice and, therefore, cancellation payments are minimal.

Capital commitments at the end of the period are shown below:

(£m)	As at 31 December 2022	As at 1 January 2022
Contracted but not provided for in the accounts	**11.2**	13.8

29 FINANCIAL INSTRUMENTS

The carrying value of categories of financial instruments (£m)	Note	As at 31 December 2022	As at 1 January 2022
Financial assets:			
Cash and cash equivalents	20	**99.5**	123.4
Trade and other receivables at amortised cost	19	**70.2**	70.4
		169.7	193.8
Financial liabilities:			
Trade and other payables at amortised cost	25	**132.3**	127.9

Credit risk and impairment
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financing institutions.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's exposure to credit risk from trade receivables is considered to be low because of the nature of its customers and policies in place to prevent credit risk occurring.

Most revenues arise from the Core business and DIFM projects. Core and DIFM business revenues give rise to trade receivables which are mainly financed by large reputable financing institutions, which have high credit worthiness.

The Group establishes an allowance for impairment that represents its expected credit loss in respect of trade and other receivables.

This allowance is composed of specific losses that relate to individual exposures and also an Expected Credit Loss (ECL) component established using rates reflecting historical information for payor groups, and forward looking information.

The ECL as at 31 December 2022 is £1.3m (1 January 2022: £1.6m).

Trade and other receivables exclude prepayments of £17.2m (1 January 2022: £13.6m).

Trade and other payables excludes taxation, social security, accruals and deferred income amounts totalling £105.4m (1 January 2022: £113.9m).

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.

Fair value of financial instruments
Financial assets designated at fair value through profit and loss comprise foreign currency forward contracts, where the fair value of the contracts is measured by comparing the contract value using quoted forward exchange rates with the value using the exchange rates prevailing at the period end.

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 (i.e. as prices) or indirectly (i.e. 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 period. There are no non-recurring fair value measurements.

The Group held financial instruments measured at fair value as shown in the table below:

(£m)	As at 31 December 2022	As at 1 January 2022
Included in assets		
Level 2		
Foreign currency forward contracts at fair value through profit and loss	**2.6**	0.7
Included in liabilities		
Level 2		
Foreign currency forward contracts at fair value through profit and loss	**(0.2)**	–
	2.4	0.7

Market risk
Market risk is the risk that changes in market prices, such as interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

29 FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk

The Group is exposed to interest rate risk arising from fluctuations in market rates. This affects future cash flows from money market investments and the cost of variable rate borrowings such as the Revolving Credit Facility which is currently undrawn. The Group did not have any loans or overdrafts facility during the 52 weeks ended 31 December 2022 (53 weeks ended 1 January 2022: none).

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 eighteen months in duration) to buy US dollars to manage 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$58.8m (1 January 2022: US$87.3m). The fair value of these derivatives was a £2.6m asset and a £0.2m liability (1 January 2022: £0.7m asset and £nil liability). These contracts are not designated as cash flow hedges and accordingly the fair value movement has been reflected in the income statement as an adjusting item (see note 9 for further detail).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity analysis

The following table details the Group's liquidity analysis for its other financial liabilities. The Group's contractual maturities, as at the balance sheet date, of financial liabilities are as follows:

			Maturity analysis			
(£m)	Note	Carrying amount	Contractual cash flows	Within 1 year	Between one and five years	More than five years
As at 31 December 2022						
Trade and other payables at amortised cost	25	**132.3**	**132.3**	**132.3**	**–**	**–**
Lease liabilities	14	**691.3**	**836.0**	**107.3**	**378.6**	**350.1**
		823.6	**968.3**	**239.6**	**378.6**	**350.1**
As at 1 January 2022						
Trade and other payables at amortised cost	25	127.9	127.9	127.9	–	–
Lease liabilities	14	742.1	898.4	109.5	390.4	398.5
		870.0	1,026.3	237.4	390.4	398.5

30 RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. They include the Board, as identified on page 77.

Key management compensation

(£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Salaries and other short-term employee benefits	**1.5**	1.6
Post-employment benefits	**0.1**	0.1
Share based payments	**0.8**	0.9
Total	**2.4**	2.6

Further information about the remuneration of individual Directors is provided in the audited section of the Directors' Remuneration Report on page 105.

