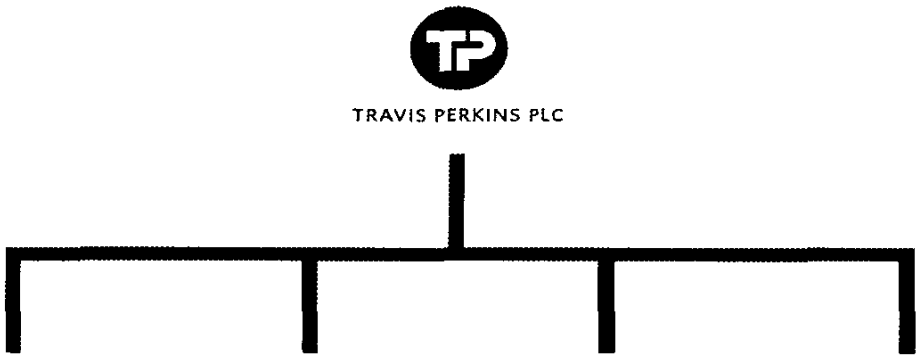
Travis Perkins
The largest supplier of building materials in the UK
Annual Report and Accounts 2011

TRAVIS PERKINS PLC

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COMPANIES HOUSE



This document is important and requires your immediate attention If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000 If you have sold or transferred all of your shares in Travis Perkins plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares

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Forward looking statements

The review of the businesses contained in this annual report and accounts is on plans for and forward looking statements with respect to the financial condition, results, operations and business of the Travis Perkins plc group. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by the forward statements.

"2011 was a good year for Travis Perkins. Our primary focus was integrating the former BSS businesses into the Group to maximise synergies"

Robert Walker, Chairman

Financial Highlights

- Group revenue up 52% at £4,779m, up 6% on a like-for-like basis
- Adjusted profit before tax up 37% to £297m
- Adjusted EPS up 21% to 93 1p
- Proforma adjusted group operating margin maintained at 6 6%
- Net debt reduced by £191m to £583m with adjusted net debt to EBITDA of 1 3x (note 37)
- Total dividend per share up by 33% to 20p, including a final dividend of 13 5p

Operating Highlights

- BSS acquisition synergies realised in 2011 exceeded expectations at £20m
- Expected synergies for 2012 increased to £30m
- BSS integration ahead of schedule
- Strong like-for-like performance and market share gains
- Toolstation acquisition completed on 3 January 2012
- 13 ex-Focus stores acquired and trading ahead of expectations

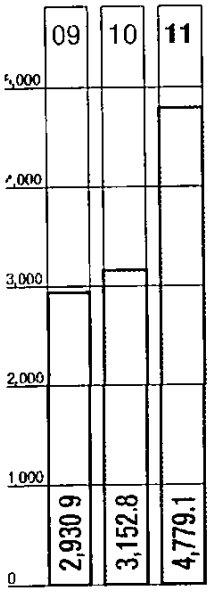
Financial Summary

	2011 £m	%	2010 £m
Revenue	**4,779.1**	**51.6**	3,152 8
Adjusted:*			
Operating profit (note 5a)	**313.2**	**31.0**	239.0
Profit before taxation (note 5b)	**296.7**	**36.9**	216 7
Profit after taxation (note 5b)	**219.0**	**39.6**	156 9
Adjusted earnings per ordinary share (pence) (note 12b)	**93.1**	**20.6**	77 2
Statutory:			
Operating profit	**290.5**	**32.2**	219 8
Profit before taxation	**269.6**	**37.0**	196 8
Profit after taxation	**212.4**	**50.3**	141.3
Basic earnings per ordinary share (pence)	**90.3**	**29.7**	69.6
Total dividend declared per ordinary share (pence) (note 13)	**20.0p**	**33.3**	15.0p

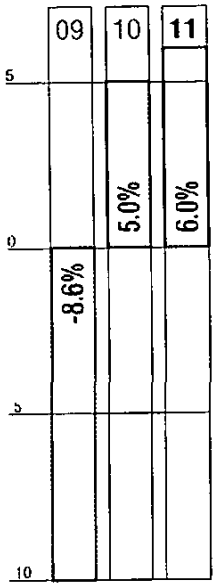
*Throughout this Annual Report the term adjusted has been used to signify that the effects of the exceptional items, amortisation of intangible assets and the associated tax impacts have been excluded from the disclosure being made. The term 'proforma' when used in this Annual Report signifies that the 2010 comparative has been adjusted to include the effect of BSS for the entire year and not just the post acquisition period. Details of exceptional items are given in notes 5, 10 and 11.

Key Performance Indicators

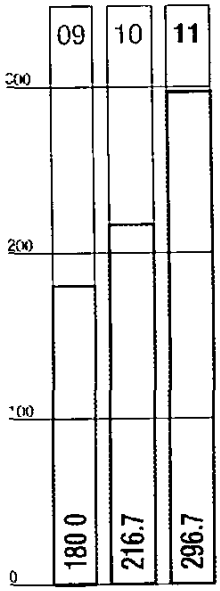
Revenue (£m)



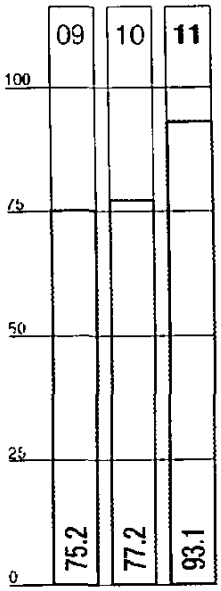
Like-for-like sales growth (%)



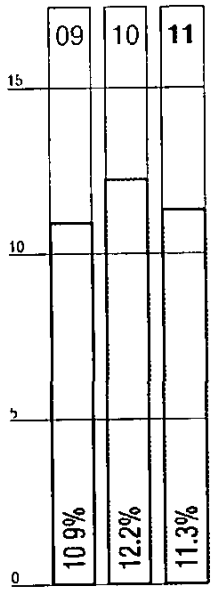
Adjusted profit before taxation (£m)



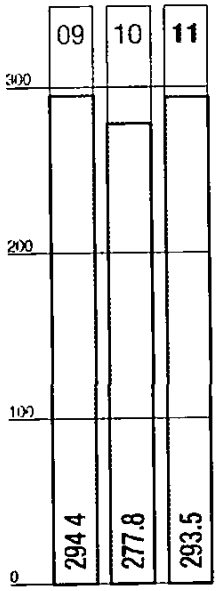
Adjusted earnings per share (pence)



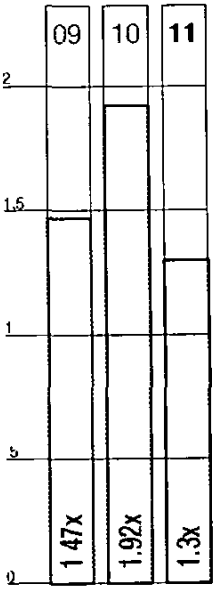
Adjusted return on capital (%)



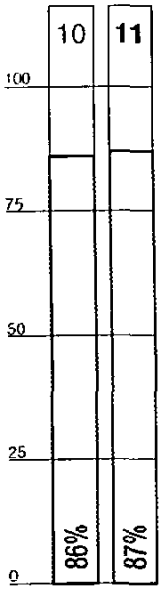
Free cash flow (£m)



Net debt to EBITDA



Employee retention



Our Group Mission, Vision and Values

Our Group Mission

'Continue to deliver better returns by putting in place and growing the best businesses, with outstanding people and operations, providing comprehensive building material solutions, to everyone creating, maintaining, repairing or improving the built environment, helping to build Britain'

Our Group Vision

To ensure that anyone in Britain who wants to access any kind of building materials through any form of supply channel will have a Travis Perkins group operation as their first or first alternative choice

Our Group Values

At Travis Perkins, we

Know our customers – we understand their needs, beat their expectations, treat them with respect, and know our major customers personally

Talk and listen – we say what we mean clearly and honestly, we listen carefully we respond objectively, we explain our decisions

Are with you, not against you – we seek mutual benefits with all stakeholders we think about the impact of our actions, we search for similarities

Know how to do our jobs – not just today, but for the next job, we equip ourselves with the skills needed to perform and be confident we can perform

Like to deliver – we enjoy being the best, we know exactly what each of us is expected to achieve, we focus on getting results simply

Work together – we actively work with each other, when something goes wrong, the first thing we will do is fix the problem, not look for someone to blame

Always try to get better – we constructively challenge how we work, we look for fresh ideas that are different, we only have rules where they are necessary because we use our common sense

Are proud to be here – this is a great company everyone working with us is welcome, we make work enjoyable for everyone

Who we are

Travis Perkins plc

Travis Perkins, a major plc is the UK's largest supplier to the building and construction market, one of the most economically significant activities in the UK.

The present day Company was formed in 1988 out of a merger between Travis and Arnold plc, a company with strong Midlands and Northern based business, and Sandell Perkins plc a company with an equivalent strength in the South of England.

The origins of Sandell Perkins can be traced back over 200 years to 1797 when a carpentry company was first established in London. Travis and Arnold was initially formed as a partnership in 1899. During the early to mid 20th century both businesses expanded before eventually becoming listed public companies. Travis and Arnold was the first to the market in 1964, followed 22 years later by Sandell Perkins.

Group Reorganisation

In 2011 we operated as three divisions – Merchanting, Retail and BSS – and it is on that basis we report in this year's Annual Report and Financial Statements. However, on 1 January 2012 we reorganised the business into four divisions, General Merchanting, Specialist Merchanting, Consumer and Plumbing & Heating. It is on the new divisional structure that we have prepared this section of the Annual Report.

Who we are

General Merchanting Division

The general merchanting division of Travis Perkins plc supplies building materials to professional building companies contractors and tradesmen throughout Great Britain

The core businesses of Travis and Arnold plc and Sandell Perkins plc formed, following the merger in 1988 what is now the general merchanting business which trades nationally through the Travis Perkins brand and comprises four geographically organised individual businesses

Joe Mascall who has been with the Group since 1974, leads the General Merchanting business in his role as Divisional Chairman The Managing Directors of the four businesses are Phil Gransden (Travis Perkins South East) Kieran Griffin (Travis Perkins Midlands and North West) David Kelman (Travis Perkins North) and Mark Nottingham (Travis Perkins South West and Wales) The customers of the four general merchanting businesses are primarily professional tradesmen ranging from sole traders to national housebuilders, whose key requirements are product range and availability competitive pricing and customer service

The strategy of the general merchanting business aims to increase market share through implementation of our best practice programme ongoing branch network expansion entry into new market segments and exploitation of multi channel opportunities The Best Practice programme is designed to enhance our overall service to trade customers and covers all of their key requirements even though all four general merchanting businesses are already operating to high standards in these areas they have stretching targets in place to deliver further improvements

Network expansion will be concentrated on identifying prime locations through brownfield openings and small acquisitions In addition, store projects and framework agreements will continue to be expanded with Local Authorities and Housing Associations

Consumer Division

The Consumer division comprises three businesses Wickes, a national chain of DIY retail outlets, Tile Giant a ceramic tile merchant acquired in 2007 and Toolstation a multi-channel operator, which was acquired by the Group on 3 January 2012

The Chairman of the Consumer Division is Jeremy Bird who joined Wickes 19 years ago and has held a number of senior positions in the Group including that of Managing Director of Wickes The new managing director of Wickes is Simon King who joined the Company at the end of 2011 and has fulfilled various external retail roles including chief operating officer of Asda

Wickes which opened its first store in the UK in 1972 at Whitefield in Manchester, was acquired by Travis Perkins in 2005 and the Company now operates from 221 stores nationwide

