

Corporate Governance For the year ended 31 December 2000

COMBINED CODE In June 1998 the Combined Code on Corporate Governance ("the Code") was issued by the London Stock Exchange. The Code is based on the report of the Hampel Committee and sets out principles of good corporate governance together with specific provisions. Section 1 of the Code is applicable to companies. A statement on how the Company has applied the principles and a statement explaining the extent to which it has complied with the provisions in the Code appear below. The Code establishes fourteen principles of governance which are divided into the following four areas.

DIRECTORS The Company is controlled through a board of directors which presently comprises three executive and five non-executive directors. Mr E. C. Adams and Mr C. M. Fisher are not considered to be independent non-executive directors in view of their previous executive positions. The other non-executive directors, Mr J. N. Clarke, Mr M. B. Dearden and Mr P. J. Maydon, are independent. Mr E. R. A. Travis is chairman and Mr F. J. McKay is chief executive. Appointments of new directors are made by the board on the recommendation of the Remuneration and Nominations Committee.

As chairman, Mr Travis ensures that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. All directors are able to take independent professional advice in the furtherance of their duties if necessary.

The board has a formal schedule of matters reserved to it and meets at least ten times each year. It is responsible for overall Group strategy, acquisition policy, approval of major capital expenditure projects and consideration of significant financial and operational matters. It monitors the exposure to key business risks and reviews the strategic direction of the trading subsidiaries, their annual budgets and progress towards the achievement of those budgets and their capital expenditure programmes. It also considers environmental, health & safety and employment issues.

The board also ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. All directors will submit themselves for re-election at least once every three years in accordance with the Code.

The board has established two standing committees, the Audit Committee and the Remuneration and Nominations Committee, which operate within defined terms of reference. The trading subsidiary companies are managed by separate boards of directors, of which the Group executive directors (other than the chairman) are generally members. The minutes of their meetings and of the standing committees are available to the Group board of directors.

DIRECTORS' REMUNERATION The Remuneration and Nominations Committee consists exclusively of the independent non-executive directors, and meets at least twice a year. Its responsibilities include the review of the performance of executive directors and key members of senior management prior to determining their remuneration. The remuneration of the non-executive directors is recommended by the chairman and is then determined by the board of directors as a whole.

The Committee consults the chairman about its proposals and has access to professional advice from inside and outside the Company. No director plays a part in the discussion about his own remuneration.

The relevant information on directors' remuneration for the year ended 31 December 2000 is included within the Remuneration Report which is set out on pages 24 to 29.



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RELATIONS WITH SHAREHOLDERS The Company encourages two-way communication with both its institutional and private investors and responds promptly to all enquiries received orally or in writing. The executive directors, either separately or together, attended a number of meetings with analysts and institutional shareholders in the year ended 31 December 2000.

All shareholders receive at least twenty working days notice of the Annual General meeting at which all directors are available for questions and a short business presentation will take place. The number of proxy votes for and against each agenda item will be available at the meeting.

ACCOUNTABILITY AND AUDIT A review of the performance of the Group's trading subsidiaries and the financial position of the Group is included in the Chief Executive's Review and in the Finance Director's Report set out on pages 6 - 13. The board uses this, together with the Chairman's Statement on pages 4 and 5, to present a full assessment of the Company's position and prospects. The directors' responsibilities for the financial statements are described on page 32.

INTERNAL CONTROL The board of directors is responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failing to achieve business objectives and therefore can only provide reasonable, and not absolute, assurance against material misstatement or loss.

During 2000, the board reviewed its ongoing processes for identifying, evaluating and managing significant risks faced by the Group. In many instances, this gave a formal structure to risk control measures which were already in place.

The implementation and day to day operation of the system of internal controls has been delegated to executive directors and senior management, but the effectiveness of the system is regularly reviewed by the board in a process that accords with the 'Turnbull Report, Internal Control: Guidance for Directors on the Combined Code' issued in September 1999. Since September 2000, when Turnbull procedures were established, the board has received regular reports on specific areas of risk. If appropriate, these reports include recommendations for improvement in controls or for the management of those risks.

Prior to September 2000, procedures were being reviewed and where appropriate established to ensure they meet the board's requirements for managing risk and improving the system of internal control. Furthermore, steps continue to be taken to integrate risk management procedures into the Group's operations, to extend awareness of the importance of the management of risk and to ensure that recommended improvements brought to the attention of the board are implemented.

The board has carried out an annual review of the overall effectiveness of the system of internal control and risk management procedures, to the extent that they were operative during the year and up until the date of approval of the annual report. This comprised receiving a report from the chairman of the Audit Committee and an update on the monthly reports it had previously received. The following particular measures should be noted:

The internal control procedures operate within a clearly defined organisational structure, with assigned responsibilities and authorities.

Control procedures are regularly reviewed and are formally documented in Group reference manuals;

The Group recognises the importance of the quality and integrity of its personnel; attention is paid to the experience and capabilities of staff and their training needs; a formal system of succession planning has been introduced;

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There are clear policies on health & safety, environmental compliance, security, fraud and other irregularities;

Business processes at the Group's branches and at its head office are monitored through regular visits by the internal audit department to ensure compliance. The department also has responsibility for monitoring and maintaining the Group business continuity plan. The head of the internal audit department reports direct to the Audit Committee twice a year;

The Group operates a comprehensive budgetary system with annual budgets being prepared within a three year plan. Both the three year plan and annual budgets are reviewed and approved by the board. The preparation of these plans and budgets incorporates a review of the commercial and other risks facing the Group and results in financial targets being established for individual operating units and for the Group as a whole. Actual performance against budget is monitored monthly at regional, subsidiary and Group board meetings, using performance indicators and other exception reporting. Relevant financial and non-financial information is generated by the Group's reporting systems and communicated to management to enable actual performance to be monitored on a daily, weekly or monthly basis, as appropriate;

Bank facilities and other treasury functions are monitored by the finance director with any policy changes being reviewed and approved by the board;

The development of the Group's IT systems is monitored by a separate Information Technology committee, which reviews the Group's IT continuity and disaster recovery plans, as well as new system implementation;

The Group has a comprehensive system for controlling capital expenditure and assessing investment opportunities. Post investment appraisals are undertaken on all major projects after a suitable period of time has elapsed.

AUDIT COMMITTEE AND AUDITORS The Audit Committee meets at least twice each year, with both the external and internal auditors and the finance director in attendance. This Committee is responsible for agreeing external and internal audit plans and reviewing and reporting to the board accounting policy and financial control and reporting matters.

GOING CONCERN After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT The Company is pleased to report that it has complied throughout the year ended 31 December 2000 with the provisions set out in Section 1 of the Code, except for paragraph A3.2 of the Code that, following the retirement of Mr H. J. Smeeton and prior to the appointment of Mr M. B. Dearden, there was not a majority of non-executive directors who were independent between 1 July and 7 November 2000.

Remuneration Report For the year ended 31 December 2000

REMUNERATION AND NOMINATIONS COMMITTEE The Committee consists of Mr J. N. Clarke as chairman, together with Messrs. M. B. Dearden and P. J. Maydon. These directors are non-executive and have no day to day involvement in the running of the business, no financial interest in the business (except as shareholders) and no conflicts of interest arising from other directorships. The Committee consults the chairman about any proposals and has access to professional advice from inside and outside the Group. Written terms of reference for the Committee have been approved by the board of directors.

POLICY ON EXECUTIVE DIRECTORS' REMUNERATION Remuneration packages are designed to motivate and retain directors of the calibre needed to maintain the Group's leading market position. The performance of the executive directors determines their annual remuneration package. There are four main elements of the remuneration package:

- basic salary; ■ annual bonus payments; ■ share options; ■ pension arrangements.

BASIC SALARY An executive director's basic salary is determined by the Remuneration and Nominations Committee annually and when an individual changes position or responsibility. Salaries are reviewed in November each year with increases taking effect from 1 January in the following year. Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting.

ANNUAL BONUS PAYMENTS The Committee establishes the objectives that must be met if a cash payment is to be made and reviews them periodically. It believes that any annual bonus award should be related to the interests of the Company's shareholders and that the principal measure of those interests is shareholder value. Hence, bonus payments for executive directors are based on a formula related to the level of the net earnings per share achieved by the Group against a base level reviewed annually. There is an element within the payment dependent on the achievement of individual objectives. The maximum performance related bonus that can be paid is 50 per cent of basic annual salary.

SHARE OPTIONS For many years, the Company has further motivated directors and senior executives through granting them options, spread over a number of years, to purchase shares in the Company at the middle market price quoted at time of grant. Under the scheme approved by shareholders in 1995 the Committee sets appropriate performance targets whenever options are granted. For the options granted under this scheme to date, the performance target was based on the growth of the Group's earnings per share over a three year period. These options can only be exercised if the growth in earnings per share outstrips inflation by at least 6 per cent in aggregate over that period.

The Remuneration Committee has reviewed the current scheme and considered alternative long term incentive schemes, but believes that an executive share option scheme remains the most appropriate scheme for the Group. However, in the light of developments in market practice and the revised guidelines issued by the Association of British Insurers, it has concluded that shareholder's approval should be sought for the adoption of a new Scheme.

The new Scheme will provide for the grant of options on a regular annual basis, up to a limit of twice basic salary, and the exercise of options will be subject to challenging performance conditions. A summary of the terms of the proposed Scheme is set out on pages 60 - 62 and a resolution for its adoption is set out on page 58.