The Group has a related party relationship with its subsidiaries, with its Directors and up to the date of the demerger had related party relationships with Travis Perkins Plc companies. There have been no related party transactions with Directors other than in respect of remuneration. Transactions with Travis Perkins Plc companies relate to the purchase of goods and lease arrangements before the demerger date of 28 April 2021 and are detailed below. The Travis Perkins Plc companies ceased to be related parties after the demerger date and therefore there are no further related parties transactions after that date.

Purchases of £nil (53 weeks ended 1 January 2022: £0.9m) were made from other entities in the Travis Perkins Plc group. Rental payments of £nil (53 weeks ended 1 January 2022: £0.9m) were made to other entities in the Travis Perkins Plc group. Rental income of £nil (53 weeks ended 1 January 2022: £0.4m) was received from other entities in the Travis Perkins Plc group.

31 EVENTS AFTER THE REPORTING PERIOD

After the year end the Group received notification from Barclays of its intention to substantially withdraw its consumer finance offering from the market, and therefore its intention to cease offering this service to the Group in relation to finance products for DIFM customers. The Group has commenced the search for an alternative provider and is confident that this will be completed during 2023.

Company balance sheet

(£m)	Notes	As at 31 December 2022	As at 1 January 2022
Assets			
Non-current assets			
Investment	C6	**598.9**	770.8
Total non-current assets		**598.9**	770.8
Total assets		**598.9**	770.8
Equity and Liabilities			
Capital and reserves			
Issued share capital	21	**26.0**	26.0
EBT share reserves	21	**(0.7)**	(0.8)
Retained earnings		**571.8**	738.5
Total equity		**597.1**	763.7
Current liabilities			
Other payables	C8	**1.8**	7.1
Total current liabilities		**1.8**	7.1
Total liabilities		**1.8**	7.1
Total equity and liabilities		**598.9**	770.8

The loss attributable to the owners of the Company for the period ended 31 December 2022 was £139.8m (1 January 2022: profit of £27.3m).

The company's financial statements of Wickes Group Plc, registered number 12189061, were approved by the Board of Directors on 22 March 2023 and signed on its behalf by:

David Wood
Chief Executive Officer

Mark George
Chief Financial Officer

Company statement of changes in equity

(£m)	Issued share capital	EBT share reserve	Retained earnings	Total equity
At 26 December 2020	25.2	–	743.8	769.0
Profit for the period and other comprehensive income	–	–	27.3	27.3
Issue of share capital	0.8	(0.8)	–	–
Dividends paid	–	–	(35.3)	(35.3)
Equity-settled share-based payments	–	–	2.7	2.7
At 1 January 2022	26.0	(0.8)	738.5	763.7
Loss for the period and other comprehensive income	**–**	**–**	**(139.8)**	**(139.8)**
Dividends paid	**–**	**–**	**(31.2)**	**(31.2)**
Equity-settled share-based payments	**–**	**0.1**	**4.3**	**4.4**
At 31 December 2022	**26.0**	**(0.7)**	**571.8**	**597.1**

This section contains the notes to the Company financial statements. The issued share capital and EBT share reserves are consistent with the Wickes Group Plc Group Consolidated financial statements. Refer to note 21 of the Group financial statements.

C1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS 102") in conformity with the Companies Act 2006 and on an historical cost basis. The financial statements are presented in pounds sterling and all values are rounded to the nearest million pounds (£m), except when otherwise indicated.

See note 1 for general information about the Company.

The Company has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the income statement of the Parent Company.