Wickes stores are designed to appeal to tradesmen who undertake general repairs maintenance and improvement projects for households and small businesses and to serious DIY customers, who undertake more complete DIY projects These customers are more demanding in terms of service, quality and price

The business meets its customers' expectations by offering a focussed range of high quality, primarily own brand, competitively priced home improvement products, such as timber, building materials tools and decorative materials In addition Wickes stores offer a range of kitchens and bathrooms, which are sold through both in-store showrooms and 10 standalone specialist kitchen and bathroom stores

In 2007 Travis Perkins acquired its seventh brand Tile Giant In 2008 this business acquired and rebranded Tile Magic, a 17 store chain and Tile it All a 16 store chain In 2009, Travis Perkins acquired Tile HQ an internet based retailer of ceramic and stone tiles The brand is now trading from a total of 107 stores Under the leadership of managing director Andy Morrison, the brand offers a strong pipeline for further expansion

The Group first took a minority investment in Toolstation, a direct retailer of lightside products, during 2008 before acquiring the remaining shares in 2012 Since then, led by its founder Mark Goddard Wallis with support from the Group this multi-channel retailer of lightside products has rapidly expanded its trade counter network and now occupies 103 trade counters throughout Great Britain It also operates a very successful catalogue based internet business

Specialist Merchanting Division

The specialist merchanting business consists of four separate businesses trading under the following brands, Keyline CCF, Benchmarx and Rinus Roofing Supplies Arthur Davidson is the Divisional Chairman He has worked in merchanting for over thirty years having joined Keyline prior to its acquisition by the Travis Perkins Group

Andrew Harrison the Managing Director of Keyline, has been with the Group since 1989 Keyline is a specialist merchant supplying heavy building materials and civils and drainage solutions to the construction industry throughout the UK Keyline is known for its knowledgeable staff and excellent delivery service

CCF is a leading supplier of interior building products to the construction industry It operates throughout the UK, offering a one-stop-shop to its customers from its nationwide branch network CCF's Managing Director is Howard Luft, formerly managing director of Buck and Hickman which was sold by the Group in September 2011

In 2006 Benchmarx became the first group brand to be created as a completely new business within a market adjacent to the markets already served by the Group The business is a leading supplier of kitchen and joinery products to the trade through its competitive pricing, quality products and knowledgeable staff Benchmarx is led by Chris Larkin formerly a Regional Director within Travis Perkins South East who became Managing Director in July 2009

Rinus Roofing Supplies, an associate company in which the Group holds a 25% interest is a supplier of roofing materials The Group has entered into a development agreement with Rinus aimed at creating a new competitor in this adjacent market Although the Group sells many of the products available through Rinus specialist roofing contractors prefer using specialist distributors in this market

Plumbing and Heating Division

The new plumbing and heating division was established on 1 January 2012 under the leadership of its Chairman Paul Tallentire The division consists of the original plumbing business of the Travis Perkins group, City Plumbing Supplies together with the businesses of The BSS Group which was acquired on 14 December 2010 It is now the leading plumbing and heating business in the UK

City Plumbing Supplies, run by managing director John Frost, is a major nationwide plumbing and heating merchant serving both the contract market and the general plumbing and heating market from 190 branches The business offers high quality products and expert service to the trade In 2010 a new operation was formed City Heating Spares the spare parts division of City Plumbing

The ex-BSS businesses are leading distributors of plumbing and heating products to specialist trades Their principal activities are the distribution and sale of heating, ventilation and plumbing products, tools and industrial supplies to, amongst others, industrial contractors, domestic plumbers, independent merchants and industrial end users through a network of 401 branches 398 branches are located in the United Kingdom and three in the Republic of Ireland

- PTS operates from 317 branches and supplies a wide range of customers from national contractors to sole trading plumbers and heating engineers,
- The industrial, commercial, process, construction and warehouse markets are serviced through a network of sixty two branches of BSS Industrial in the UK and Ireland, and
- Birchwood Price Tools is a wholesaler of power tools and accessories, hand tools, safety wear and general consumables and F&P Wholesale supply heating plumbing and sanitaryware to smaller merchanting businesses

Chairman's Statement

For the year ended 31 December 2011

"Our businesses are supported by sector leading IT, and a strong people culture based on clear values and leadership behaviours"

Introduction

Travis Perkins is the UK's largest distributor of building and construction materials

Through our various group companies, we aim to offer the widest range of products to our professional and retail customers providing the highest levels of customer service at competitive prices

Our organisation model devolves management responsibility close to customers and provides the benefits of innovative and shared central services

Our businesses are supported by sector leading IT, and a strong people culture based on clear values and leadership behaviours

We aim to deliver consistent and increasing shareholder value over time

Results

2011 was a good year for Travis Perkins Our primary focus was integrating the former BSS businesses into the Group to maximise synergies, but we have also outperformed in the majority of our markets through the continued implementation of self-help initiatives, all this, in spite of the markets in which we operate declining by between 4% and 5%

Revenue increased by 52% to £4 8bn and our adjusted pre-tax profits rose by 37% to £297m, adjusted earnings per share were up by 21% to 93 1 pence On a proforma basis, assuming BSS had been owned for all of 2010, adjusted profit before tax was 11% higher, and adjusted earnings per share were up 11%, or 9 0 pence

We have made excellent progress with our planned BSS financial systems integration and organisational changes and our synergy project is running ahead of schedule In 2011, we realised £20m of synergies and we anticipate that we will beat our previously published target of £25m, achieving £30m in 2012

Strong cash flows and working capital management, which includes £27m from the sale of Buck and Hickman, have reduced debt by £191m to £583m

On 3 January 2012, the Group exercised its option to acquire the remaining share capital of Toolstation The company, which sells lightside products through its network of 103 UK based retail stores, a catalogue operation and online, has grown rapidly and profitably in recent years We welcome our new colleagues to the Group and look forward to their continued success

Dividend

The Board's stated intention is to reduce the multiple by which dividends are covered by post tax earnings to between 2 5 times and 3 5 times over the medium term from the

current cover of 4.7 times. As a step towards meeting that target, the Board is pleased to recommend a final dividend of 13.5 pence per share, payable to shareholders on the register on 4 May 2012, which will give a total dividend for 2011 of 20 pence per share. The proposed 33% increase in dividend over 2010 will result in a cash outflow of £47m.

Board of Directors

I am delighted that Ruth Anderson joined the Company as a non-executive director in October. She has extensive experience of advising a broad range of companies across many business sectors and so will be of great value to the Board.

As a result of re-organising the Group's operations into four divisions and making other organisational changes, John Carter, who has successfully served as the Group's Chief Operating Officer for the past seven years, was promoted to Deputy Chief Executive on 1 January 2012. I am sure that John will continue to make a very significant contribution to the Group in his new role.

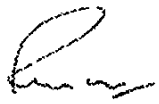
Employees

Our engaged and hard working colleagues are critical to our success. Yet again, they have delivered outstanding results for shareholders in difficult circumstances. I should like to thank them, on behalf of the Board, for all their efforts during the year.

Outlook

The markets in which we operate are likely to remain subdued for much of 2012. We expect new house starts and mortgage applications, which are key indicators for our business, to remain relatively flat and public sector expenditure to fall as the government strives to reduce the deficit. Consumer markets are likely to be soft as disposable income is further squeezed.

Our investment in Toolstation will realise full year profits for the first time, the 13 stores acquired from Focus in the summer are trading profitably and our synergy projects will continue to deliver strong benefits. When these projects are taken together with our ongoing initiatives to improve customer service and our careful management of costs, we are confident 2012 will be another year of progress for the Group.



Robert Walker
Chairman
21 February 2012

Chief Executive's Review of the Year

For the year ended 31 December 2011

"Execution of our strategy meant we came into 2011 as the largest supplier of building materials in the UK"

Introduction

Over the last dozen years or so the Group has, from its original base in general merchanting, steadily expanded its activities to develop businesses and new distribution channels to serve a greater proportion of the market in the UK. In parallel, we have augmented that strategy with a drive to improve continuously all our businesses so that they become the most attractive supplier in their market segment, and consequently outperform their competitors. Both these initiatives have allowed us to capture economies of scale and synergies through centralisation of common activities and purchasing into highly efficient, low cost and powerful central functions.

Execution of our strategy meant we came into 2011 as the largest supplier of building materials in the UK, having just acquired BSS. During 2011 we have continued to make good progress on all fronts – integrating the BSS acquisition, adding our presence in additional channels and stretching our lead in market outperformance by making a series of improvements in all businesses.

The integration project under the leadership of Norman Bell has progressed well thanks to the very effective work of a team of colleagues drawn from across the Group. Their focus has been to integrate BSS colleagues and businesses into the Group and identify and realise synergies. New operating and financial systems have been developed for our PTS and BSS industrial businesses, cross brand selling opportunities have been realised, the management team has been strengthened and we have invested in expanding the warehousing facilities at Magna Park in Leicestershire and Chorley in Lancashire.

The first year of the BSS synergy project has exceeded our expectations. The initial target of £8m, for 2011, has been surpassed as we achieved a total of £20m of synergies in 2011 – £15m from purchasing and £5m from overheads. We are on course to deliver £30m in 2012. This is one year earlier than we anticipated, and £5m more than our original 2013 target.

We have continued to take opportunities where they have met our stringent investment criteria and have added around 2.5% to revenue from expansion on an annualised basis. The administration of Focus, a competitor in the DIY market, allowed us to acquire 13 new stores in high priority catchment areas. Also, we have added a new sales channel to the Group by acquiring 25% of a small roofing supplies company based in the North of England. Should our investment prove to be successful then we have the option to acquire the entire company at a future date.

Early in 2012 we completed the acquisition of Toolstation by purchasing the 70% of issued share capital we did not already own. The company has experienced rapid organic growth over the last three years and now trades from 103 outlets as well as strongly via the telephone and the internet. The IT system

and multichannel expertise of the Toolstation management makes it a valuable and profitable addition to the Group

In early February, the OFT contacted us to raise concerns about the acquisition Given our agreement with Toolstation has created a new and robust competitor in the multi-channel market we are surprised they contacted us We are in the process of responding to the initial enquiry and are confident that the issue will be satisfactorily resolved

2011 performance

The success of our business is based upon having strong operational and financial disciplines, tight controls on both margins and costs and allocating capital to ensure that our mature businesses have both the highest operating margin and return on capital in their respective sectors

Throughout this annual report, consistent with our approach last year the term 'adjusted' has been used to signify that the effects of exceptional items and amortisation of intangible assets have been excluded from the disclosures being made Details of the exceptional charges are given in the Finance Director's report on page 30 The term 'proforma' is also used in this annual report to signify that the current year performance is being compared to 2010 adjusted to reflect the full year performance of the BSS business

Revenue for 2011 was £4 779m (2010 £3,153m), an increase of £1 626m Excluding BSS most of the revenue increase came from our Merchanting division with all businesses and product groups seeing strong growth Of the 51 6% increase in revenue, like for like ('LFL') sales increased by 6 0% with inflation of 4 7% and volumes increasing by 1 3%, whilst BSS accounted for 43 7% and other expansion provided 2 2% One fewer working day reduced sales by 0 3% These gains in LFL sales reflect the work we have done to find more ways to improve further the merchanting and retail businesses by continuously improving our offer to customers Significant progress has been made on customer service, product availability, product presentation and improved sourcing in both divisions

Adjusted operating profit increased by £74m to £313m (2010 £239m), which resulted in adjusted group operating margin of 6 6%, in line with last year on a proforma basis Our trading strategies in 2011 have been aimed at maximising operating profits by sustaining our volume outperformance and using these to drive economies of scale With market volumes likely to fall slightly in 2012, we aim to modify this stance on a selective basis to reflect market trends in order to protect margins, as we have done successfully in the past