The following options over ordinary shares have been granted under the 1984 and the 1995 Executive Share Option Schemes and the Travis Perkins Sharesave Scheme 1992 and remained outstanding at 31 December 2000:

Remuneration Report For the year ended 31 December 2000

Travis Perkins Share Option Schemes		Outstanding at 1 January 2000 No.	Granted during year No.	Lapsed during year No.	Exercised during year No.	Outstanding at 31 December 2000 No.	Exercise price
Executive share options	a	4,000	-	-	(4,000)	-	187.0p
	b	38,000	-	-	-	38,000	228.0p
	c	3,000	-	-	-	3,000	148.0p
	d	30,000	-	-	(20,000)	10,000	281.0p
	e	364,000	-	-	(98,000)	266,000	307.0p
	f	1,089,000	-	(23,000)	-	1,066,000	571.5p
	g	20,000	-	-	-	20,000	696.0p
	h	20,000	-	-	-	20,000	668.5p
	i	100,000	-	-	-	100,000	594.0p
	j	15,000	-	(15,000)	-	-	660.0p
	k	-	20,000	-	-	20,000	563.5p
	l	-	60,000	-	-	60,000	602.5p
	m	-	20,000	-	-	20,000	550.0p
		1,683,000	100,000	(38,000)	(122,000)	1,623,000	
Sharesave options	n	11,933	-	(964)	(10,969)	-	286.0p
	o	118,662	-	(1,730)	(111,511)	5,421	295.0p
	p	89,780	-	(2,849)	(1,228)	85,703	456.0p
	q	105,862	-	(7,005)	(387)	98,470	522.5p
	r	419,372	-	(29,831)	(208)	389,333	412.5p
	s	293,032	-	(50,357)	-	242,675	511.0p
	t	438,637	-	(61,762)	(35)	376,840	511.0p
	u	-	318,569	(1,417)	-	317,152	464.0p
	v	-	419,580	(4,072)	-	415,508	464.0p
		1,477,278	738,149	(159,987)	(124,338)	1,931,102	
Directors' share options included within above:							
F. C. Adams	w	30,000	-	-	-	30,000	307.0p
	e	20,000	-	-	(20,000)	-	307.0p
P. N. Hampden Smith	f	30,000	-	-	-	30,000	571.5p
	p	3,782	-	-	-	3,782	456.0p
F. J. McKay	i	100,000	-	-	-	100,000	594.0p
		183,782	-	-	(20,000)	163,782	

Mr P. N. Hampden Smith exercised 20,000 share options on 19 December 2000 when the mid-market price of the Company's shares was 682.0 pence.

At 31 December 2000, in addition to the directors, there were 116 employees (1999: 113) who had holdings of executive share options and 2,413 employees (1999: 2,536) who were participating in the Sharesave Scheme.

These options may be exercised during the following periods (or earlier or later under certain circumstances):

Executive share options:

- | | |
|--|--|
| b any time until 26 October 2001 | h from 14 September 2002 until 13 September 2009 |
| c any time until 23 October 2002 | i from 9 November 2002 until 8 November 2009 |
| d any time until 18 November 2003 | k from 11 April 2003 until 10 April 2010 |
| e any time until 12 June 2005 | l from 8 September 2003 until 7 September 2010 |
| f from 27 April 2001 until 26 April 2008 | m from 10 October 2003 until 9 October 2010 |
| g from 16 July 2002 until 15 July 2009 | |

Sharesave options:

- | |
|--|
| o any time until 31 May 2001 |
| p from 1 December 2001 until 31 May 2002 |
| q from 1 December 2002 until 31 May 2003 |
| r from 1 December 2003 until 31 May 2004 |
| s from 1 December 2002 until 31 May 2003 |
| t from 1 December 2004 until 31 May 2005 |
| u from 1 December 2003 until 31 May 2004 |
| v from 1 December 2005 until 31 May 2006 |
| w any time until 31 July 2001 |

Remuneration Report For the year ended 31 December 2000

SHARE OPTIONS (continued)

Sharpe & Fisher Share Option Schemes

After the offer to Sharpe & Fisher shareholders became unconditional on 1 December 1999, proposals were made to holders of options under the Sharpe & Fisher executive share option schemes and the Sharpe & Fisher Savings Related Share Option Scheme. These proposals included the opportunity to release the options over Sharpe & Fisher shares in return for replacement options over Travis Perkins ordinary shares ("the Roll-Over Proposal"). The general terms of the Roll-Over Proposal were that, for every 100 Sharpe & Fisher shares under the existing options, there would be granted options over 49,6269 Travis Perkins shares. The total exercise price payable for all the Travis Perkins shares under the replacement options would be the same as the total exercise price payable for all the Sharpe & Fisher shares under the existing options. The following options over Travis Perkins shares were granted on 5 January 2000, pursuant to the Roll-Over Proposal, and remained outstanding at 31 December 2000:

		Granted 5 January 2000 No.	Lapsed during year No.	Exercised during year No.	Outstanding at 31 December 2000 No.	Exercise price
Executive share options	a	1,984	-	-	1,984	318.0p
	b	10,418	-	-	10,418	348.5p
	c	992	-	-	992	364.5p
	d	496	-	-	496	470.5p
	e	248	-	-	248	458.0p
	f	992	-	-	992	385.5p
		15,130	-	-	15,130	
Sharesave options	g	5,612	(1,069)	-	4,543	257.5p
	h	17,178	(1,730)	-	15,448	338.5p
	i	7,540	(265)	(2,495)	4,780	366.5p
	j	21,807	(281)	-	21,526	366.5p
	k	11,358	(452)	-	10,906	229.5p
	l	15,177	-	-	15,177	229.5p
		78,672	(3,797)	(2,495)	72,380	

The total number of employees participating in the Sharpe & Fisher Sharesave Scheme as at 31 December 2000 was 115 (31 December 1999: 132).

The above options may be exercised during the following periods (or earlier or later under certain circumstances):

a any time until 17 April 2004	g any time until 31 May 2001
b any time until 3 May 2005	h from 1 December 2001 until 31 May 2002
c any time until 14 May 2006	i any time until 31 May 2001
d any time until 6 May 2007	j from 1 December 2002 until 31 May 2003
e from 6 May 2001 until 5 May 2008	k from 1 December 2001 until 31 May 2002
f from 26 April 2002 until 25 April 2009	l from 1 December 2003 until 31 May 2004

Remuneration Report For the year ended 31 December 2000

Travis Perkins Share Price Information	2000	1999
Mid-market price at 31 December	694.0p	666.5p
Highest mid-market price during the year	694.0p	786.0p
Average mid-market price during the year	600.7p	604.9p
Lowest mid-market price during the year	523.0p	353.5p

Directors' Shareholdings

In addition to the options detailed above, directors' holdings of the ordinary 10p shares of Travis Perkins plc at 31 December of each year were as follows:

		2000	1999
Director	Interest	No.	No.
E. R. A. Travis	Beneficial owner	6,725,518	6,725,518
	Trustee	3,063,878	2,918,878
	Beneficial interest as a member of a family group	3,810,274	3,810,274
E. C. Adams	Beneficial owner	105,249	105,249
J. N. Clarke	Beneficial owner	1,000	1,000
M. B. Dearden	No interest	-	-*
C. M. Fisher	Beneficial owner	791,944	791,945*
	Non-beneficial owner	-	17,605*
P. N. Hampden Smith	Beneficial owner	15,001	7,001
F. J. McKay	Beneficial owner	7,444	7,444
P. J. Maydon	Beneficial owner	1,000	1,000

* on date of appointment

In addition, as potential beneficiaries under the sharesave scheme, Messrs. P. N. Hampden Smith and F. J. McKay are deemed to be interested in shares in the Company held by Travis Perkins Quest Trustees Limited, which at 31 December 2000 totalled 209,862 shares. At 8 March 2001, this had reduced to 207,479 shares. In addition, Mr Fisher has an interest in loan notes (as described in note 19) with a value of £3,426,866 (1 January 2000: £3,426,866).

There were no changes in the holdings of the directors between 31 December 2000 and the date of this report, other than those stated above.

PENSION ARRANGEMENTS Executive directors are members of the Travis Perkins Group pension scheme. As with all other members, their dependants are eligible for dependants' pensions and a payment of a lump sum in the event of death in service. Except in the case of Mr F. J. McKay, the pension arrangements provide for retirement at age 60 and a pension in retirement based on the directors' length of service in the Group pension scheme and the average of the best three of the last ten years of pensionable salary.

Mr F. J. McKay has been guaranteed, on retirement at age 62, a pension of one third of his final pensionable salary after deducting the pension payable from a previous employment. This pension will be funded partly by the Group scheme and by separate funded and unfunded arrangements established for him.

Remuneration Report For the year ended 31 December 2000

PENSION ARRANGEMENTS (continued) For many years, bonus payments to executive directors and management formed a part of scheme members' pensionable emoluments and both the Group and the employee contributed a proportion of any such bonus to the scheme funds. On 1 December 1995, the Company changed its policy so that, from that date, for pension scheme members not then eligible for bonus payments and for all future entrants to the pension scheme, any such bonus payments that they may later become entitled to, would not form part of their pensionable salaries. This does not affect scheme members, including executive directors, eligible for bonus payments prior to 1 December 1995 who will continue to have such payments treated as part of their pensionable salaries.