As the consolidated financial statements of the Group headed by the Company are prepared in accordance with International Financial Reporting Standards as adopted by the UK and include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Cash Flow Statement and related notes
- Key Management Personnel compensation
- Certain disclosures required by FRS 102.26 *Share Based Payments*
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company did not have items to be reported as other comprehensive income; therefore, no statement of comprehensive income was prepared.

C2 SIGNIFICANT ACCOUNTING POLICIES IN THIS SECTION

Financial instruments

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

Investment in subsidiaries

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. Investments are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in operating profit in the profit or loss as a charge to administrative expenses.

In testing for impairment, the carrying value of the investment is compared to its recoverable amount, being its value-in-use.

Where indicators exist for a decrease in a previously recognised impairment loss, the prior impairment loss is tested to determine whether a reversal is required. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Share-based payments

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings is recognised by the Company in its individual financial statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the cost in subsidiary undertakings. The subsidiary, in turn, will recognise the cost in its income statement with a credit to equity to reflect the deemed capital contribution from the Company.

C3 KEY ESTIMATES AND ASSUMPTIONS IN THIS SECTION

Impairment testing of investments in subsidiaries

The Company's investments in subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' assets based on a value in use calculation. The value in use calculation requires estimation of future cash flows expected to arise from the subsidiary discounted at a suitable discount rate in order to calculate present value. The significant estimates relate to the Group's profitability over the 5 Year Plan period, the longer term growth rate, and the discount rate used.

C4 STAFF COSTS AND DIRECTORS' REMUNERATION

The Company had no employees during the period, except for the Directors. The information on compensation for the Directors, being considered as the key management personnel of the Company, is disclosed in note 30.

Notes to the Company financial statements continued

C5 AUDITOR'S REMUNERATION

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

C6 INVESTMENT IN SUBSIDIARIES

(£m)	Subsidiary undertakings Cost
At 26 December 2020	887.5
Additions – share based payments	1.8
At 1 January 2022	889.3
Additions – share based payments	**3.7**
At 31 December 2022	**893.0**
Impairment	
At 26 December 2020 and 1 January 2022	(118.5)
Impairment	**(175.6)**
At 31 December 2022	**(294.1)**
Net book value	
At 31 December 2022	**598.9**
At 1 January 2022	770.8

Details of the Company's subsidiaries at the balance sheet date are in note 17 to the Group financial statements.

In accordance with accounting standards the Company's investments, which have indefinite useful lives, must have an impairment review at each reporting period. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell: the value in use of the investment is derived from the Group's 5 Year Plan on a pre IFRS 16 basis and management believe that this represents a higher value than a potential fair value valuation.

Key assumptions

The estimation of future cash flows is derived from the Board approved 5 Year Plan, consistent with the basis discussed in note 15 to the Group financial statements. The key assumptions underpinning the value in use model include revenue growth, gross margin, discount rate, and long term growth rate.

	2022	2021
Pre-tax discount rate	**17.0%**	10.5%
Revenue growth rate	**0% – 7.7%**	5% – 6%
Gross margin	**44.7% – 45.0%**	44% – 45%
Long term growth rate	**3.5%**	1.4%

Management determined the values assigned to these financial assumptions consistently with the basis discussed in note 15 to the Group financial statements.

In light of the challenges of performing Value in Use calculations in respect of an Equity Investment on a post IFRS 16 basis, the FY22 impairment review was performed on a pre-IFRS 16 basis. The discount rate disclosed is therefore higher than that disclosed in Note 15 (as a pre IFRS 16 discount rate does not incorporate the cost of debt and lease liabilities). In the prior year, where no impairment charge was required to be calculated due to the headroom in the impairment review, the Value in Use calculation was derived on a post IFRS 16 basis.

Impairment

An impairment review was therefore performed with an impairment charge of £175.6m being recognised. This impairment reflects the deterioration in the UK macro-economic environment and economic outlook'in 2022, leading to an expectation of a downturn in financial performance in the short term, with a potentially significant impact across the retail sector as a whole.