Clearly, the inclusion of BSS contributed the major part of the increase in profits – on an adjusted proforma basis, operating profits were up by £11m, an increase of 3 6% This increase reflects our ability to drive synergies and outperform

After allowing for a £6m reduction in financing costs the trend in operating profits was reflected in the £67m rise in adjusted pre-tax profits to £284m (2010 £217m)

Adjusted earnings per share 'EPS' increased by 21% to 93 1 pence (2010 77 2 pence) Again, this mainly reflected the impact of the BSS acquisition Taking into account synergies this acquisition has enhanced EPS by 12%, with gains in the non BSS businesses increasing EPS by 9%

Our strategy of reducing debt has continued during the year with careful control of working capital and capital investment resulting in a significant cash inflow By 31 December we had achieved our target net debt of £583m (2010 £774m), and had reduced the ratio of net debt to EBITDA to 1 3 times (2010 1 9 times)

Markets and our response

The market predictions we made for the year were broadly correct, although the first quarter of last year proved to be better than expected and we, like others, did not foresee the full extent and impact of the Eurozone related uncertainty later in the year The latter part of the year saw markets slowing as a result of fewer property transactions in the spring and increasing public sector spending cuts

Our underlying organic strategy has delivered good returns against a background of weak macro indicators and the key indicators that we follow show that the market remains weak We believe that market volumes for trade are still some 30% below their 2007 peak whilst in retail, the situation is marginally better at minus 25%

We track a number of key external indicators, but those most closely correlated with our performance have shown little improvement in 2011

Trade market volumes in 2011 declined by around 3% Towards the end of the year property transactions, a good lead indicator for our merchanting businesses, were around 11% better than the corresponding period last year, but they remain stubbornly low at around 70 – 80,000 per month compared with 135,000 pre-recession

According to Government statistics private new house starts in England reached almost 76,000 in the 12 months to September 2011, down by 5% compared with the 12 months to September 2010 This level of activity is substantially below the peak of around 155,000 in 2007 and the estimated current need in Great Britain of 250,000 new houses per annum

The consumer market was adversely impacted by a combination of low consumer confidence and significant tax increases from April, which reduced household disposable income Both indicators have fallen during 2011, with consumer confidence continuing on a declining trend Core market volumes declined by around 5%, but the market for big ticket items contracted by over 10%

We have seen further falls in competitor capacity in both of our markets, although it was more pronounced in consumer following the closures of Focus and Homeform in mid-year Although we benefited from our acquisition of 13 Focus stores, the rest of the estate gained very little from either closure as both mainly operated in different markets to Wickes, supplying different customer bases

Divisions

On 1 January 2012 we reorganised the Group's divisional structure so that the Group now operates through four distinct divisions, general merchanting, specialist merchanting, consumer and plumbing and heating each

managed by a divisional chairman Combining similar businesses, under common leadership, will ensure that we maximise the benefits from consistently applying best practice
The following comments are based upon the divisional structure in place during 2011
Our culture of continuous improvement has driven the business forward again, enabling us to retain our position as the UK's leading provider of building materials

Merchanting division

Our merchanting division has performed strongly with each of our businesses recording impressive growth and outperforming both national and independent merchants Sales increased in aggregate by £231m, or 10 9% with LFL sales improving by 9 4%, sales from new branches contributing 2 2% and closures and one less working day reducing sales by 0 7% Volumes increased by 3 9% supported by higher than expected price inflation of 5 5% Adjusted operating profit was up 9 4% to £201 8m

Operating margins fell by 0 2% to 8 6% (2010 8 8%) Gross margin for the division fell by 0 8% in 2011, due to a combination of mix (direct sales improved diluting the gross margins by 0 4%), l mited price investment in the early part of the year and investment in our warehousing infrastructure which reduced margins by 0 4% However, the ratio of overheads to sales fell by 0 4% due to the operational gearing effect of the fixed element of our cost base and synergies improved profits by 0 2%

The general merchanting business had a good year with a particularly strong performance in London and the South East The difficulty of achieving such good results should not be underestimated They have come about because of skill and effort deployed by Joe Mescall and the general merchanting team A profit enhancement project has been running since the middle of the year designed to identify those aspects of the business where good practice can be shared, margins can be improved and costs can be driven out

A greater focus on analysis of customer profitability has yielded positive results Action has been taken where margin has been falling, whether due to the mix of products being sold, the structure of the customer deals or cost inflation pressure Improved in-house data interrogation and analysis software and techniques have enabled us to develop plans leading to raised profitability Another area of focus has been reducing the incidence of stock shrinkage, through improved data availability, which has enabled us to target more rapidly those areas of stock loss and the possible causes

Further progress has been made on cost control to ensure the genera merchanting division goes into a probably tough 2012 w th an affordable cost base Despite increased turnover, like-for-like headcount at the end of the year was in line with last year and a number of initiatives were running to target aspects such as distribution

The specialist merchanting businesses, operating under the Chairmanship of Arthur Davidson, had a successful year

Keyline management are working hard to ensure that the business is the first choice supplier for heavy building materials, civils and drainage products with industry leading returns on sales In 2011 Keyline revenue growth has outperformed the market, LFL sales have increased substantially, particularly in civils and drainage and the UGS business transferred from BSS has been absorbed, generating synergies New propositions in rail and utilities were launched and the business' Centres of Excellence have been rolled out

CCF, our specialist distributor of interior building products and insulation has performed strongly during 2011, improving profitability and increasing revenue at a faster rate than the market leader A number of improvements to the customer experience are being targeted, including greater stock availability, a higher proportion of on time in-full deliveries and the introduction of a new customer service model, which is currently being piloted

Benchmarx our specialist kitchen joinery business, has made good progress during the year Sales have increased by over 40%, gross margin has improved and 32 new branches have been opened either as standalone sites or as implants into the existing estate This business is now firmly established in our portfolio and competes effectively with more established players

The City Plumbing team have performed well in a tough environment increasing like-for-l ke sales by 4% Project Endeavour, our initiative aimed at introducing a common showroom template and product matrix to CPS and the general merchanting business, was piloted successfully and is now in place in 11 branches Plans are in place to roll it out into a further 40 branches during 2012 The heating spares business introduced in 2010 now trades out of 62 sites

Retail division

Poor consumer confidence and lower levels of disposable income have had a detrimental effect on our retail bus nesses in 2011 Revenue is up £15m (1 5%) to £1,018m (2010 £1,003m), due to the expansion from new sites which increased sales by 2 9% Despite having a strong product offering and competitive prices a fall in demand for delivered kitchen and bathroom products caused total LFL delivered sales to fall by 1 4% Overall volumes fell by 4 3% whilst inflation increased turnover by 2 9%

Retail division adjusted operating profit fell by £14m to £45m as lower sales and increased overheads in Wickes, due to investment in store expansion and reorganisation costs, outweighed the benefits of an improved gross margin

We have continued to invest in Wickes taking the opportunity to acquire 13 new stores from the receiver of Focus for £8m The locations of the sites has meant these stores are already contributing to profits ahead of our expectations, and leads us to believe that the new branches will be very profitable, which when taken together with the benefits arising from economies of scale, should result in returns well in excess of our cost of capital

In the expectation that consumer markets will be more difficult in 2012, the Wickes team under Jeremy Bird's guidance have undertaken a detailed review of the Company's cost base Three stores were closed during the year

"In 2011 Keyline revenue growth has outperformed the market"

and just over 200 people left our business as we restructured store operations This was a difficult process, but as always the store managers undertook it in a professional, but compassionate manner

Gross margins in Wickes have improved by 1 3% when compared to 2010 However, the investment in initiatives and start-up costs for new stores, combined with reorganisation costs incurred to achieve long-term overhead savings has reduced operating profits by £10m Consequently the division's operating margins fell by 1 4% to 4 5% (2010 5 9%)

Tile Giant has consolidated its position in difficult markets with total sales up 9% Its like-for-like sales outperformed the market leader, so gaining market share The business now trades from 107 stores a net increase of 6 this year Under the initial guidance of Mo Iqbal, the Company's founder, and more recently Andy Morrison Tile Giant has grown to be the second largest specialist tile retailer in the country

Associate company

Toolstation performed strongly in 2011 The investment in new stores continued, but the early losses incurred by immature outlets have now been surpassed by the profits of maturing stores with the result that the business moved into profits during the second half The unique business model together with the skill of management will be a considerable asset to the Group as we seek to expand our multi-channel capabilities

BSS division

Proforma LFL sales increased by 2 9% Inflation was 4 5%, but volumes fell by 1 6% even though the expanded British Gas contract, during the last nine months of the year, added 2 1% to volumes New branches accounted for additional sales of 0 5%, whilst the branches sold at the insistence of the OFT and one fewer working day reduced sales by 3 3%

Reported revenue has decreased, on a proforma basis, by £22m to £1,436m due to a number of structural changes In the early part of the year, at the insistence of the OFT, 14 PTS branches were sold In June the trade of UGS was transferred into our Keyline business and on 30 September the trade and assets of Buck and Hickman were sold to Brammer plc

On a proforma basis adjusted operating profit, including synergies, increased by 9 5% to £67m (2010 £61m) In advance of establishing the new plumbing and heating division, Paul Tallentire joined us with the intention of becoming its chairman He has come into the Group at a time of significant change and we are already seeing the benefits of his experience

2011 was a more challenging year for the domestic business, and PTS in particular, as volumes in the boiler market fell around 15% from 2010 levels when the boiler scrappage scheme was in place However, in April, the PTS team won a significant contract to supply plumbing and heating materials to British Gas on an exclusive basis Two of the primary reasons for winning the contract are the outstanding levels of customer service that PTS is able to offer from a countrywide network of sites together with our industry leading on-time in-full delivery capability Other advances in PTS came in both the spares and renewables offerings

PTS was named national builders merchant of the year at the Builders Merchanting News awards, a real testament to the commitment of our colleagues

The BSS Industrial business has performed strongly with sales outperforming the market Increased volumes, high inflation in the first nine months from rising copper prices, increasing gross margins and good cost control have made 2011 a very successful year which underlines the strength of the team led by Managing Director Frank Elkins A particular focus on the drainage business has seen sales grow by over 25% year on-year with eight new drainage implants in o BSS branches during 2011

The other businesses in the BSS group are F&P Wholesale, a distributor of plumbing, heating and bathroom products nationally to

"The pace of our development and growth requires our executives to continuously improve their skills and impact in their current roles"

the independent merchants and Birchwood Price Tools (BPT), which focusses on the wholesale market distributing power tools, hand tools and site equipment F&P sales have been adversely affected by the boiler market, with like-for-like sales down year-on-year By contrast BPT has achieved a significant increase in sales and has been particularly successful in introducing new products, in particular Scruffs workwear, to the rest of the Travis Perkins Group

2012 Performance

The year has started satisfactorily with Group LFL sales for the first seven weeks up 1 8% LFL sales for the general merchanting division have increased by 5 4% and for the specialist merchanting division they are up 3 9% Delivered sales, on a LFL basis for the retail division (excluding Toolstation since it remains non-LFL until 2013) have decreased by 3 1% whilst on an ordered basis they are up 0 9% The addition of Toolstation s own LFL performance would have increased the retail division's ordered LFL sales to 2 7% Plumbing and heating division LFL sales are up 0 9%

Investors and lenders

We place great emphasis on good communications with investors, analysts and lenders In 2011 we expanded our road-shows to encompass large investment funds located on the west coast of America Approximately 26% of our investor base is located in North America so increased contact with potential new investors from that continent is an important aspect of our investor relations strategy