There have been no changes in the basis of directors' pension entitlements during the year. Except as described above for Mr F. J. McKay, there are no unfunded pension commitments or similar arrangements for directors.

Pension entitlements of the executive directors during the year were as follows:

	Age at 31 December 2000	Accrued pension at 31 December 2000 £'000	Increase in accrued pension in 2000 (over and above inflation) £'000	Members' contributions towards pension £'000	Transfer value of the increase in accrued pension net of members' contributions £'000
E. R. A. Travis	57	94	12	7	192
E. C. Adams	60	158 *	-	7	-
P. N. Hampden Smith	40	14	2	5	12
F. J. McKay	55	7	6	14	71

* Accrued at date of retirement as an executive director.

The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead, they represent a potential liability of the Group pension scheme, and in the case of Mr F. J. McKay, the separate arrangements previously described. The figures shown above for Mr E. C. Adams reflect the fact that he retired as an executive director on 31 July 2000.

SERVICE CONTRACTS Executive directors have service contracts incorporating a rolling 12 month notice period.

AMOUNT OF DIRECTORS' EMOLUMENTS Details for directors' remuneration are set out on the following page.

Mr C. M. Fisher was appointed as a non-executive director on 1 January 2000 and receives a fee of £30,000 per annum. He has earned an additional £7,800 during the year ended 31 December 2000 under a consultancy arrangement to assist in the integration of Sharpe & Fisher.

Remuneration Report For the year ended 31 December 2000

	Basic salary		Annual bonus		Benefits in kind		Gains on share options		Total remuneration	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Executive										
E. R. A. Travis ¹	105	100	36	45	12	10	-	-	153	155
P. N. Hampden Smith	169 ⁴	125	48	56	6	9	75	-	298	190
F. J. McKay ²	273	45	90	-	17	3	-	-	380	48
Non-executive										
E. C. Adams ³	129	180	38	81	7	10	-	-	174	271
J. N. Clarke	30	22	-	-	-	-	-	-	30	22
M. B. Deardon	4	-	-	-	-	-	-	-	4	-
C. M. Fisher	38	-	-	-	-	-	-	-	38	-
P. J. Maydon	30	22	-	-	-	-	-	-	30	22
H. J. Smeeton	15	22	-	-	-	-	-	-	15	22
	793	516	212	182	42	32	75	-	1,122	730

¹ Chairman ² Highest paid director ³ Executive director 1 January 2000 - 31 July 2000 ⁴ Includes a £19,000 salary supplement to enable Mr P. N. Hampden Smith to privately arrange pension provision for that part of his salary which is above the Inland Revenue approved limit.

Other amounts within directors' emoluments are:

	Total remuneration		Pension scheme contributions		Total emoluments	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Executive						
E. R. A. Travis	153	155	12	10	165	165
P. N. Hampden Smith	298	190	9	7	307	197
F. J. McKay	380	48	95	1	475	49
Non-executive						
E. C. Adams	174	271	-	16	174	287
J. N. Clarke	30	22	-	-	30	22
M. B. Dearden	4	-	-	-	4	-
C. M. Fisher	38	-	-	-	38	-
P. J. Maydon	30	22	-	-	30	22
H. J. Smeeton	15	22	-	-	15	22
	1,122	730	116	34	1,238	764

NON-EXECUTIVE DIRECTORS The remuneration of the non-executive directors is determined by the board. These directors do not have a contract of service and are not eligible to join the Group's pension scheme. Each of the non-executive directors has received a letter of appointment expiring on the following dates:

E. C. Adams	December 2002	J. N. Clarke	June 2002	M. B. Dearden	November 2003
C. M. Fisher	December 2002	P. J. Maydon	May 2004		

Non-executive directors cannot participate in any of the Company's share option schemes, except that, as described on page 25, Mr E. C. Adams has outstanding options arising from his previous employment as an executive director.

SHAREHOLDERS' APPROVAL The board has minuted a decision that the shareholders in Annual General Meeting need not be invited to approve the remuneration policy set out in this Report. The chairman of the Committee will be available to answer questions on any aspect of the remuneration policy at the Annual General Meeting.

Directors' Report For the year ended 31 December 2000

The directors present their annual report and audited accounts for the year ended 31 December 2000.

ACTIVITIES The principal activities of the Group are the marketing and distribution of timber, building and plumbing materials and the hiring of tools to the building trade and industry generally within the United Kingdom.

REVIEW OF GROUP'S POSITION, DEVELOPMENTS AND FUTURE PROSPECTS These subjects are dealt with as part of the Chairman's Statement, the Chief Executive's Review and the Finance Director's Report on pages 4 to 13.

RESULTS AND DIVIDENDS The Group results and dividends for the year ended 31 December 2000 are set out on page 3. If approved, the final dividend will be paid on 17 May 2001 to those shareholders on the register on 17 April 2001.

DIRECTORS The directors at 31 December 2000 are as listed on pages 18 and 19. Mr H. J. Smeeton retired as a non-executive director on 30 June 2000.

In accordance with the Company's Articles of Association, Mr E. C. Adams, Mr P. J. Maydon and Mr E. R. A. Travis retire by rotation and, being eligible, offer themselves for re-election. Mr E. R. A. Travis has a rolling 12 month notice period in his service contract. As non-executive directors, Mr Adams and Mr Maydon do not have service contracts.

Mr M. B. Dearden was appointed as a director on 8 November 2000. In accordance with the Company's Articles of Association, he now retires as a director and, being eligible, offers himself for election at the Annual General Meeting. He does not have a service contract.

None of the directors had an interest in any contract to which the Company or any of its subsidiaries was a party during the year.

The disclosable interests of directors at 31 December 2000 including holdings, if any, of wives and of children aged under 18, were as detailed in the Remuneration Report on pages 25 and 27.

SUBSTANTIAL INTERESTS At 8 March 2001, the only substantial interests (that is, 3 per cent or more) in the Company's share capital notified to the Company were as follows:

Mr E. R. A. Travis	13,599,670	Beneficial and non-beneficial	12.24%
Royal & Sun Alliance Insurance	4,789,500		4.31%

Directors' Report For the year ended 31 December 2000

CLOSE COMPANY STATUS The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

EMPLOYEE PARTICIPATION The Group's employees are regularly informed of the Group's financial position and the market conditions in which it operates and are consulted regarding any changes in employment conditions. To encourage the involvement of employees in the Company's performance, the Company operates the Travis Perkins Sharesave Scheme 1992. In addition, a bonus scheme covering all employees not already covered by director and managerial schemes was introduced at the beginning of 1998.

DISABLED PERSONS The Group recognises its obligations towards disabled persons and endeavours to deal fairly and equitably with such persons in matters relating to their employment.

Disabled applicants for employment are given full and fair consideration alongside all other applicants and due regard is given to their particular aptitudes and abilities. Where a person becomes disabled during the course of their employment, the Company endeavours to supply suitable training for that person's continued employment.

Disabled persons have equal opportunity with all other employees who undergo training appropriate to the development of their careers. Additionally, every effort is made to assist disabled employees in undergoing training related specifically to mitigating the effect of disability on their employment.

SUPPLIER PAYMENT POLICY The Group's policy is to pay all of its suppliers in accordance with established terms. Group trade creditors at 31 December 2000 represent 48.7 days (1999: 54.7 days) of average purchases of goods and services. The Company has no trade creditors.

DONATIONS During the year the Group made donations of £44,683 (1999: £59,705) for charitable purposes.

AUDITORS Deloitte & Touche are willing to continue in office and a resolution for their reappointment as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board




A. S. Pike Secretary

8 March 2001

Statement of Directors' Responsibilities For the year ended 31 December 2000

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed; and
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report to the Members of Travis Perkins plc

For the year ended 31 December 2000

We have audited the financial statements on pages 34 to 55 which have been prepared under the accounting policies set out on pages 38 and 39.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS The directors are responsible for preparing the Annual Report including, as described on page 32, the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

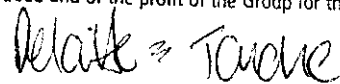
We review whether the Corporate Governance statement on page 23 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all the risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risks and control procedures.

We read the other information contained in the Annual Report, including the Corporate Governance Statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF OPINION We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall presentation of information in the financial statements.

OPINION In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche,
Chartered Accountants and Registered Auditors,
Colmore Gate, 2 Colmore Row, Birmingham B3 2BN

8 March 2001

Consolidated Profit and Loss Account For the year ended 31 December 2000

£m	Notes	2000	1999
Turnover	1	1,181.2	874.3
Operating profit before reorganisation costs and amortisation of goodwill		113.2	90.4
Reorganisation costs		(5.0)	(6.6)
Amortisation of goodwill		(10.1)	(4.2)
Operating profit after reorganisation costs and amortisation of goodwill	2	98.1	79.6
Profit on sale of properties		0.3	0.6
Profit on ordinary activities before interest		98.4	80.2
Net interest payable	5	(12.7)	(5.0)
Profit on ordinary activities before taxation		85.7	75.2
Tax on profit on ordinary activities	6	(27.3)	(22.5)
Profit on ordinary activities after taxation		58.4	52.7
Dividends paid and proposed	7	(17.0)	(14.9)
Retained profit transferred to reserves	21	41.4	37.8
Earnings per ordinary share			
Basic	8	52.7p	50.0p
Diluted	8	52.4p	49.6p
Adjusted	8	64.7p	57.8p*
Dividend per ordinary share	7	15.3p	13.7p

All results relate to continuing activities. The results disclosed in the Group profit and loss account are not materially different from the results on an unmodified historical cost basis.