Impairment sensitivities

It is possible that a materially different impairment would have been identified in the impairment review if the key assumptions were changed in the value-in-use calculations. The impact on the impairment charge recognised from reasonably possible changes in assumption, all other assumptions remaining the same, are shown in the table below.

Assumption	Change in impairment charge
Discount rate increases or decreases by 0.5%	£26.7m – £(24.2)m
Revenue increases or decreases by 2%	£106.9m – £(106.9)m
Gross margin increases or decreases by 1%	£119.5m – £(119.5)m
Long term growth rate increases or decreases by 0.5%	£18.8m – £(17.0)m

C7 CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The capital structure of the Company comprises issued capital, reserves and retained earnings as disclosed in the Company statement of changes in equity totalling £597.1m (1 January 2022: £763.7m) as at 31 December 2022.

Credit risk

As at 31 December 2022, the Company had no amounts owed (1 January 2022: £nil). The Company's maximum exposure to credit risk is £nil (1 January 2022: £nil)

Liquidity risk

The Company finances its activities through its investments in subsidiary undertakings.

The Company anticipates that its funding sources will be sufficient to meet its anticipated future administrative expenses and dividend obligations as they become due over the next 12 months.

Market risk

As at 31 December 2022, the Company had short-term payables of £1.7m (1 January 2022: £7.1m) owed to subsidiary undertakings, which are repayable on demand and bear no interest. The Directors do not perceive that servicing this debt poses any significant risk to the Company given its size in relation to the Company's net assets.

C7 CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

Distributable reserves

The distributable reserves of the Company approximate to the accumulated profits, under Reporting Standard FRS102, after deducting equity settled share based payments and investments in own shares, resulting in distributable reserves of £565.6m (1 January 2022: £735.9m). When required the Company can receive dividends from its subsidiaries to further increase the distributable reserves.

In the 52 weeks ended 31 December 2022, the Company received £38.3m of dividends from its subsidiaries (53 weeks ended 1 January 2022: £35.3m) to pay to its equity shareholders of the Parent.

Share-based payments made during the 52 weeks ended 31 December 2022 include nil (53 weeks ended 1 January 2022: £1.1m) of pre-demerger charges for Wickes employees under the Travis Perkins Plc share schemes.

C8 RELATED PARTY TRANSACTIONS

The Company's subsidiaries are listed in note 17 to the Group financial statements. The following table provides the Company's balances that are outstanding with subsidiary companies at the balance sheet date:

(£m)	As at 31 December 2022	As at 1 January 2022
Amounts owed to subsidiary undertakings – Wickes Building Supplies Limited	1.8	7.1
	1.8	7.1

The amounts outstanding are unsecured and repayable on demand.

The following table provides the Company's transactions with subsidiary companies recorded in profit for the financial year:

(£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Amounts invoiced by subsidiaries	(1.7)	(7.1)
Dividend received from subsidiaries	38.3	35.3
	36.6	28.2

Amounts invoiced to/by subsidiaries relate to general corporate purposes.

Directors' remuneration

The remuneration of the Directors of the Company is set out below. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration report on page 105.

(£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Salaries and other short-term benefits*	1.5	1.6
Post-employment benefits*	0.1	0.1
Share-based payments*	0.8	0.9
	2.4	2.6

* Emoluments and share-based payment charges for the Executive Directors are borne by a subsidiary company, Wickes Building Supplies Limited, and recharged to Wickes Group Plc. Please refer to note 27 of the Group consolidated financial statements.

Directors' interests in share-based payment schemes

Refer to note 27 to the Group financial statements for further details of the main features of the schemes relating to share options held by the Executive Directors and Senior Management Team.

Other transactions

During the period, the Company did not make any purchases in the ordinary course of business from an entity under common control.

C9 EVENTS AFTER THE REPORTING PERIOD

There have been no events to disclose after the reporting date.