In the summer of 2011, with the debt crisis in the Eurozone seemingly worsening, we decided that it would be better to refinance our UK syndicated bank facility early rather than waiting for the summer of 2012 From the outset of negotiations, it became clear that European banks have become considerably more cautious since we last raised funds in 2008 Even so, thanks to the continued support of many of the banks in our existing syndicate the Group raised a £550m forward start (from April 2013) revolving credit facility, which secures our funding needs through to 2016 Whilst the cost of this source of capital has increased, it remains an attractive source of funding relative to other sources, and sustains, within prudent financing parameters, an efficient balance sheet for shareholders

Management

The pace of our development and growth requires our executives to continuously improve their skills and impact in their current roles It also provides opportunities for them to take up new challenges often providing promotion to new roles During the year we have continued to strengthen our management team through a combination of promoting top performers within our business and attracting fresh talent from other organisations

The new appointments have significantly increased our strength in depth and organisational capabilities, particularly in our new Consumer division and our Plumbing and Heating division These appointments cover all aspects of our business, ranging from specialist areas such as sustainability and multi-channel to operational functions

We have also made changes to the roles of some people on our executive committee John Carter s promotion has already been covered in the Chairman's statement, but it is worth reiterating the great contribution he has made to the success of the Group Norman Bell was promoted to the new role of Group Development Director, following his successful running of the BSS integration project alongside John

Following our reorganisation of the Group into four operating divisions we have been able to appoint Paul Tallentire, who recently joined the Group following a career as a senior executive in a variety of trade businesses, as Divisional Chairman of the Plumbing and Heating division Jeremy Bird who previously ran our Wickes business, has been promoted to the new role of Divisional Chairman for the Consumer division

Joe Mescall and Arthur Davidson continue to lead the remaining two operating divisions as Divisional Chairmen of General Merchanting and Specialist Merchanting respectively

Opportunities for advancement have also been given to the people who manage a number of our businesses

Ian Church, who has led the Travis Perkins business in the Midlands with distinction for the

last seven years, is now managing director, PTS Simon King, an experienced retail executive from Safeway (now Morrisons), Tesco and Asda (where he was most recently Chief Operations Officer), joins the Group as Managing Director Wickes Kieran Griffin, a former Keyline and Travis Perkins manager and regional director, who enjoyed success in his first managing director role at CCF, has been promoted to Managing Director, Travis Perkins Midlands and North West

Howard Luft, who was until the end of September the Managing Director of Buck and Hickman and who was responsible for the successful turnaround and subsequent sale of this business, has re-joined the Group to become Managing Director of CCF

We are delighted that we have been able to continue to build on our previous success by promoting talented people from inside the Group to their new roles To achieve a promotion in these circumstances is truly outstanding

It is also pleasing to know that both the strength of the Group and its prospects are recognised by the new people we have been able to attract to our Group It is a testament to the success we have achieved, against a backdrop of challenging economic conditions I am sure that this group of talented individuals will make important contributions to our continued growth

Travis Perkins in the community

While many aspects of the Group are co-ordinated centrally, corporate social responsibility is one area that remains firmly the responsibility of the individual businesses, particularly when it comes to charitable fundraising and community programmes In 2011 each of our businesses supported a charity of their choice and undertook a plethora of activities to raise funds In 2011 through the efforts of the Group's employees, ably supported by customers and suppliers, £1 9m was raised for worthy causes (2010 £1 7m) including £146,217 (2010 £112,083) contributed by the Group

Given the success of the charity fundraising in terms of motivation and colleague participation, we have also devolved the management of very successful community programmes to individual businesses, moving responsibility away from the centre Branches are encouraged to fundraise for their business' partner charity and carry out building or repair related work in their local community

In total, businesses across the Group partner with 14 charities, with many having chosen during 2011 to extend their initial two-year partnership for a further year In addition, businesses in the former BSS Group have increased their fundraising activities They have all adopted new charities for 2012 or joined forces with another business or central function to support an existing partnership

For its work with The Prostate Cancer Charity, Keyline won Best UK Project at the 2011 Business Charity awards It was declared the company that made the biggest difference to beneficiaries through involvement with a charity project The company and its colleagues were also highly commended for their partnership with the charity

The Travis Perkins business adopted the Breast Cancer Campaign and Together for Short Lives as its charities in 2010 Having re-sprayed 12 of its trucks pink in a charity supporting publicity campaign in 2010, the pink theme has continued in 2011 The inaugural 'Travis Perkins' charity day took place to complement the continued sale of pink products such as wheelbarrows, saws, pencils and tape measures in its branches

Wickes continued its support for Leukaemia and Lymphoma Research, with colleagues yet again raising over £0 6m for the charity

Group-wide initiatives include a lottery where colleagues donate £1 a month from their pay, half of which is donated to the partner charities With 70% of eligible employees now taking part, more than £100,000 has been donated to charity since the launch of the lottery in August 2009

Strategy

The statements of Mission, Vision, and Values at the front of this annual report set out what we exist to do the direction we aim to take the Group, and the way in which we believe we should work The strategy we are following to achieve these aims is designed to maximise over the long term shareholder returns and involves

- Creation, acquisition and development of businesses that seek to serve all the segments for the distribution of building materials in the UK,
- Continuously improving the customer and supplier proposition in all our businesses to become the highest rated in each segment, as measured by customers, and as tested by seeking to outperform markets on a like-for-like basis,
- Exploit the economies of scale this creates through the centralisation of common activities and common purchasing into low cost, highly efficient and powerful central functions,
- Sustaining an organisational model that devolves authority to operating managers and allows them to compete with the most effective competitors with minimal constraints, but always maintaining very strong controls,
- Operating a performance management system, closely matched to arrangements for incentives, that encourages the right economic behaviour and allows all colleagues to participate in the financial success of the Group,
- Recruiting and developing people whose personal characteristics are consistent with a culture of customer sensitivity continuous improvement and a drive for performance,

The table on page 22 shows how we approach the various dimensions of our strategy, and how it is integrated with our management of risk

These relatively dry words are easy to write on a page, but require leadership by example, active management and considerable thought in deployment Senior management's role is to maintain a focus on these strategies The goal, for each of our mature businesses, is that they achieve the highest operating margin and return on capital of any business operating in their segment

The particular themes currently being pursued in executing these strategies are

- Having recently expanded our asset base and considerably accelerated our

"The goal, for each of our mature businesses, is that they achieve the highest operating margin and return on capital of any business operating in their segment"

market outperformance, now prioritise improvements in operating margins,

- Add multi-channel capabilities to our businesses, building on the considerable success achieved via Toolstation and Wickes' multi-channel activities,
- Expand our global sourcing activities, supported by an expansion of own-label products, category management activity and harmonised product specifications across market segments,
- Improve asset turn and lower property costs via new supply chain capabilities, concentration of brands on single sites, development of our owned 'trade parks' and realisation of spare assets through active property management

Growth prospects for the Group are positive, with gains expected from a recovery of activity in construction markets, further market outperformance, operational leverage from economies of scale and expansion of our branch networks and related activities. Whilst we confidently expect this to provide several years of good growth in financial returns, we believe over the next two or three years we should begin to cautiously, with a low-risk and low-capital approach, explore the prospects for expansion in new markets and activities. Our approach to these trials should not adversely impact the prospects for profits, cash generation and debt reduction.

Our management arrangements are designed to support these themes as well as drive the impact of our programmes of continuous improvement.

Our summary of principal risks and uncertainties is set out on pages 36 and 37. In summary our performance is closely aligned with the fortunes of the UK construction industry. However, it is also possible that we could suffer from the effects of disintermediation if we do not offer value, match our customer preferences or improve our proposition. In addition, we are dependent upon maintaining our IT capabilities, purchasing and distributing goods effectively and recruiting and retaining the best people.

Outlook

Our research suggests that market volumes will remain subdued in 2012. We expect trade market volumes to decline responding to the decrease in the number of housing transactions in the first half of 2011 and to the contraction in public sector expenditure, for which we have less than a 20% exposure. The consumer sector is likely to decline by a more substantial amount as consumer confidence remains low, unemployment rises and disposable income remains under pressure.

Against a backdrop of generally weak lead indicators including mortgage approvals, property transactions, consumer confidence and pressure on net disposable income we will further grow revenue by continuously improving our businesses. Although we will continue to target outperformance against the competition on a like-for-like basis, we will actively balance this objective with maintaining gross margins and limiting cost growth. In a weakening market, we judge this slight modification of our trading stance will yield the best outcome in terms of absolute profits and trend of operating margin. In 2012 our priorities will be threefold:

- Leverage our self help initiatives including the incremental return from the 13 ex-Focus stores added in 2011 and the growth in profit from the maturity of the Toolstation stores 100% owned from January 2012,
- Use our strong cash flow to pay down debt (targeting a reduction of £125m for the year), maintain selective expansion investment and increase dividends,
- Continue the successful integration of BSS into the Group by adding trading systems to the already integrated financial systems, whilst working to realise our increased synergy target of £30m for 2012.

We therefore look forward to another year of solid progress in 2012.



Geoff Cooper
Chief Executive
21 February 2012

Strategic Delivery Overview

Travis Perkins is the largest provider of building materials in the UK. Our philosophy of continuous improvement is intended to increase shareholder value through innovation, organic self-help initiatives and targeted expansion. In order that we might achieve our goal, we seek to ensure that our businesses offer market leading propositions, (as measured by customers and suppliers) and outgrow their markets on a like-for-like basis. Successful execution of our strategy is based upon a strong and well resourced share service model, which enables branches to concentrate on delivering excellent customer service, whilst allowing the central teams to concentrate on innovation and leadership across the Group. The section below gives a high level overview of our approach to delivering our strategy, how we judge progress, and which of the principal risks and uncertainties could prevent it being delivered. Further details are provided within the Chairman's Statement, the Chief Executive's Review of the Year, the Deputy Chief Executive's Review of the Year and the Finance Director's Review of the Year.

Strategic dimension	Approach	Key performance indicators	Principal risks and uncertainties
People	Devolving authority to managers to allow them to compete in the market but without weakening our control environment Recruiting and developing people with attributes that support our core values Operating a performance management system closely aligned to incentives	Employee retention	Employee recruitment retention and succession
Sales and margin management	Exploiting economies of scale from growth to improve our proposition, gain further market share and improve operating margins Centralising purchasing to increase the benefits of common purchasing Improving our supply chain capabilities Expanding our global sourcing activities to support our own brand proposition Continuously improving our customer and supplier proposition Harmonising product specifications across our businesses	Like-for-like revenue growth Like-for-like sales outperformance Adjusted operating profit/margin	Competitive pressures Information technology failure Supplier dependency and direct sourcing
Cost control and asset management	Exploiting the economies of scale delivered by growth and centralisation to improve our operating margins Centralising most support services Improving asset turn and lowering property costs Realising surplus assets and reinvesting the proceeds	Group overheads to sales ratio Adjusted ROCE	Information technology failure Defined benefit scheme funding
Expansion	Using our superior financial performance to expand our branch network so ensuring we penetrate all catchments in the UK Operating a well resourced and innovative property function Extending our multi-channel capabilities Adding additional channels or creating businesses to serve all segments of the UK building materials market where we can achieve synergies Developing and owning trade parks and multiple brand sites	Revenue from expansion	Integration complexity
Financial	Achieving market leading returns on sales and returns on capital employed Reducing debt through cash generation Increasing adjusted earnings per share Optimising our dividend cover	Net debt to EBITDA Free cash flow Adjusted ROCE Adjusted EPS Adjusted PBT Dividend cover	Market conditions

"F&P Wholesale, a distributor of plumbing, heating and bathroom products to independent merchants"

Deputy Chief Executive's Review of the Year

For the year ended 31 December 2011

"Proof that our inclusive culture works is evidenced by those employees who have been employed by the business for almost their entire working lives"

Introduction

We aim to grow and develop the operating businesses that make Travis Perkins the largest and most economically rewarding provider of building material solutions to anybody in the UK wanting to construct, maintain, improve or repair the built environment. We believe that this will ensure that we achieve our overall strategy of improving returns for the Group's shareholders. The business model we deploy to execute this strategy is shown on the table on page 29.