*Restated - see note 8

Statement of Total Recognised Gains and Losses For the year ended 31 December 2000

£m	2000	1999
Profit attributable to shareholders of the Company	58.4	52.7
Revaluation of property transferred to current assets	(0.7)	-
Unrealised surplus on revaluation of properties	-	23.8
Total recognised gains and losses relating to the year	57.7	76.5

Balance Sheets

As at 31 December 2000

£m	Notes	The Group		The Company	
		2000	1999	2000	1999
Fixed assets					
Tangible assets	9	215.8	194.2	0.2	0.1
Intangible assets - goodwill	10	192.8	181.1	-	-
Investments	11	5.2	4.0	398.5	381.3
		413.8	379.3	398.7	381.4
Current assets					
Stocks	12	140.6	127.8	-	-
Debtors	13	212.3	205.5	34.9	46.6
Properties held for resale	14	1.5	0.3	-	-
Cash at bank and in hand	15	9.8	17.0	263.3	2.0
		364.2	350.6	298.2	48.6
Creditors: amounts falling due within one year	16	(269.3)	(227.3)	(57.0)	(40.3)
Net current assets		94.9	123.3	241.2	8.3
Total assets less current liabilities					
		508.7	502.6	639.9	389.7
Creditors: amounts falling due after more than one year	17	(150.0)	(185.1)	(480.5)	(238.2)
Provisions for liabilities and charges	18	(1.1)	(3.0)	-	-
		357.6	314.5	159.4	151.5
Capital and reserves					
Called up share capital	20	11.1	11.1	11.1	11.1
Share premium account	21	54.7	52.0	53.6	50.9
Revaluation reserves	21	31.4	32.0	-	-
Profit and loss account	21	259.3	218.3	94.7	89.5
Total equity shareholders' funds		356.5	313.4	159.4	151.5
Minority interests - non equity	22	1.1	1.1	-	-
		357.6	314.5	159.4	151.5

The financial statements were approved by the board of directors on 8 March 2001.

Signed on behalf of the board of directors.

F. J. McKay

P. N. Hampden Smith

Directors

P. N. Hampden Smith

Reconciliation of Movements in Equity Shareholders' Funds

For the year ended 31 December 2000

£m	Notes	2000	1999
Shareholders' funds at 1 January		313.4	215.5
Profit attributable to shareholders of the Company		58.4	52.7
Dividends	7	(17.0)	(14.9)
Retained profit transferred to reserves		41.4	37.8
New share capital subscribed		2.4	36.3
Revaluation of property transferred to current assets		(0.7)	-
Unrealised surplus on revaluation of properties		-	23.8
Net increase in shareholders' funds		43.1	97.9
Shareholders' funds at 31 December		356.5	313.4

Consolidated Cash Flow Statement

For the year ended 31 December 2000

£m	Notes	2000	1999
Net cash inflow from operating activities	27	104.7	106.6
Returns on investments and servicing of finance			
Interest received		0.1	1.2
Interest paid		(10.3)	(5.1)
Net cash outflow for returns on investments and servicing of finance		(10.2)	(3.9)
Taxation			
UK corporation tax paid		(26.3)	(24.6)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(34.3)	(17.5)
Receipts from sales of tangible fixed assets		1.6	1.9
Net cash outflow for capital expenditure and financial investment		(32.7)	(15.6)
Acquisitions			
Purchase of business undertakings	30	(18.0)	(237.6)
Net overdrafts acquired with business undertakings	30	(5.8)	(14.2)
Net cash outflow for acquisitions		(23.8)	(251.8)
Equity dividends paid		(15.8)	(13.1)
Cash outflow before use of liquid resources and financing		(4.1)	(202.4)
Management of liquid resources			
Cash inflow from short term deposits	29	15.9	11.8
Financing			
Issue of ordinary share capital		1.1	1.5
New bank loans		-	205.0
Repayment of bank loans		(10.0)	(20.0)
Repayment of unsecured loan notes	29	(2.3)	-
Capital element of finance lease rentals	29	(0.2)	(0.2)
Net cash (outflow) / inflow from financing		(11.4)	186.3
Increase / (decrease) in cash in the year		0.4	(4.3)

Accounting Policies For the year ended 31 December 2000

The financial statements have been prepared in accordance with applicable accounting standards. Of the new Financial Reporting Standards, two are effective for the first time this year, FRS15 - Tangible Fixed Assets, and FRS16 - Current Taxation. Neither standard has impacted the financial statements, although, following the introduction of FRS 15, the Group has adopted the transitional rules within the FRS which allow it to maintain the carrying value of all revalued assets at their modified historical cost.

Compliance with SSAP19 "Accounting for investment properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in note (g) below.

The particular accounting policies adopted are:

(a) **BASIS OF ACCOUNTING** The accounts have been prepared under the historical cost convention modified by the revaluation of certain freehold, leasehold and investment properties.

(b) **BASIS OF PREPARATION** The consolidated financial statements consolidate the accounts of the Company and all its subsidiaries.

The cost of acquisition represents the cash value of the consideration and/or the market value of the shares issued on the date the offer became unconditional, plus expenses. At the date of the acquisition an assessment is made of the fair value of the net assets. It is this fair value which is incorporated into the consolidated accounts.

Any excess cost over the fair value of net assets represents goodwill. Prior to 1 January 1998, goodwill was written off directly to reserves as a matter of accounting policy. From 1 January 1998, in accordance with FRS10, goodwill is capitalised and amortised over its estimated useful life which the directors consider to be 20 years.

The profit or loss on the disposal or closure of a business acquired prior to 1 January 1998 includes the attributable amount of any purchased goodwill relating to that business not charged through the profit and loss account.

(c) **DEPRECIATION** Depreciation is provided on tangible fixed assets on a straight line basis to write off the cost or valuation of those assets over their estimated useful lives. The principal rates of depreciation are:

Freehold buildings	Over the estimated useful life of the building
Leasehold property	Over the term of the lease
Fixed plant and equipment	10%-20% per annum
Mobile plant	12½% per annum
Motor vehicles	12½%-20% per annum
Computer installations	25% per annum
Tools and plant for hire	25% per annum

No depreciation is provided on freehold land or investment properties.

(d) **PROPERTIES HELD FOR RESALE** Properties held for resale are surplus to the Group's requirements and are transferred to current assets and shown at the lower of cost and net realisable value. The appropriate transfer from revaluation reserves is offset against the value transferred from fixed assets. Profits on the sale of properties are calculated by deducting the amounts at which they were stated in the balance sheet from sale proceeds net of expenses.

(e) **ASSOCIATED COMPANIES** The results of one small associated company are not included in the consolidated accounts as they are not significant in relation to those of the Group. The investment in associates is shown in the balance sheet at cost.

(f) **INVESTMENTS**

- (i) In the balance sheet of the parent company, investments in subsidiaries are stated at cost less amounts written off.
- (ii) Shares in associated companies are stated at cost less provisions for impairment.
- (iii) Investments held as current assets are stated at the lower of cost and net realisable value.
- (iv) Investments in own shares are held at cost, being the market value on the date the shares were issued by the parent company.

Accounting Policies For the year ended 31 December 2000

(g) **INVESTMENT PROPERTIES** In accordance with SSAP19, investment properties are revalued at open market value annually by either independent professional third party valuers or the directors. The aggregate surplus or deficit is transferred to revaluation reserve, subject to individual impairments in value. No depreciation is provided in respect of investment properties.

However, the Companies Act 1985 requires that all properties should be depreciated. This requirement conflicts with the generally accepted accounting principle set out in SSAP 19.

The directors consider that these properties are not held for trading use but are held for their investment potential. It is therefore necessary to adopt SSAP 19 as to depreciate them would not give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of the many factors reflected in the annual valuation.

(h) LEASES

(i) Finance leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the balance of the obligation.

(ii) Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual instalments over the periods of the leases.

(i) **STOCKS** Stocks are valued at the lower of cost and net realisable value, with allowance being made for obsolete and slow moving items.

(j) **DEFERRED TAXATION** Deferred taxation is provided at the anticipated tax rates on timing differences, to the extent that it is probable a liability or asset will crystallise in the future. Such timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

(k) **PENSION COSTS** For defined benefit schemes, the profit and loss account is charged with the regular pension cost, which is a substantially level percentage of the current and the expected future pensionable payroll, in the light of current actuarial assumptions. Variations in the regular cost are allocated over the expected remaining service lives of the current employees. Any differences occurring between the charge to the profit and loss account and the contributions paid to the schemes are recorded as an asset or liability on the balance sheet.

Contributions to money purchase pension schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

(l) **FINANCIAL INSTRUMENTS** Derivative instruments utilised by the Group are interest rate swaps and forward exchange contracts. The Group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the periods of the contracts.

Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction, unless matching forward foreign exchange contracts have been entered into, in which case the rate specified in the relevant contract is used. At the balance sheet date, unhedged monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date.

Notes to the Accounts For the year ended 31 December 2000

1. **TURNOVER** Turnover represents sales of timber, building and plumbing supplies and equipment rental (excluding VAT) to customers of the Group in the United Kingdom.

2. OPERATING PROFIT AFTER REORGANISATION COSTS AND AMORTISATION OF GOODWILL	2000	1999
	£m	£m
Turnover	1,181.2	874.3
Changes in stocks of finished goods	9.3	2.9
Raw materials and consumables	(905.5)	(650.4)
Staff costs:		
Wages and salaries	(127.4)	(91.9)
Social security costs	(10.3)	(7.8)
Other pension costs	(5.8)	(3.6)
Depreciation and other amounts written off tangible and intangible fixed assets	(26.7)	(19.0)
Other operating charges	(20.3)	(26.8)
Other operating income	3.6	1.9
Operating profit after reorganisation costs and amortisation of goodwill	98.1	79.6

Reorganisation costs of £5.0 million (1999: £6.6 million) are included within the other operating charges. Amortisation of goodwill of £10.1 million (1999: £4.2 million) is included within depreciation and other amounts written off tangible and intangible fixed assets.

	2000	1999
Items included above but not disclosed elsewhere:	£m	£m
Rental income	1.2	1.0
Profit on sale of plant and equipment	0.7	0.3
Group audit fee (Company audit fee: £16,000; 1999: £16,000)	(0.1)	(0.1)
Other amounts paid to Auditors	(0.2)	(0.2)
Hire of vehicles, plant and machinery	(9.6)	(7.6)
Other leasing charges - property	(10.6)	(8.4)
Depreciation of leased assets	(0.5)	(0.6)

Notes to the Accounts For the year ended 31 December 2000

3. PENSION ARRANGEMENTS During the year, the Group operated four final salary schemes: the Travis Perkins Pensions and Dependants' Benefit Scheme (the "Group Scheme"), the Keyline Builders Merchants Pension Scheme (the "Keyline Scheme"), the Sharpe & Fisher Pension Scheme and the Broombys Limited Pension Fund (the "Broomby Fund"), the assets of each of which were held in separate trustee administered funds, funded by contributions from the Group companies and the employees. With effect from 1 December 2000, the Keyline Scheme and the Broomby Fund were merged into the Group Scheme.

Contributions are paid to the trustees on the basis of advice from an independent professionally qualified actuary who carries out a valuation of each scheme every three years.

No formal actuarial valuation of the Group Scheme has been undertaken since the Keyline Scheme and the Broomby Fund were merged into it. Therefore, the table below shows the most recent valuations for the major components of the now merged scheme as well as of the Sharpe & Fisher scheme:

	Travis Perkins Pensions and Dependants' Benefit Scheme	Keyline Builders Merchants Pension Scheme	Sharpe & Fisher Pension Scheme
Date of last valuation by a professionally qualified actuary	30 November 1999	1 January 2000	31 December 1999
Market value of schemes' assets using 'projected unit method'	£142.9m	£32.7m	£18.8m
Percentage of liability for benefits accrued to members, after allowing for expected future increases in earnings	107%	101%	76%
Assumed return on investment in excess of:			
(i) general earnings growth	2.5%	2.5%	2.5%
(ii) pension increases	2.5%	2.5%	2.5%

Contributions to the Sharpe & Fisher Pension Scheme have been increased to fund the 24 per cent shortfall disclosed above.

Pension costs in respect of the Travis Perkins pension schemes represent:	2000	1999
	£m	£m
Regular cost	6.3	3.9
Variations from regular cost arising from the latest actuarial valuation	(0.5)	(0.3)
Charge to profit and loss account	5.8	3.6
Contributions paid to the scheme	(5.2)	(3.9)
Decrease / (increase) in pension scheme prepayment (Note 13)	0.6	(0.3)

The value of the prepayment at 31 December 2000 was £0.4 million which was after the offsetting of £1.1 million relating to the Keyline Scheme. The Company also operates several separately administered money purchase schemes being, the Keyline Builders Merchants Limited Retirement Benefits Scheme, the Blyth & Taylor Limited Executive Plan and the J & W Henderson Limited Retirement and Death Benefit Plan.

Notes to the Accounts For the year ended 31 December 2000**4. INFORMATION REGARDING EMPLOYEES AND DIRECTORS**

	2000	1999
Average number of persons employed:	No.	No.
Sales	5,737	4,318
Distribution	1,033	897
Administration	806	615
	7,576	5,830

Disclosures on directors' share options, remuneration, long-term incentive schemes, pension contributions and pension entitlements required by Companies Act 1985 and those specified for audit by the UK Listing Authority are shown on pages 25, 28 and 29 within the Remuneration Report and form part of these audited financial statements.

5. NET INTEREST PAYABLE

	2000	1999
	£m	£m
Interest on overdrafts and short term loans repayable within 5 years	(11.8)	(6.1)
Interest on unsecured loan notes	(1.0)	-
Total interest payable	(12.8)	(6.1)
Interest receivable and similar income	0.1	1.1
Net interest payable	(12.7)	(5.0)

Interest cover is 9 times (1999: 18 times). It is calculated by dividing operating profit before reorganisation costs and goodwill amortisation by the net interest payable.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	£m	£m
Corporation tax at 30% (1999: 30.25%)		
- Current year	29.1	22.1
- Prior year	(0.9)	-
Deferred tax at 30% (1999: 30%)	(0.9)	0.4
	27.3	22.5

The taxation charge is based on profit before tax for the year. There is no tax charge on profits on disposal of properties due to claims for rollover relief for which no deferred taxation provision has been made, or tax credit in respect of the amortisation of goodwill offsetting the tax charge.

7. DIVIDENDS

	2000	1999
	£m	£m
Interim 4.8 pence per share (1999: 4.3 pence per share)	5.3	4.5
Proposed final 10.5 pence per share (1999: 9.4 pence per share)	11.7	10.4
	17.0	14.9

Travis Perkins Quest Trustees Limited has waived its right to the dividend on 209,862 shares it holds in the parent company.

Notes to the Accounts For the year ended 31 December 2000

8. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share are calculated from the following ratio:

	2000	1999
Profit on ordinary activities after taxation	<u>£58.4 million</u>	<u>£52.7 million</u>
Average number of shares in issue	<u>110,730,648</u>	<u>105,325,007</u>

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share are calculated from the following ratio:

	2000	1999
Profit on ordinary activities after taxation	<u>£58.4 million</u>	<u>£52.7 million</u>
Average number of shares in issue including outstanding options	<u>111,406,946</u>	<u>106,230,674</u>

The difference in the average number of shares in issue used as the denominator for the calculations of basic and diluted earnings per share is due to the premium element of share options still outstanding at the end of each financial period, based on the average mid-market share price for that year. The adjustment to the number of shares is:

	2000 No.	1999 No.
Premium element of share options based on average mid-market share price for the year	<u>676,298</u>	<u>905,667</u>

(c) Adjusted earnings per ordinary share

Adjusted earnings per ordinary share are calculated based upon earnings before reorganisation costs, amortisation of goodwill and profit on the sale of properties and are presented in addition to the basic earnings per share calculated in accordance with FRS 3 and FRS 14 since, in the opinion of the directors, this presents a better like-for-like comparison of the earnings of the Group between the relevant periods.

Basic earnings per ordinary share may be reconciled to adjusted earnings per ordinary share as follows:

	2000	1999
Adjusted earnings per ordinary share (before reorganisation costs, amortisation of goodwill and profit on the sale of properties)	64.7 p	57.8 p *
Reorganisation costs	(4.5)p	(6.3)p
Tax relief on reorganisation costs	1.3 p	1.9 p *
Amortisation of goodwill	(9.1)p	(4.0)p
Profit on sale of properties	0.3 p	0.6 p
Basic earnings per ordinary share - FRS 14 basis	<u>52.7 p</u>	<u>50.0 p</u>

* The comparative number has been restated to be consistent with the current year which includes the tax effect on the reorganisation costs.

Notes to the Accounts For the year ended 31 December 2000

9. TANGIBLE FIXED ASSETS

	The Group				The Company	
	Freehold	Long leases	Short leases	Plant and equipment	Total	Total ¹
	£m	£m	£m	£m	£m	£m
Cost or valuation						
At 1 January 2000	131.7	12.7	7.3	94.7	246.4	0.2
Additions	6.5	-	0.9	26.9	34.3	0.1
Additions from acquired businesses	3.3	0.9	-	2.8	7.0	-
Disposals	(0.3)	(0.2)	-	(4.3)	(4.8)	-
Other amounts written off	-	-	-	(0.5)	(0.5)	-
Reclassifications	4.7	0.2	(4.5)	(0.4)	-	-
Transfer to current assets	(2.1)	-	-	-	(2.1)	-
At 31 December 2000	143.8	13.6	3.7	119.2	280.3	0.3
Accumulated depreciation						
At 1 January 2000	0.9	0.2	0.3	50.8	52.2	0.1
Charged this year	2.5	0.2	0.3	13.1	16.1	-
Disposals	-	-	-	(3.8)	(3.8)	-
At 31 December 2000	3.4	0.4	0.6	60.1	64.5	0.1
Net book value						
At 31 December 2000	140.4	13.2	3.1	59.1	215.8	0.2
At 31 December 1999	130.8	12.5	7.0	43.9	194.2	0.1

¹ Total Company fixed assets comprise plant and equipment only.

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

	The Group				The Company	
	Freehold	Long leases	Short leases	Plant and equipment	Total	Total ¹
	£m	£m	£m	£m	£m	£m
At valuation	79.6	6.2	2.6	-	88.4	-
At cost	64.2	7.4	1.1	119.2	191.9	0.3
	143.8	13.6	3.7	119.2	280.3	0.3

¹ Total Company fixed assets comprise plant and equipment only.