In 2011, the approach we have taken to meeting our aims has been to:

- Increase our investment in colleague training and development,
- Improve our health and safety and environmental credentials,
- Make many small improvements throughout our organisation rather than putting all our efforts into large projects,
- Successfully integrate BSS into the Group,
- Concentrate on maximising the benefits from existing initiatives,
- Maximise the purchasing and overhead synergies arising from the acquisition of BSS,
- Target expansion in emerging channels by expanding our newest businesses and seeking opportunities to add new channels in areas that are complementary to our existing businesses.

In developing our business it is important that we do not overlook the influence that our colleagues, customers, suppliers and other stakeholders can have on results. For that reason it is an imperative that we strive to make our work environment a better place to do business.

Operationally we measure our success through a comprehensive 'balanced scorecard' of key performance indicators ('KPI'), which are aligned to achieving our strategy.

	2011	2010
Like-for-like revenue growth – Merchanting	9.4%	7.6%
Like-for-like revenue growth – Retail	(1.3)%	0.9%
Like-for-like revenue growth – BSS (proforma)	2.9%	6.2%
Like-for-like revenue outperformance	5.0%	3.5%
Employee retention	87.0%	86.0%
Revenue from expansion	2.0%	2.6%

Environment – see separate report on pages 38 to 42
Health & Safety – see separate report on pages 43 and 44

People

Engagement

Building colleague engagement is of great importance to the success of our business because committed employees improve performance, which has a positive ripple-down effect on customers To monitor progress we regularly survey our colleagues to seek their opinions about what is working well and what prevents them from performing at their best and feeling connected

This year we sought feedback from all of the BSS colleagues who joined the Group late last year and were delighted when the engagement score matched the 60% registered by the rest of the Group In mid 2010 However, to ensure that we remain informed between group-wide surveys, in 2011, we launched an online survey panel called Voice Box intended to test where we are on issues that might influence engagement All employees were invited to take part, and within weeks, 2,700 had registered

We also embrace a variety of two-way communication channels to maintain employee involvement and engagement in group activities These include open forums for employees to ask any questions about the business, colleague liaison forums, employee nominated special achievement awards, and our popular quarterly magazine, The Bridge

Proof that our inclusive culture works is evidenced by those employees who have been employed by the business for almost their entire working lives Some employees have given 50 years' continuous service, whilst more than 80 have been with Travis Perkins' companies for more than 40 years

Training and development

The primary objectives for the business over the past two years have been to maximise sales opportunities, protect margin and out perform the market To achieve those targets we needed a learning and development strategy that gave

- Colleagues the confidence and expert product knowledge to offer the service and advice trade customers expect,
- Managers the leadership skills and commercial acumen to motivate our people and drive results,
- Leaders the creativity and inspiration to set the agenda and facilitate change

During the year, in support of our strategy, we have undertaken many projects to improve the abilities of colleagues at all levels throughout the Group These are designed to give them the confidence and skills needed to exercise the authority they are given to compete in the market The projects included

- Establishing an executive development group of senior managers with potential for leadership roles forging a link with Ashridge, the leading management school, to deliver programmes to this group in 2012,
- Delivering leadership and coaching programmes to up-skill our regional directors and their peers,
- Developing job skills and product knowledge expertise amongst branch and store colleagues through sales and service workshops,
- Re-launching, as an apprenticeship scheme, our management training scheme, which many current directors and I went through on originally joining the Group

The success we have achieved in recent years culminated in our being positioned as a finalist in the HR Excellence Awards 2011 for 'Best learning and development strategy' which confirms that learning and development activity within the Group delivers bottom line business benefits

Careers and talent pipeline

The on-going challenge is to build the capability of the talent pipeline and leverage internal knowledge, skills, networks and experience for the benefit of the Group as a whole The hard work and abilities of many colleagues have been recognised this year through promotions and new opportunities to work in different parts of the business, but in those cases where we have to seek talent from outside the existing internal talent pool we need to be positioned as an 'employer of choice' among candidates

During the year we have invested in a new centralised IT recruitment platform to bring more efficiency to our recruitment processes and increase hire quality To attract the best candidates, we believe we need to offer a rich candidate experience and to let candidates know where they are in the process at all times Our new system allows us to do this Furthermore as part of this investment we have added a bespoke recruitment site that colleagues within our business can use to seek out career opportunities before many of the vacancies are placed on external recruitment sites

Stay Safe

We have an absolute commitment to continuously improving our health and safety record, which in recent years has resulted in our approach to safety in our business evolving from one which was 'Stay Legal' to one which is now 'Stay Safe' In achieving this change each year, our safety team have developed a large number of initiatives to promote the Stay Safe message

Driven by the business' desire to progress the Stay Safe journey more quickly and effectively, we have re-aligned our Stay Safe team to our new divisional structure This will strengthen the awareness and personal ownership of each business board which in turn will accelerate the development of the Stay Safe culture in our branch and store managers In restructuring the health & safety team we have created

- Four Stay Safe business partner roles, each supporting one of the four operating divisions
- A Stay Safe central services team, which is responsible for reviewing and developing health & safety policy, managing incidents, and providing advice and guidance to operational management, and
- A team of Stay Safe training advisors that will support the business by developing and delivering Stay Safe training across all divisions

Sales and margin management

It is our aim to outperform our main markets on a like-for-like basis by communicating and delivering a superior offer to our customers Customer service continues to be an area of focus for all colleagues

One aspect of increasing sales and customer satisfaction is ensuring that our prices are transparent, consistent and understandable to our customers In our Merchanting brand we are trialling new pricing structures with the intention of rolling them out during 2012 We have also invested in our sales force and focussed them, through incentivisation, on increasing active trading accounts As a result we opened or reactivated a number of customer accounts during the year

In 2011 we saw merchanting gross margins come under pressure due to a combination of high input inflation and our own strategy to gain market share In the early part of the year our actions were supported by investing a proportion of the gains from our sourcing initiatives into prices However, from quarter 2 onwards as markets became more difficult we adjusted our stance in favour of achieving a consistent year-on-year gross margin by the end of the year

The category management team undertook projects to investigate returns on timber and sheet materials This involves looking at all aspects of product holding, pricing and merchandising Later in 2012 branches will be able to order and stock timber by specific length

We have started to benefit from new ranges being cross-sold between BSS businesses and the rest of the Group A particular success was the introduction into Wickes, of the Scruffs workwear range supplied by Birchwood Price Tools The new products, which already have proved to be very popular, will be introduced to replace an existing range in the Merchanting division during 2012 Furthermore, we are now piloting tool-hire in BSS Industrial with the intention of rolling it out to more branches later in the year

Our supply chain operations are wide reaching with many products now sourced direct from global manufacturers We operate 24 warehouse facilities, covering nearly 3m square feet which supply over 1,800 branches that utilise 2,500 vehicles to deliver product to customers' worksites and homes Over 1,500 colleagues across the Group now support internal supply chain solutions picking 48,000,000 separate items per annum

Our customers are rightly becoming ever more demanding, expecting us to provide consistent and timely access to a broad range of products This provides us with a significant sales and margin opportunity as we can leverage our unique multi brand scale, to improve customer service and reduce costs Therefore, we continue to invest successfully in our supply chain as a key enabler to our organic growth programme

Additional focus on our timber and heavyside bulky goods supply chains now allows our smaller branches to access a broader range of products regardless of their space constraints The implementation of a feeder network from larger branches has improved sheet materials availability by 5% whilst after a year of operation our heavyside consolidation operation in the Northwest now services 110 branches with an extended range of 3 000 products As a result our branches can consistently promise customers 24 hour delivery for product that would otherwise have come direct from suppliers, on much longer lead times

Our performance in supply chain has been recognised externally with the team beating many major European retail and merchant businesses to win two prestigious awards in 2011– the Ligenta European Retail Supply Chain award and Retail Week s Distribution Development Award

Investment this year focused on further centralisation of our lightside and plumbing & heating product ranges, with an additional 500,000 square foot warehouse facility being added to our Northampton campus The new site has allowed us to extend the number of centrally stocked products available to branches and so has improved our overall levels of service and product availability The facility is also an enabler to our commercial team's direct sourcing programme

As part of our drive to increase direct sourcing we opened a new office in Shanghai to manage the flow of product from factories located in the Far East Forty colleagues

"Our performance in supply chain has been recognised externally with the team beating many major European retail and merchant businesses to win two prestigious awards in 2011"

"Our merchanting division has performed strongly with each of our businesses recording impressive growth"

from China and the UK work in Shanghai and Shenzhen to ensure that goods are delivered to our UK warehouses to the right specification, in the correct quantities as efficiently as possible This has enabled us to capture the margin previously made by the third party distributors and agents

Although we are now purchasing £450m of goods from approximately 90 factories located in 15 countries across five continents our analysis suggests that as more product is direct sourced we could realise a further £25m of annual profits by 2016 Consequently, we plan to expand further our team in China during the coming year

The introduction of new product ranges is fundamental to the growth of the business During 2011, we completely re-launched IFLO our own brand plumbing range Supported by a new fully priced catalogue sales have increased 22% year-on-year at the same time as margins have increased We predict further growth in 2012 when additional ranges and a new pricing structure will be introduced In addition, we are actively seeking new sales opportunities in areas such as fire protection, renewables, drainage and water recovery

Our most important project in 2011 has been to deliver the BSS synergies identified at the time of the acquisition A team comprising colleagues from across the Group exceeded our 2011 expectations of £8m by delivering £15m of purchasing synergies in 2011, and putting in place a process that will lead to our £25m initial target being achieved one year early In 2012 we will be concentrating on maximising synergies by consolidating purchases where we currently have multiple suppliers

In BSS we acquired a group that was part way through a project to implement a new operating system throughout the business Our assessment of the programme resulted in a change of course whereby we will implement new systems into BSS based upon existing group systems Our IT colleagues have spent most of 2011 rewriting system programmes so that they meet the specific needs of both the BSS and PTS businesses We have trialled the new systems in seven PTS branches during the year We plan new systems in PTS to improve the information available to branch managers to enable them to trade better, reduce credit risk and help collect debts more rapidly

Tight cost control and asset management

In these difficult economic times we have continued to place emphasis on finding ways of improving our efficiency, exploiting the economies of scale delivered by centralising group services and managing our cost base We have also taken the decision to concentrate on maximising the returns from existing initiatives, rather than investing heavily in new ones Initiatives where due to market conditions returns were found to be more marginal have been delayed or cancelled

In Wickes we have changed the store structure by removing some management roles but at the same time increasing colleague hours, to facilitate a greater focus on customer service Whilst some colleagues were redeployed into other roles, unfortunately the reorganisation has resulted in some 200 colleagues leaving the business towards the end of the year

Our delivery fleet based at branches has benefited from further investment in automated delivery planning and scheduling technology, this improves our 'on time' delivery performance for customers, while reducing vehicle costs by optimising the delivery route

Our synergy programme was not confined only to product purchases Through implementing new systems and processes, switching suppliers and combining BSS teams with those in Northampton we achieved almost £5m of overhead synergies during the year

Improve return on capital

Managing stock levels, whilst improving stock availability, is one of the key initiatives being undertaken by the supply chain team At 30 June, stock levels were higher than we planned due to a combination of holding more stock due to direct sourcing, advance buying due to favourable pre inflation increase deals with suppliers and increasing sales levels However, by the year-end we had reduced stock from its peak levels by approximately £50m Whilst we continue to target additional areas where stock can be reduced without impacting upon availability, we are also investing in pre-price increase deals where appropriate

We are now trialling stock auto-replenishment in our Wickes business This will yield working capital and productivity gains and stronger sales through better availability

External expansion

The closure of Focus in the first half of the year presented us with a great opportunity to expand selectively our store base in a number of new catchment areas that had previously proved difficult to penetrate In what was the largest project of its kind ever undertaken by Wickes, a cross-functional team of colleagues responded magnificently to the challenge of engaging 350 new colleagues and opening 13 new stores within four and a half months The early results from what was our largest single investment of the year, have exceeded our expectations with all stores trading profitably

We have continued to leverage our existing estate by seeking opportunities to expand our smaller businesses by establishing implants within our existing merchanting branches This approach minimises set up costs and improves returns through utilising spare capacity within our network.