Those freehold and leasehold properties included at valuation in the consolidated balance sheet were revalued at their open market value on an existing use basis. The valuations were performed as at 31 December 1999 by an independent professional valuer, Lambert Smith Hampton, Consultant Surveyors and Valuers.

Included within freehold property is land with a value of £64.4 million (1999: £59.6 million) which is not depreciated.

The net book value of plant and equipment includes approximately £0.4 million (1999: £0.6 million) within the Group figures and £nil (1999: £nil) within the Company figures in respect of assets held under finance leases.

Notes to the Accounts for the year ended 31 December 2000

9. TANGIBLE FIXED ASSETS (continued)

Comparable amounts determined according to the historical cost convention:

	The Group				The Company	
	Freehold	Long leases	Short leases	Plant and equipment	Total	Total ¹
	£m	£m	£m	£m	£m	£m
Cost	134.6	12.7	8.5	119.2	275.0	0.3
Accumulated depreciation	(24.1)	(1.3)	(3.8)	(60.1)	(89.3)	(0.1)
Net book value						
At 31 December 2000	110.5	11.4	4.7	59.1	185.7	0.2
At 31 December 1999	104.4	10.5	4.8	43.9	163.6	0.1

¹ Total Company fixed assets comprise plant and equipment only.

10. INTANGIBLE ASSETS - GOODWILL

	The Group £m
Cost	
At 1 January 2000	185.8
Acquisitions in the current year	17.9
Adjustment in respect of prior year acquisitions	3.9
At 31 December 2000	207.6
Accumulated amortisation	
At 1 January 2000	4.7
Provided in the year	10.1
At 31 December 2000	14.8
Net book value	
At 31 December 2000	192.8
At 31 December 1999	181.1

The Company does not hold any goodwill at 31 December 2000 (1999: £nil).

Notes to the Accounts For the year ended 31 December 2000

11. FIXED ASSET INVESTMENTS

	The Group		The Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Shares in Group undertakings	-	-	403.1	385.9
Investment in own shares (note 15)	1.3	-	-	-
Investment properties	3.9	4.0	-	-
	5.2	4.0	403.1	385.9
Provision for impairment	-	-	(4.6)	(4.6)
	5.2	4.0	398.5	381.3

- (a) The principal operating subsidiaries whose results and assets affect the results and assets of the Group are:

Subsidiary	Registered office
Travis Perkins Trading Company Limited (Builders merchants)	Lodge Way House, Harlestone Road, Northampton, NN5 7UG.
Keyline Builders Merchants Limited (Builders merchants)	Southbank House, 1 Strathkelvin Place, Kirkintilloch, Glasgow, G66 1HX.
D. W. Archer Limited (Timber merchants)	3rd Floor, Narrow Quay House, Prince Street, Bristol, BS1 4AH.
Travis Perkins (Properties) Limited (Property management company)	Lodge Way House, Harlestone Road, Northampton, NN5 7UG.
Travis Perkins Quest Trustees Limited, (Trustee company)	Lodge Way House, Harlestone Road, Northampton, NN5 7UG.

The directors have applied s231 of the Companies Act 1985 and therefore list only significant subsidiary companies.

With the exception of Gammon and Smith Limited, in which there is an immaterial minority interest, all subsidiaries of the Group are 100% owned. Each company is registered and incorporated in England and Wales, other than Keyline Builders Merchants Limited which is registered and incorporated in Scotland.

- (b) Additional information in respect of movements in fixed asset investments:

	The Group		The Company
	Investment properties £m	Investment in own shares £m	Shares in Group undertakings £m
At 1 January 2000	4.0	-	381.3
Acquired during the year	-	1.3	17.2
Transfer to current assets	(0.1)	-	-
At 31 December 2000	3.9	1.3	398.5

- (c) At 31 December 2000, the directors revalued the investment properties at their open market value.
- (d) The comparable net book value for investment properties determined according to the historical cost convention as at 31 December 2000 is £0.8 million (1999: £0.8 million). The amount of accumulated depreciation charged to arrive at these values is negligible.

12. STOCKS Stocks consist of goods for resale.

Notes to the Accounts For the year ended 31 December 2000

13. DEBTORS

	The Group		The Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Trade debtors	164.6	160.1	-	-
Amounts owed by subsidiaries	-	-	32.4	44.2
Other debtors	39.4	37.1	2.3	0.1
Prepayments and accrued income	8.3 ¹	8.3 ¹	0.2	0.2
Tax recoverable	-	-	-	2.1
	212.3	205.5	34.9	46.6

¹ Included in the Group prepayments is an amount of £0.4 million (1999: £2.5 million) being the excess of the amount funded to the Group Scheme over the net pension cost.

14. PROPERTIES HELD FOR RESALE

	£m
At 1 January 2000	0.3
Additions from acquired business	0.1
Transfer from fixed assets	2.1
Transfer from revaluation reserve	(0.7)
Transfer from investment properties	0.1
Disposals	(0.4)
At 31 December 2000	1.5

15. CASH AT BANK AND IN HAND Included within cash at bank and in hand there is an amount of £0.4 million (1999: £1.8 million) held by employee related trusts. These funds can only be used to purchase ordinary shares in the Company in order to satisfy obligations under the executive share option schemes and employee sharesave schemes as set out on pages 25 and 26 or to provide other benefits to employees.

At 31 December 2000, Travis Perkins Quest Trustees Limited held 209,862 shares which had been issued to it to satisfy sharesave options, but which have not been exercised by some participants of the scheme. The market value of these shares was £1.5million on that date. Dividends on these shares have been waived and the administration costs of this company are borne by the Travis Perkins plc.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Bank overdrafts	9.8	1.5	-	-
Bank loans	25.0	-	25.0	-
Obligations under finance leases	0.3	0.1	-	-
Unsecured loan notes	16.1	11.9	16.1	11.9
Trade creditors	153.3	151.8	-	-
Amounts due to subsidiaries	-	-	-	14.5
Corporation tax	21.5	18.1	-	-
Other taxation and social security	10.4	10.7	-	-
Other creditors	15.2 ¹	15.8 ¹	3.8	3.4
Accruals and deferred income	6.0	7.0	0.4	0.1
Dividends proposed	11.7	10.4	11.7	10.4
	269.3	227.3	57.0	40.3

¹ Included in other creditors is an amount of £6.4 million being the liabilities recorded in respect of Sharpe & Fisher pension schemes (1999: £4.5million in respect of the Keyline and Sharpe & Fisher pension schemes).

Notes to the Accounts For the year ended 31 December 2000

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Bank loans	150.0	185.0	150.0	185.0
Obligations under finance leases	-	0.1	-	-
Amounts due to subsidiaries	-	-	330.5	53.2
	150.0	185.1	480.5	238.2

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax	The Group Reorganisation provisions	The Company	
			Total	
	£m	£m	£m	£m
At 1 January 2000	0.9	2.1	3.0	-
Charged / (credited) to profit and loss account	(0.9)	5.4	4.5	-
Applied during year	-	(6.4)	(6.4)	-
At 31 December 2000	-	1.1	1.1	-

The reorganisation provisions represent further property costs to be spent in 2001 in respect of Keyline and Sharpe & Fisher branches acquired during 1999. The Company has no provisions (1999: £nil).

The provided and unprovided amounts of deferred taxation are:

	Provided		Unprovided	
	2000	1999	2000	1999
	£m	£m	£m	£m
(a) The Group				
Capital allowances in excess of depreciation	-	0.1	6.1	5.7
Sale of properties	-	-	7.6	7.6
Investment revaluation reserve	-	-	0.3	0.3
Other timing differences	-	0.8	(1.5)	0.2
Revaluation reserve	-	-	-	0.5
	-	0.9	12.5	14.3
(b) The Company				
The Company has no liability to deferred taxation, either provided or unprovided.				

Notes to the Accounts For the year ended 31 December 2000

19. FINANCIAL INSTRUMENTS A summary of the Group policies and strategies with regard to financial instruments can be found in the Finance Director's Report on pages 10 - 13. The disclosures below exclude short term debtors and creditors.

(a) Interest rate profile of financial assets and liabilities

After taking into account interest rate swaps, all of which are denominated in sterling, the effective interest rate exposures of the Group financial assets and liabilities as at 31 December 2000 were as follows:

	Floating		Fixed		Total	
	2000	1999 *	2000	1999 *	2000	1999 *
	£m	£m	£m	£m	£m	£m
Borrowings	(80.9)	(43.4)	(120.3)	(155.2)	(201.2)	(198.6)
Cash at bank and in hand	9.8	17.0	-	-	9.8	17.0
	(71.1)	(26.4)	(120.3)	(155.2)	(191.4)	(181.6)

*The prior year figures have been restated, to agree with the current year classifications, by reclassifying £11.9 million of loan notes from the fixed to the floating category.

Cash at bank and in hand earns interest at floating rates, based principally on short term inter-bank rates. Floating rate borrowings bear interest based on short term inter-bank rates, being LIBOR (applicable to periods of 6 months or less).

Some protection from the effective interest movements on floating rate loans is provided by swapping floating rates for fixed rates of interest at 5.5 per cent of:

£120 million to May 2001;

£90 million to November 2001;

£70 million to May 2002.