- Turnover for toolhire rose 22% in the year We now trade from 196 toolhire outlets in our merchanting business having opened a further nine during 2011 and we expect to trial our first toolhire outlet within a BSS branch in early 2012 before rolling it out further later in the year
- Benchmarx opened 27 new implanted outlets in 2011 so we now trade from 84

sites It is now the third largest business in its sector, and

- We continued to expand our heating spares capability adding a further 44 outlets in PTS branches and 28 outlets in City Plumbing branches We now operate 244 spares outlets across the Group, a network that has produced exceptional sales growth in this category

A further 1,268 colleagues joined the group when Toolstation was acquired on 3 January 2012 Toolstation is a multi channel retailer of lightside products trading from 103 sites in the UK as well as by telephone and through the internet It has expanded rapidly since 2008 and as more stores have reached trading maturity it is now trading profitably

Part of our strategy is to increase our presence in emerging channels by investing in new opportunities in markets adjacent to our existing businesses In 2011, we acquired a 25% stake in Rinus Roofing, a small company selling approximately 2,000 roofing products from seven branches in the north of England

Outlook

In November, we announced a new divisional structure would be put in place from 1 January 2012 Our plumbing and heating businesses have been brought together to form a new division under the leadership of Paul Tallentire whilst Toolstation joins our Consumer division bringing with it a multichannel expertise that we can exploit throughout the business

2011 was a difficult year for companies in our sector but colleagues throughout the Travis Perkins group responded to the challenges set for them A lot was achieved, but there remains a lot of potential All indications are that 2012 will be equally difficult, but I fully expect that the initiatives we are undertaking to improve our business will keep us at the forefront of our sector

I would like to place on record my sincere thanks to all colleagues across the Group for their outstanding efforts, which have produced, yet again, an industry leading performance



John Carter
Deputy Chief Executive
21 February 2012

Business Model

Travis Perkins is a multi-channel operator selling a wide range of building materials to the trade and consumer primarily through a network of mainly UK branches Our business model is based upon

- Achieving growth through investing in organic initiatives and acquisitions that leverage our fixed and central costs to deliver further benefits from increasing economies of scale,
- An organisation structure which devolves responsibilities close to customers and provides the benefits of shared central services,
- Thorough performance management monitoring systems and processes
- A technology approach where retaining control by writing our own systems delivers lower cost, more flexibility and higher matched functionality particularly in areas such as logistics, supply chain and multi-channel,
- Incentivisation structures that are linked to performance and encourage improvement
- A strong culture, which extends to the types of people we employ and the values and leadership behaviours we encourage

In delivering our product solutions we	Our products are distributed to the end user through a supply chain network which	We strive to provide our customers with the highest levels of service possible by
Are committed to ensuring that we buy quality goods and materials from responsible and ethical sources, at prices that are fair to all	Operates from 24 central warehouses enabling us to buy goods in bulk and distribute them to our branches in smaller quantities	Employing the best available people and investing in their training and development
Purchase over 100,000 products from UK and overseas manufacturers and distributors	Utilises a distribution fleet of 192 vehicles to transport product between warehouses and branches	Ensuring branches maintain high levels of stock availability in full project quantities
Stock a wide range of own brand products, particularly in our consumer business as well as branded goods supplied by market leading companies	Makes around 350,000 branch deliveries p a	Offering advice and building related services that support their needs
Achieve economies of scale by focussing our purchases towards a limited number of suppliers	Engages over 1,500 colleagues to ensure the efficient movement of stock throughout our organisation	Using a fleet of 2,300 vehicles to provide an efficient on-time-in-full, local delivery service where customers have chosen not to collect goods from our sites
Are the largest or second largest customer for a considerable number of our suppliers, many of whom have forged close relationships with the Group over a long period of time	Improves branch efficiency by ensuring we have an appropriate mix of suppliers delivering either direct to our branches or to our central warehouses	Making credit available for approximately 80% of customer purchases
	Gives customers access to our businesses through a nationwide branch network	Ensuring our prices reflect both the quality of the goods we sell and the service we provide, whilst remaining competitive

Finance Director's Review of the Year

For the year ended 31 December 2011

"We have arranged a £550m forward start extension to the Group's UK borrowing facilities which will meet the Group's funding requirements until 2016"

Financial achievements

Our principal financial objectives for 2011 were to support the Group's strategy by delivering the synergies anticipated at the time of the BSS acquisition, further reducing group borrowings, managing margins and costs in the face of increasingly difficult markets and ensuring increased profitability by leveraging the investments we made in product service initiatives and branch expansion This involved

- Delivering £20m of synergies from the BSS acquisition, which has left us well placed to exceed our original £25m target, with £30m being our new target,
- Reducing net debt by £191m to £583m through a series of initiatives and synergies designed to improve cash flow,
- Increasing adjusted earnings per share on a proforma basis (assuming we owned BSS for all of 2010) by 6%,
- Integrating financial systems following the BSS acquisition

Furthermore, at a time when financial market liquidity has been severely affected by events in Europe, we have arranged a £550m forward start extension to the Group's UK borrowing facilities which will meet the Group's funding requirements until 2016

Financial results

The Group's overall adjusted operating margin remained flat at 6 6% compared with last year on a proforma basis

Whilst the operating margins of individual divisions are still strong, there has been a limited amount of erosion during the year in merchanting The overheads to sales ratio reduced by 0 4% due to the combined impact of good cost control and the operational gearing effect of the fixed element of our cost base and synergy benefits contributed 0 2% However these were not enough to prevent merchanting operating margins falling by 0 2% to 8 6% (2010 8 8%) as gross margins eased 0 8% due to mix (direct to site deliveries grew strongly, so diluting gross margins), input price pressure, investment in warehouse facilities and some investment in market share

In our retail business, despite a 1 3% gross margin improvement due to a combination of improved purchasing terms, direct sourcing and lower sales incentives, adjusted operating margin fell by 1 4% to 4 5% (2010 5 9%) This reflects an increase in overheads due to higher marketing spend, the initial costs of opening all of the new stores acquired from Focus and restructuring

BSS adjusted operating margins including synergies improved by 0 4% to 4 6% (2010 4 2% on a proforma basis) as the benefits of our synergy programme more than offset the effects of sales mix, which reduced operating margins, due to significantly increased turnover with British Gas from April

The Group incurred £10m of exceptional operating charges in 2011 (2010 £19m) as a result of integrating BSS into the Group The charges arose mainly as a result of

"Early in 2012 we completed the acquisition of Toolstation"

the on-going programme to integrate BSS colleagues, systems and processes into the Group, although there was a £2m charge due to the closure or disposal of businesses that were determined to be non-core to the Group's operations After charging the exceptional operating items, operating profit was £291m (2010 £220m)

Despite incurring increased interest charges due to the acquisition of BSS late in 2010, overall net financing costs before exceptional charges have reduced in 2011 by £6m to £17m Gains on derivatives, mainly one off, were £7m higher than in 2010 as the Group benefited from revaluing forward currency contracts taken out during the course of the year to fix the exchange rate at which goods sourced in foreign currency will be purchased In addition, other finance income associated with the pension scheme increased by £6m due to significantly higher asset values at the start of 2011 than 2010 The average interest rate during the year was 3 0% (2010 3 1%)

Exceptional integration related finance costs of £4m (2010 £1m) were incurred as a result of repaying $125m of BSS private placement notes before their contractual maturity dates

Profit before tax, after charging £14m (2010 £20m) of exceptional costs and £13m of intangible asset amortisation (2010 £nil), rose by £73m to £270m (2010 £197m)

Excluding the combined tax effect of the exceptional operating and financing costs of £4m (2010 £2m) and an exceptional deferred tax credit of £13m (2010 £2m) caused by the reduction in the corporation tax rate to 25% from April 2012, the tax charge for the period was £74m (2010 £60m), which represents an effective rate of 26 2% (2010 27 6%) The reduction from last year reflects the drop in the statutory tax rate during the year

Basic earnings per share were 30% higher at 90 3 pence (2010 69 6 pence) Adjusted earnings per share (note 12) were 93 1 pence (2010 77 2 pence), a 21% increase which is primarily due to the acquisition of BSS towards the end of 2010 The proforma increase in adjusted EPS was 11% There is no significant difference between basic and diluted earnings per share

The following table shows the Group's key financial performance indicators

	2011	2010	2009	2008
Adjusted operating profit to revenue ratio	6 6%	7 6%	7 7%	8 5%
Group overheads to sales ratio	23 6%	26 7%	26 3%	26 1%
Profit before tax growth / (decline)	37 0%	(7 5)%	45 4%	(44 0)%
Adjusted profit before tax growth / (decline)	36 9%	20 4%	(11 1)%	(22 5)%
Adjusted earnings per share	93 1p	77 2p	75 2p	96 9p
Dividend cover	2 7x	5 1x	-	8 5x
Free cash flow (note 36)	£294m	£278m	£294m	£185m
Adjusted return on capital (note 37)	11 3%	12 2%	10 9%	12 9%
Net debt to adjusted EBITDA (note 38)	1 3x	1 9x	1 5x	2 8x

Financial capital management

Strong financial capital management is a fundamental component of the overall group strategy

The Directors are committed to the generation of long-term shareholder value, which we believe will be achieved through

- Increasing the Group's market share via a combination of LFL sales growth and targeted expansion through acquisitions, brown field openings and in-store development,
- Investing in projects and acquisitions where the post-tax return on capital employed exceeds the weighted average cost of capital of the Group by a minimum of 4%,
- Generating sufficient free cash flow to enable the Group to expand its operations whilst funding attractive returns to shareholders, reducing its debt and pension deficit,
- Operating an efficient balance sheet by structuring sources of capital to minimise the Group's weighted average cost of capital consistent with maintaining an investment grade financial profile On a lease adjusted basis this would mean a ratio of net debt and operating leases to EBITDAR would be less than three times (31 December 2011 3 4 times),
- Maintaining long-term dividend cover at between two and a half and three and a half times earnings

The Group maintains a capital structure that is both appropriate to the on-going needs of the business and ensures it remains within the covenant limits that apply to its banking arrangements

The capital structure is formally reviewed by the Board as part of its annual strategy review but it is kept under review by me throughout the year The Company will rebalance its capital structure through raising or repaying debt, issuing equity or paying dividends

The Group's capital structure is aimed at balancing equity and debt in a way, which comfortably retains the Group s investment grade status, maintains the financial flexibility for business development and optimises the efficiency of its finance costs given that the cost of debt is below the cost of equity This equates to a maximum Net Debt/EBITDA target of 2 5 times post any acquisition (against 3 0 times bank covenant) with the aim of paying down debt to achieve a 1 times ratio

The current preferred capital structure of the Group consists of debt, which includes the bank borrowings and the US private placement notes, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings However, we regularly review the sources of debt available to the Group with the aim of maintaining both diversified sources and diversified maturities