The market value of the swap to the Company at 31 December 2000 was £0.5 million. (1999: £3.5 million).

Loan notes of £4.5 million issued (after redemption of £2.0 million in 2000) as part of the consideration for the acquisition of the business of Broombys Limited remain outstanding at 31 December 2000. Interest on these loan notes is determined at 6 monthly intervals on 31 January and 31 July each year when interest is set at base rate. The interest rate has been set at 6.0 per cent between 1 January 2001 and 30 June 2001.

Loan notes of £11.6 million issued in 1999 remain outstanding at 31 December 2000. Interest on these loan notes is determined at 6 monthly intervals on 31 January and 31 July each year when interest is set at 1/2 per cent below LIBOR.

The interest rate was 5.84 per cent during January 2001 and has been set at 5.09 per cent between 1 February and 31 July 2001.

The weighted average fixed rate during 2000 was 5.5 per cent (1999: 5.5 per cent) and the weighted average period over which this rate applies is 1 year and 3 months (1999: 2 years and 3 months).

(b) Currency exposure

As at 31 December 2000 and 31 December 1999, the Group had no currency exposure, including hedging.

(c) Maturity of financial liabilities

	Bank loans and overdrafts		Other borrowings		Total	
	2000	1999	2000	1999	2000	1999
	£m	£m	£m	£m	£m	£m
(i) The Group						
Borrowings repayable:						
Within 1 year	34.8	1.5	16.4	12.0	51.2	13.5
More than 1 year but not more than 2 years	50.0	25.0	-	0.1	50.0	25.1
More than 2 years but not more than 5 years	100.0	160.0	-	-	100.0	160.0
Total borrowings	184.8	186.5	16.4	12.1	201.2	198.6

Notes to the Accounts for the year ended 31 December 2000

19. FINANCIAL INSTRUMENTS (continued)	Bank loans and overdrafts		Other borrowings		Total	
	2000	1999	2000	1999	2000	1999
	£m	£m	£m	£m	£m	£m
(ii) The Company						
Borrowings repayable:						
Within 1 year	25.0	-	16.1	11.9	41.1	11.9
More than 1 year but not more than 2 years	50.0	25.0	-	-	50.0	25.0
More than 2 years but not more than 5 years	100.0	160.0	-	-	100.0	160.0
Total borrowings	175.0	185.0	16.1	11.9	191.1	196.9

There are cross-guarantees on the overdrafts between all Group companies.

The loan notes of £11.6 million issued in 1999 can be redeemed on 1 January and 1 July each year, the final redemption date being 1 January 2010. The remaining £4.5 million issued for the acquisition of the business of Broombys Limited are redeemable on 30 June and 31 December each year until the final redemption date of 30 June 2015.

The principal bank loan, which is in the name of Travis Perkins plc, has been guaranteed by Travis Perkins Trading Company Limited, Travis Perkins (Properties) Limited and Keyline Builders Merchants Limited.

The finance leases are secured on the assets to which they relate.

(d) Borrowing facilities

The Group has various undrawn borrowing facilities available at 31 December 2000 in respect of which all conditions had been met:

	Overdrafts	Committed	Total
	£m	£m	£m
Facilities expiring:			
Within 1 year	25.0	-	25.0
More than 2 years and not more than 5 years	-	50.0	50.0
Total undrawn facilities	25.0	50.0	75.0

The fair values of financial assets and financial liabilities are as follows:

	Book value		Fair value	
	2000	1999	2000	1999
	£m	£m	£m	£m
Cash at bank and in hand	9.8	17.0	9.8	17.0
Overdrafts	(9.8)	(1.5)	(9.8)	(1.5)
Loans (including finance leases over more than one year)	(175.3)	(185.2)	(175.3)	(185.2)
Interest rate swap	-	-	0.5	3.5
Loan notes	(16.1)	(11.9)	(16.1)	(11.9)
	(191.4)	(181.6)	(190.9)	(178.1)

Market value has been used to determine the fair value of the interest rate swap.

The fair value of all other items has been calculated by discounting expected cash flows at prevailing rates at 31 December. There are no material differences between book and fair values on this basis.

Notes to the Accounts for the year ended 31 December 2000

20. CALLED UP SHARE CAPITAL

Ordinary Shares of 10p	Authorised		Allotted	
	No.	£m	No.	£m
At 1 January 2000	135,000,000	13.5	110,574,716	11.1
Allotted under share option schemes	-	-	458,695	-
Issued as consideration in shares for Sharpe & Fisher plc	-	-	79,672	-
At 31 December 2000	135,000,000	13.5	111,113,083	11.1

The net contribution received for the issue of shares during the year was £1.1 million.

Details of the share option schemes are given in the Remuneration Report on pages 24 to 26.

21. RESERVES

(a) The Group

	Non-distributable revaluation reserve		Share premium account	Retained profits	Total reserves
	Investment property	Trading property			
	£m	£m	£m	£m	£m
At 1 January 2000	3.2	28.8	52.0	218.3	302.3
Retained profit for the year	-	-	-	41.4	41.4
Difference between depreciation of assets on a historical cost basis and on a revaluation basis	-	0.1	-	(0.1)	-
Property revaluation on transfer to current assets	(0.1)	(0.6)	-	-	(0.7)
Issue of shares	-	-	2.7	(0.3)	2.4
At 31 December 2000	3.1	28.3	54.7	259.3	345.4

The cumulative total of goodwill written off directly to reserves for acquisitions from 23 December 1989 to 31 December 1998 is £40.1 million.

The aggregate information for the accounting periods prior to this period is not available.

(b) The Company

	Share premium account	Retained profits	Total reserves
	£m	£m	£m
At 1 January 2000	50.9	89.5	140.4
Retained profit for the year	-	5.2	5.2
Issue of shares	2.7	-	2.7
At 31 December 2000	53.6	94.7	148.3

Notes to the Accounts For the year ended 31 December 2000

22. MINORITY INTERESTS The minority interests arose following the acquisition of Sharpe & Fisher plc.

On 7 November 1997, Gammon & Smith Limited issued 1,000,000 6.25 per cent cumulative irredeemable preference shares of £1 as part of the consideration for Blandford Builders and Decorators Merchants Limited. The shares are subject to put and call options. The put option is exercisable between 31 May 1998 and 31 October 2001 by the shareholder and the call option between 26 July 2001 and 31 October 2002 by Sharpe & Fisher (Building Supplies) Limited. The exercise price of the options is par plus any unpaid accrued dividend.

The dividends on the 6.25 per cent cumulative preference shares issued by Gammon & Smith Limited become payable annually commencing 31 December 2002. The shares have a voting right equivalent to 1/19th of that of ordinary shares in the subsidiary and have a preferential right of return of capital on winding up. The shares do not entitle the holders to any rights against other Group companies.

Profits attributable to minority interests arising following the acquisition of Sharpe & Fisher plc on 1 December 1999 are not material to the result of the Group and as such are not disclosed separately in the consolidated profit and loss account.

23. PROFIT OF PARENT COMPANY As permitted by s230 of the Companies Act 1985, the profit and loss account of the Parent Company is not presented as part of these financial statements.

	2000	1999
	£m	£m
Group profit dealt with in the Parent Company accounts:		
Trading loss	(5.8)	(3.4)
Group dividends receivable	28.0	18.3
	22.2	14.9
Dividends payable to shareholders	(17.0)	(14.9)
Retained profit for the year	5.2	-

24. OPERATING LEASE COMMITMENTS At 31 December 2000, the Group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2000	1999	2000	1999
	£m	£m	£m	£m
Leases which expire:				
Within 1 year	0.1	0.1	0.6	0.9
More than 1 year but not more than 2 years	-	0.4	1.2	1.0
More than 2 years but not more than 5 years	0.5	0.7	1.6	1.8
After 5 years	10.4	9.0	0.2	0.1
	11.0	10.2	3.6	3.8

Notes to the Accounts For the year ended 31 December 2000

25. CAPITAL COMMITMENTS

	The Group		The Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Contracted for but not provided in the accounts	7.2	5.1	-	-

26. RELATED PARTY TRANSACTIONS Certain directors of the Company have made purchases from Group companies during the year. These transactions were on normal arms length terms at prices which were available to any member of staff. Total purchases did not exceed £1,500 for any individual director other than Mr F. J. McKay (£4,239), Mr E. C. Adams (£19,112, including fixed assets of £18,000), Mr P. N. Hampden Smith (£3,905) and Mr C. M. Fisher (£4,472) during the year ended 31 December 2000. The total balance outstanding at 31 December 2000 did not exceed £1,500 for any director. The board of directors, excluding the relevant director in each case, are of the opinion that none of these transactions are material to either the Company or the specific director in each case. In addition, interest of £164,820 was payable in respect of loan notes issued when Sharpe & Fisher plc was acquired, in which Mr C. M. Fisher has an interest.

27. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	£m	£m
Operating profit after reorganisation costs and amortisation of goodwill	98.1	79.6
Depreciation charges	16.1	12.9
Other amounts written off tangible fixed assets	0.5	1.9
Amortisation of goodwill	10.1	4.2
Profit on sale of fixed assets	(0.7)	(0.3)
(Increase) / decrease in stocks	(9.0)	1.2
Increase in debtors	(0.5)	(15.2)
(Decrease) / increase in creditors	(9.9)	22.3
Net cash inflow from operating activities	104.7	106.6

Notes to the Accounts For the year ended 31 December 2000

28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000	1999
	£m	£m
Increase / (decrease) in cash in year	0.4	(4.3)
Cash outflow to repay / (inflow from) debt	12.3	(185.0)
Cash inflow from decrease in liquid resources	(15.9)	(11.8)
Change in net debt / cash resulting from cash flows	(3.2)	(201.1)
Non-cash changes	(6.8)	(11.8)
Decrease in finance leases	0.2	0.2
Movement in net debt / cash in year	(9.8)	(212.7)
Net (debt) / cash at 1 January	(181.6)	31.1
Net debt at 31 December	(191.4)	(181.6)

29. ANALYSIS OF MOVEMENTS IN CASH, SHORT TERM DEPOSITS AND DEBT

	At 1 January 1999		Cash flow	Other non-cash changes	At 31 December 1999		Cash flow	Other non-cash changes	At 31 December 2000
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash on call	4.0	(2.9)	-	-	1.1	8.7	-	-	9.8
Short term deposits	27.7	(11.8)	-	-	15.9	(15.9)	-	-	-
Cash in balance sheet	31.7	(14.7)	-	-	17.0	(7.2)	-	-	9.8
Bank overdraft	(0.1)	(1.4)	-	-	(1.5)	(8.3)	-	-	(9.8)
Finance leases	(0.4)	0.2	-	-	(0.2)	0.2	(0.3)	(0.3)	(0.3)
Bank loan	-	(185.0)	-	-	(185.0)	10.0	-	-	(175.0)
Unsecured loan notes	(0.1)	-	(11.8)	(11.8)	(11.9)	2.3	(6.5)	(6.5)	(16.1)
Net (debt) / cash	31.1	(200.9)	(11.8)	(11.8)	(181.6)	(3.0)	(6.8) ¹	(6.8)	(191.4)

¹ Major non-cash changes are in respect of loan notes issued, details of which can be found in note 19(a) and (c) and immaterial finance lease obligations owed by acquired businesses.

30. PURCHASE OF BUSINESS UNDERTAKINGS During the year the Group acquired three limited companies and the net assets of nine other businesses. The largest of these, which was completed on 29 February 2000, was the acquisition of Broombys Limited, a company which traded from nine branches in Cumbria and Lancashire.

All the acquisitions were accounted for using the acquisition method of accounting.

On acquisition, the value of the assets of each business have been reviewed and where appropriate, been revalued to their fair values based on either an independent valuation or a value based on Group accounting policies. These fair value and accounting policy alignments which are included below are based on the best information available currently and as such are provisional for all businesses acquired during the year ended 31 December 2000. Further adjustments may be necessary during 2001 when additional information is available concerning some of the judgemental areas.

Notes to the Accounts For the year ended 31 December 2000

30. PURCHASE OF BUSINESS UNDERTAKINGS (continued)

	2000		1999
	Book value	Fair value	Fair value
	acquired	adjustments	acquired
	£m	£m	£m
Net assets acquired			
Tangible fixed assets	7.1	(0.1)	7.0
Properties for resale	0.1	-	0.1
Stock	3.9	(0.3)	3.6
Debtors	6.3	(0.1)	6.2
Cash	0.2	-	0.2
Creditors	(4.5)	0.3	(4.2)
Taxation	(0.3)	-	(0.3)
Bank overdraft	(6.0)	-	(6.0)
Deferred taxation	-	-	-
Minority interest	-	-	-
	6.8	(0.2)	6.6
			112.2
Goodwill			17.9
			24.5
			284.6
Satisfied by:			
Cash			18.0
New share capital			-
Loan notes			6.5
Deferred consideration			-
			24.5
			284.6

On the day following completion, the assets of each business were transferred into Travis Perkins Trading Company Limited. The acquired subsidiary companies are now dormant.

The individual results and cash flow effects of these businesses are not sufficiently material to warrant separate disclosure. The acquired branches have now been fully integrated into Travis Perkins Trading Company Limited's accounting systems. As such, the directors are unable to calculate meaningful cash flow effects of each acquired business for the period of Travis Perkins' ownership without incurring undue expense and delay.

In 1999 the Group acquired Keyline Builders Merchants Limited and Sharpe & Fisher plc. During 2000, the assessment of the provisional fair values of the assets and liabilities acquired was completed. As a result, an adjustment of £3.9 million was made in respect of additional pension liabilities and sundry other items which resulted in a corresponding increase in the carrying value of goodwill.

* 31. FREE CASH FLOW

	2000	1999
	£m	£m
Free cash flow, as referred to in the Finance Director's Report, is derived as follows:		
Net (debt) / cash at 1 January	(181.6)	31.1
Net debt at 31 December	(191.4)	(181.6)
Movement in net debt / cash in year	(9.8)	(212.7)
Net cash outflow for capital expenditure and financial investment	32.7	15.6
Net cash outflow for acquisitions	23.8	251.8
Free cash flow	46.7	54.7

Five Year Record of Group Results For the years ended 31 December

PROFIT AND LOSS ACCOUNT	2000	1999	1998	1997	1996
	£m	£m	£m	£m	£m
Turnover	1,181.2	874.3	623.1	555.8	518.5
Operating profit before reorganisation costs and amortisation of goodwill	113.2	90.4	61.8	47.4	39.8
Reorganisation costs	(5.0)	(6.6)	(3.2)	-	(1.5)
Amortisation of goodwill	(10.1)	(4.2)	(0.5)	-	-
Operating profit after reorganisation costs and amortisation of goodwill	98.1	79.6	58.1	47.4	38.3
Profit on sale of properties	0.3	0.6	0.9	1.0	1.1
Net interest (payable) / receivable	(12.7)	(5.0)	1.5	1.3	0.4
Profit on ordinary activities before taxation	85.7	75.2	60.5	49.7	39.8
Tax on profit on ordinary activities	(27.3)	(22.5)	(18.7)	(14.6)	(13.1)
Profit on ordinary activities after taxation	58.4	52.7	41.8	35.1	26.7
Return on equity ¹	24.9%	27.1%	25.3%	23.3%	20.7%

¹ Return on equity is calculated as: profit on ordinary activities before amortisation of goodwill and before taxation, divided by the weighted average of net total assets together with cumulative goodwill previously written off.

CASH FLOW STATEMENT	2000	1999	1998	1997	1996
	£m	£m	£m	£m	£m
Net cash inflow from operating activities	104.7	106.6	66.4	52.0	48.1
Net cash (outflow) / inflow for returns on investments and servicing of finance	(10.2)	(3.9)	1.5	1.1	0.6
UK corporation tax paid	(26.3)	(24.6)	(14.7)	(11.2)	(12.0)
Net cash outflow for capital expenditure and financial investment	(32.7)	(15.6)	(10.7)	(6.7)	(7.7)
Net cash outflow for acquisitions	(23.8)	(251.8)	(29.4)	(9.1)	(12.5)
Equity dividends paid	(15.8)	(13.1)	(12.1)	(10.7)	(9.8)
Issue of ordinary share capital	1.1	1.5	0.5	1.8	0.9
Increase in finance leases	(0.3)	-	(0.6)	(0.4)	-
Increase in debt due to issue of loan notes	(6.5)	(11.8)	-	-	(9.6)
(Decrease) / increase in cash balances	(9.8)	(212.7)	0.9	16.8	(2.0)
Net (debt) / cash at 1 January	(181.6)	31.1	30.2	13.4	15.4
Net (debt) / cash at 31 December	(191.4)	(181.6)	31.1	30.2	13.4

Five Year Record of Group Results For the years ended 31 December

	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Number of branches at 31 December	473	454	289	265	253
Average number of employees	7,576	5,830	4,424	4,076	3,970
Earnings per ordinary share (pence)					
Basic	52.7p	50.0p	39.9p	33.8p	25.8p
Adjusted	64.7p	57.8p	41.6p	32.8p	25.8p
Dividend per ordinary share (pence)	15.3p	13.7p	12.1p	11.0p	10.0p
BALANCE SHEET	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
Tangible fixed assets	215.8	194.2	96.3	87.0	83.4
Intangible fixed assets - goodwill	192.8	181.1	12.9	-	-
Investments	5.2	4.0	3.4	3.4	3.3
	413.8	379.3	112.6	90.4	86.7
Stocks	140.6	127.8	82.9	71.4	66.8
Debtors	212.3	205.5	111.3	99.3	94.5
Properties held for resale	1.5	0.3	0.6	0.9	1.5
Cash at bank and in hand	9.8	17.0	31.7	33.6	23.2
Creditors: amounts falling due within one year	(269.3)	(227.3)	(122.5)	(109.0)	(107.0)
Net current assets	94.9	123.3	104.0	96.2	79.0
Total assets less current liabilities	508.7	502.6	216.6	186.6	165.7
Creditors: amounts due after more than one year	(150.0)	(185.1)	(0.2)	(0.2)	-
Provisions for liabilities and charges	(1.1)	(3.0)	(0.9)	(0.5)	(1.0)
	357.6	314.5	215.5	185.9	164.7
Capital employed					
Called up share capital	11.1	11.1	10.5	10.5	10.4
Reserves	345.4	302.3	205.0	175.4	154.3
Total equity shareholders' funds	356.5	313.4	215.5	185.9	164.7
Minority interests - non equity	1.1	1.1	-	-	-
	357.6	314.5	215.5	185.9	164.7