In addition the Group also utilises operating leases, particularly in respect of properties At 31 December 2011, the annual rent roll for leased properties was approximately £173m Our aim is to maintain a ratio approximating to 20% of properties owned, 80% leased

The capital structure of the Group at 31 December comprises

	2011 £m	2010 £m
Cash and cash equivalents	(79)	(51)
Bank loans	323	402
US private placement notes	279	366
Loan notes	3	3
Finance leases	20	22
Pension SPV	37	36
Pension fund deficit	34	20
Equity attributable to shareholders	2,108	1,952
Total balance sheet capital employed	2,725	2 750
Operating leases (8 times rentals)	1,408	1,352
Total capital employed	4,133	4,102

Liquidity and funding

The Group is financed through a combination of unsecured bank borrowings and unsecured guaranteed private placement notes at fixed and floating rates of interest The Board regularly reviews the facilities available and seeks to maintain them at a level sufficient to facilitate execution of its strategy, whilst ensuring that liquidity headroom will cover possible contingencies

At 31 December 2011, the Group had committed UK bank facilities of £800m and $400m of $US private placement notes in issue In addition it had £40m of uncommitted overdraft facilities

During the year, as part of the continuing integration of BSS into the Group, we repaid $125m of private placement notes issued by BSS in 2006 We also cancelled 3 derivative contracts that were established to hedge against interest and currency movements on those notes In total, these transactions resulted in a charge to the income statement of £4m which has been disclosed as an exceptional finance cost

In December 2011, we signed a new £550m forward start banking agreement with a syndicate of banks The £550m revolving credit facility, which runs until December 2016, can be drawn from April 2013 the expiry date for the Group's existing £800m facility agreement

The new agreement will increase the Group's funding costs in line with changes that have occurred in the market since the last financing agreement was signed in 2008 As a result, it is anticipated that the Group will incur additional financing costs of around £4m in 2012

The first $200m tranche of our private placement notes are due for repayment in early 2013, the remaining $200m being available until 2016 These together with our existing bank facilities provide the Travis Perkins group with the liquidity it requires for the foreseeable future

The Group is also party to a large number of leases most of which relate to premises occupied by the Group for trading purposes Note 31 gives further details about the Group's operating lease commitments

Continued focus on debt reduction

Careful control of capital investment together with a strong focus on working capital management and integration synergies arising from aligning supplier payment terms meant that net debt was reduced by £191m during the year to £583m Our net debt to EBITDA ratio continues to fall towards our target of around one times At 31 December 2011, it was 1 3 times (2010 1 9 times) Free cash flow for the year was £294m (2010 £278m) (note 36)

Gross capital and investment expenditure totalled £121m £55m was spent on capital replacements, and £66m on expansion We believe our culture of undertaking small incremental improvement projects with strict return criteria for each expansion project is a major strength of the Group

The peak and minimum levels of daily borrowings on a cleared basis during the year ended 31 December 2011 were £949m and £597m respectively (2010 £876m and £551m) The maximum month end cleared borrowings were £867m (2010 £736m) At 31 December 2011, the Group had undrawn committed facilities of £475m (2010 £455m)

Pension fund performance

The Travis Perkins' final salary pension scheme started the year with an accounting surplus of £32m, whilst the aggregate gross deficits on the three BSS related defined benefit schemes totalled £60m

During 2011, high quality corporate bond yields have fallen dramatically, which has reduced the discount rate applied to scheme liabilities This, combined with lower than anticipated returns from investments, particularly equity, has resulted in an actuarial loss of £50m At 31 December 2011 the combined accounting gross deficit was £46m (2010 £28m)

The triennial valuation of the Travis Perkins scheme for September 2011 is currently being undertaken Details will be reported in the 2012 annual report

Extracting value from our business assets

After reviewing the individual businesses acquired with BSS we decided that the Buck and Hickman business was not sufficiently aligned to either the Travis Perkins or the BSS Group core businesses to warrant retaining it in the Group Accordingly, the trade and assets were sold for £27m on a debt free, cash free basis in September 2011

Our property team has continued to make an important contribution to group profits by realising gains from carefully selected property development projects They achieved their targets for 2011 by generating in excess of £16m of property profits from seven projects, one of the largest of which was at Guildford, which is the second trade park development undertaken by the Group The proceeds from some deals will not be received until 2012, but £14m was generated during 2011 At the year-end, the carrying value of our freehold and long leasehold property portfolio was £285m (2010 £262m)

Capital employed and balance sheet

Capital employed at the end of 2011 was £2,108m (2010 £1,952m) The Group's adjusted return on capital for the year was 11 3% (2010 12 2%), which continues to be

above our pre-tax weighted average cost of capital ('WACC') of 6 9% (2010 8 1%) Our WACC reduced in 2011 due to lower Gilt yields

Our balance sheet remains strong with over £2bn of net assets and once again our calculations show there were no impairments to the carrying values of goodwill and other intangible assets Across the Group our operating assets continue to be highly cash and profits generative

During the year, the daily closing share price ranged between 711p and 1,127p The shares closed the year at a price of 796p, giving a total market value or market capitalisation of £1 9bn This represented 0 9 times shareholders funds (31 December 20'0 1 3 times)

BSS

During the year, we completed our fair value exercise on the assets acquired in 2010 In total we made adjustments of £48m (before goodwill and intangible write offs) which were principally in respect of aligning policies on stock, debtor and pension scheme valuations, writing off the cost of certain fixed assets and establishing accruals for previously unrecorded liabilities

After reflecting all fair value adjustments, the final value of goodwill included in the group balance sheet was £345m In accordance with the requirements of IFRS the balance sheet at 31 December 2010 has been restated to incorporate the additional fair value adjustments identified since that balance sheet was signed on 22 February 2011

Effective financial risk management

The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net assets The Group manages the principal financial risks within policies and operating parameters approved by the Board of Directors and does not enter into speculative transactions Treasury activities, which fall under my day-to-day responsibilities, are managed centrally under a framework of policies and procedures approved by and monitored by the Board

The Group's policy is to enter into derivative contracts only with members of its UK banking facility syndicate, provided such counterparties meet the minimum rating set out in the Board approved derivative policy

The Group s hedging policy is to generate its preferred interest rate profile, and so manage its exposure to interest rate fluctuations, through the use of interest rate derivatives Currently the policy is to maintain between 33% and 75% of drawn borrowings at fixed interest rates

The Group has entered into a number of interest rate derivatives designed to protect it from fluctuating interest and exchange rates on its borrowings At the year end, the Group had £250m of interest rate derivatives fixing interest rates on approximately 38% of the Group's cleared debt In total 66% of the Group s debt is at fixed interest rates

The Group settles its currency related trading obligations using a combination of currency purchased at spot rates and currency bought in advance on forward contracts Its policy is to purchase forward contracts for between 30% and 70% of its anticipated requirements twelve months forward At 31 December 2011 the nominal value of currency contracts, all of which were $US denominated, was $120m To protect itself against adverse currency movements and enable it to achieve its desired interest rate profile, the Group has entered into four cross currency swaps and four forward contracts In respect of its $400m fixed rate guaranteed unsecured notes

In summary, the key points of our financial risk management strategy are that we

- Seek to maintain a strong balance sheet,
- Accord top priority to effective cash and working capital management,
- Retain significant liquidity headroom of over £100m in our borrowing facilities and maintain good relationships with our bankers,
- Operate within comfortable margins to our banking covenants
  - The ratio of net debt to EBITDA (earnings before interest, tax and depreciation) has to be lower than 3 0 it was approximately 1 3 at the year-end, and
  - The number of times operating profit covers interest charges has to be a least 3 5 times and it was '5 times in 2011
- Have a conservative hedging policy that reduces the Group's exposure to currency and interest rate fluctuations,
- Serve over 150 000 'live' customer accounts and no single customer accounts for more than 1% of our sales, the bad debt charge in 2011 was 0 6% (2010 0 6%) of credit sales

Going concern

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements

In arriving at their opinion the Directors considered the

- Group s cash flow forecasts and revenue projections,
- Reasonably possible changes in trading performance,
- Committed facilities available to the Group to late 2016 and the covenants thereon,
- Group s robust policy towards liquidity and cash flow management, and
- Group management s ability to successfully manage the principal risks and uncertainties outlined on pages 36 and 37 during periods of uncertain economic outlook and challenging macro economic conditions

P M. Hampden Smith

Paul Hampden Smith
Finance Director
21 February 2012

"A particular success was the introduction into Wickes of the Scruffs workwear range supplied by Birchwood Price Tools"

Statement of Principal Risks and Uncertainties

As at 31 December 2011

A number of factors affect the operating results, financial condition and prospects of each of the businesses in the Travis Perkins group. This section describes the risk factors that are considered by the Directors to be material, their potential impacts and the factors that mitigate them. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Group's operating results, financial condition or prospects.

Risk description	Impact	Risk mitigation
Market conditions		
The Group's products are sold to tradesmen and retail customers for a broad range of end uses in the built environment. The performance of the market is affected by general economic conditions and a number of specific drivers of construction and DIY activity, including housing transactions, net disposable income, house price inflation, consumer confidence, interest rates and unemployment.	Adverse effect on financial results	The Board conducts an annual review of strategy, which includes an assessment of likely competitor activity, market forecasts and possible future trends in products, channels of distribution and customer behaviour. The Group maintains a comprehensive tracking system for lead indicators that influence the market for the consumption of building materials in the UK. Significant events including those in the supply chain that may affect the Group are monitored by the Executive Committee and reported to the Board monthly by the Group Chief Executive.
Competitive pressures		
Market trends, particularly in respect of customers' preferences for purchasing materials through a range of supply channels, may affect the Group's performance so making traditional branch based operations less relevant. Public sector buying groups could reduce sales if public bodies chose to buy direct from the manufacturers. Disintermediation may become more of a threat if manufacturers decide to deal directly with the end user.	Adverse effect on financial results	Changes to market practice are tracked on an on-going basis and reported to the Board each month. The Group is leading the industry in terms of the development of new and innovative supply solutions, and works closely with customers and suppliers on a programme of continuous improvement of current models. The Group's branding strategy allows it to use sites flexibly. Alternative space utilisation models are possible, including maintaining smaller stores and implanting additional services into existing branches.
Information technology		
The operations of the Group depend on a wide range of complex IT systems operating efficiently and effectively. The rapid expansion of the Group together with an increasing demand for IT services, particularly in respect of the BSS integration, could result in development programmes being delayed. Increasing levels of cyber crime represent a significant threat with the potential to cause loss of system availability or financial loss.	Adverse effect on financial results. Adverse effect on the Company's reputation.	The strategic demands of the business, resources available to IT, performance levels of key systems and IT security are kept under review by the Executive Committee. Maintenance is undertaken on an on-going basis to ensure the resilience of group systems, with escalation procedures operating to ensure any performance issues are resolved at an early stage. Our two main data centres mirror each other with data processing switched from one to the other on a regular basis. An IT disaster recovery plan exists and is tested regularly together with the business continuity plan with arrangements in place for alternative data sites for both trade and retail businesses. Off-site back-up routines are in place.

Risk description	Impact	Risk mitigation
Employee recruitment, retention and succession		
Many employees have worked for the Group for some considerable time during which they have gained valuable knowledge and expertise The ability to recruit retain and motivate suitably qualified staff is an important driver of the Group's overall performance Ensuring succession for key positions throughout the Group is important if it is to continue to be successful in the future	Inability to develop and execute our development plans Competitive disadvantage	*The Group Human Resources Director monitors staff engagement* and turnover by job type and reports to the Executive Committee regularly and to the Board annually Succession plans are established for the most senior positions within the Group and these are reviewed annually Our reward and recognition systems are actively managed to ensure high levels of employee engagement A wide-range of training programmes are in place to encourage staff development whilst management development programmes are used to assist those identified for more senior positions Salaries and other benefits are benchmarked annually to ensure that the Group remains competitive
Integration complexity		
Integrating large acquisitions into the Group requires the re direction of considerable expertise and resource if progress is to be achieved efficiently and effectively Should the process encounter significant unforeseen difficulties with systems development and implementation, colleague integration or process alignment then considerable additional cost could be incurred management could be deflected from the important task of running the rest of the business and our ability to trade successfully could be inhibited	Adverse affect on financial results Adverse affect on reputation	All major integration processes are overseen by a member of the Executive committee who is designated as integration director They are charged with the responsibility for drawing together the resource and expertise required to deliver our integration plans Colleagues from throughout the Group who have the skills and experience necessary to undertake complicated integration work are seconded from their existing roles to the integration team for the duration of the project, with additional resource employed to backfill their positions A rigorous quality control process is implemented to ensure that system and process changes are thoroughly tested by business users before they are released into the live operating environment The Board regularly reviews progress against the project plan to ensure that the process is properly controlled and has sufficient resource to complete the project
Supplier dependency and direct sourcing		
The Group is the largest customer of many of its suppliers In some cases, those suppliers are large enough to cause significant difficulties to the Group if they become unable to meet their supply obligations Alternative sourcing is generally available but the volumes required and the time it may take those suppliers to increase production could result in significant stock-outs for some considerable time We have rapidly expanded our direct sourcing capabilities, which have increased the Group's reliance on overseas factories producing product This increases the Group s exposure to sourcing, quality trading warranty and currency issues	Adverse affect on financial results Adverse affect on reputation	The commercial and financial teams monitor the financial position of the Group's key suppliers Where possible, contracts exist with more than one supplier for key products The Group has made a significant investment in a new Far East infrastructure to support its direct sourcing operation Comprehensive checks are undertaken on the factories producing product, the quality and suitability of that product before it is shipped to the UK
Defined benefit pension scheme funding		
The Group is required by law to maintain a minimum funding level in relation to its on-going obligations to provide current and future pensions for members of its pension schemes who are entitled to defined benefits Some issues could adversely affect the funding of these obligations including poor performance of the pension fund investments and increasing longevity of pension scheme members The level of contributions required from the Group to meet the benefits promised in the final salary schemes will vary depending upon the funding position of those schemes	Adverse affect on financial results	All of the Group's final salary pension schemes are closed to new members For the Travis Perkins scheme, pensionable salary inflation has been capped at 3% per annum The schemes' investment policies are kept under regular review to ensure asset profiles are kept in line with the profiles of liabilities

Environment Report

For the year ended 31 December 2011

Introduction

In a difficult market, it is possible to regard environmental challenges as distracting or not crucial to the immediate success of our company We do not take that view and, in 2011, we started to build the frameworks within the Group to continue to pursue our environmental vision

Specifically we have

- Restructured how we work in the branches to allow us to provide the environmental assurance increasingly required by customers who purchase timber and timber products,
- Increased the ability of our branches to recycle both our own and our customers waste,
- Challenged our businesses to instil behaviours aimed at lower energy consumption
- Started to consider how we might better measure, reduce and communicate the environmental impact of our international supply chain, and
- Developed our Sustainable Building Solutions 'SBS service to make sure we are at the forefront of construction product supply for a sector being asked to make deep cuts in carbon emissions

In 2011 we estimate that 6% (2010 5%) of our total profit was delivered by being environmentally responsible Despite uncertainty remaining over the impact of environmental regulation, we will expect to be able to continue to grow this contribution faster than our competitors giving us a sustainable competitive advantage

It is an occupational hazard of reporting on environmental matters that measurement bases and definitions of data are constantly shifting as regulators, governments and industries gradually evolve a more robust approach In this report we describe where we have changed our approach in response to these shifts and also describe where we believe we need to adopt fresh targets for the future The report is structured to cover our environmental performance in four aspects of Group – Environmental Management Processes, Buying Responsibly, Operating Responsibly and Selling Responsibly

Environmental management processes

Working with key stakeholders

We have identified three key themes where we need to innovate, improve and sometimes be disruptive in order to achieve our vision Our approach to these themes – responsible buying operating and selling – is supported by our Non-Executive Environmental Advisory Panel (NEEAP) and by other communications with stakeholders In 2011, we canvassed 44 views about our approach through a range of channels

We continue to believe that a collaborative approach is important in delivering sustainable change to the construction supply and home improvement retail sectors We have increased the number of partners with whom we are working to 13 Each of these partners offers a skill, perspective or knowledge that we could otherwise not access Some of our important partners are

- Waste and Resources Action Programme ('WRAP'),
- The Carbon Trust,
- WWF,
- UK Forest and Trade Network,
- Constructing Excellence Wales,
- The Environment Agency
- University of Salford
- The Building Research Establishment ('BRE'),
- Construction Products Association, and
- The British Retail Consortium

Our NEEAP continues to challenge our assumptions about the rate and complexity of change and our perceptions of our own performance The composition of the panel has evolved since its inception in 2009 and in 2011 we welcomed three new members, representing our customers views, onto the panel

We received 30 environmental complaints, which have informed and will continue to inform how we operate The detail of these complaints is included in the relevant sections below

Improving measurement

As far as possible, we use the same data to compile the KPIs reported here and in our regulatory or voluntary submissions such as the Carbon Disclosure Project (CDP), Forest Footprint Disclosure Project (FFDP) or WWF UK Forest and Trade Network annual report Where start and year-end periods differ, such as in the Carbon Reduction Commitment Energy Efficiency Scheme ('CRC') submissions, we apply the same measurement methodology We use our sector knowledge and experience to determine issues of materiality For example we currently exclude, from our carbon

reduction KPI, emissions of other green house gases from air conditioning Our KPIs are compiled from measurable data when it is available or estimates when not

Lloyds Register of Quality Assurance ('LRQA') verifies our annual environment report and their assurance statement for this report is available on our website at www travisperkinsplc com/ environment

The introduction of a full years worth of data from the BSS Group has made the compilation of 2011 KPIs a little more challenging since road and waste data in particular have had to be estimated

Setting ambitions

We are proud of what we have achieved in 2011

- A 6% contribution to the Group's profit
- Significant improvements in our waste management performance,
- Sourcing 91% of timber purchases by value in our merchanting division from certified well managed or controlled origins,
- The development and introduction of our SBS, and
- An upper quartile placement in the CRC performance league table

For us to retain a sustainable competitive advantage, deliver our vision and continue to act responsibly we recognise the need and intend to establish targets for our carbon intensity, waste management performance and contribution to profit from environmental activity for the next 5 to 10 years

Buying responsibly

Purchasing more certified well-managed timber

We estimate the Group purchased 85% by value of timber and timber-fibre products in 2011 from supply chains that started in certified well managed or controlled forests Whilst the proportion achieved in merchanting increased the retail contribution fell slightly, largely due to increased sales of existing uncertified flooring

We have now improved the flooring range so that in 2012 it will consist of material predominantly sourced from certified well managed or controlled forests In 2011, we made good progress with our range of doors in both retail and merchanting Door ranges now have significantly more certified options than uncertified options As a result of these two initiatives, we expect to increase our proportion of certified purchases in 2012

In 2012, we will be checking that our existing due diligence system meets the detailed requirements of the EU Timber Regulations, with which we will have to comply by 2013 In partnership with the WWF, we campaigned for these regulations, and welcome their introduction We anticipate opportunities will arise from better-controlled local purchases and a level playing field amongst first placers of timber and timber products in the EU market

Our target for 2012 is to ensure that all of the timber products we place on the EU market for the first time are credibly certified By 2014, we expect all our timber and timber-fibre product purchases to be from supply chains that started in certified well managed or controlled forests

Controlling the environmental impact of other products

The enquiry rate from our customers, for products certified to BES 6001 (responsible sourcing of construction products) remains low and has not grown substantially over 2011 At the same time, there is a plethora of customer facing schemes designed to promote the environmental credentials of products The international standards bodies are acting slowly, which is where we believe we should step in to innovate to find the right solution

We estimate that 40% of our supply chain is already operating with ISO14001 certified environmental management control and we have requested that all our general merchant, specialist merchant and retail suppliers adopt this standard We will make a similar request to plumbing and heating suppliers in 2012

Over 2011 we have worked with a couple of partners to trial a measure of the environmental impact of a product that is simple enough to be repeated at scale and yet meaningful, and therefore, useful to our supplies, our customers and ourselves We have adopted two approaches, one broad brush, which aggregates all environmental factors into a single score the other, a narrower focus on cradle to factory gate carbon dioxide emissions We intend to continue developing these measures during 2012 before releasing them for suppliers to adopt

Getting more from less (resource efficiency)

In 2011, we continued to review our product categories for opportunities to introduce products with a higher recycled content such as Ecosand made from recycled glass We have also eliminated approximately 40 tonnes of packaging from existing products by either reduction or reuse Although the tonnage savings are relatively small, the changes made during 2011 are forecast to save over 600 tonnes of packaging during the full calendar year of 2012 We continue to work with WRAP on home improvement product resource efficiency

We have not yet done enough work to be able to quantify a target reduction in resource use within our products, but recognise its

growing importance In 2012, we will be trying to understand the best way of approaching this area

Operating responsibly

Reducing our energy consumption and reducing road journeys

In 2011, we used approximately the same amount of energy for heating and lighting (241 MWh) as we did in 2010 despite the acquisition of the BSS Group, which represents a significant improvement in efficiency In addition, on a like-for-like basis, we increased the number of deliveries we made to branches from central warehouses and from branches to our customers In total, we consumed 14 million litres of fuel in 2011, 53% more than in 2010 As a result, the quantity of carbon dioxide (CO_2) that we account for increased by 48% to 104,000 tonnes These increases are driven by the expansion of our Group, and by our supply chain product centralisation initiatives We estimate, although we cannot measure with precision, that suppliers save more carbon from product centralisation than we use in increasing our central distribution activity

Despite our absolute emission growth, because of acquisitions, we are now a less carbon intensive business than at any point in the last six years In 2011, 52 7 tonnes of CO_2 were emitted for every million pounds of turnover we took at 2005 prices In 2010 the equivalent measure was 60 4 tonnes and you need to look back to 2007 for our previous lowest intensity level of 53 1

In 2012, we will benchmark carbon performance between the acquired BSS business which has recorded better efficiency, and the rest of the Group to exploit best practice Towards the end of 2011, we gave our Merchant and Wickes branch managers visibility of their electricity consumption patterns for the first time and challenged them to cut out waste We are confident that, through this approach, we will recover the cost of our CRC carbon credits for the 2011 – 2012 financial year of approximately £1m, by reducing our electricity consumption by 8 – 10%

Our vehicle fleet has grown by 50%, to approximately 3,000 commercial vehicles mainly because of the purchase of the BSS Group In 2011, we replaced 330 commercial vehicles with more efficient models

We continued to increase the final destination deliveries and internal distribution activity in 2011 Whilst we believe we increase the carbon efficiency of these activities when we do them in-house, they are counted as new emissions against us and therefore do not reflect in our KPI Our internal modelling of supply chain emissions is not yet sophisticated enough to reflect the gains we believe we have made and we cannot use this data to publically report on all emissions across the supply chain

We will continue to develop our modelling capability of supply chain emissions to establish a separate target for distribution and property carbon dioxide equivalent emissions

We believe that we are on track to meet our 2013 intensity reduction of 20% on 2005 levels

Reducing waste to landfill and increasing recycling

In 2011, we sent 79% less waste to landfill than we did in 2005 We extended our waste back-haul service to include paper, brochures, timber and pallets Branches and stores now routinely segregate 18 waste streams and send back 9 different wastes to our distribution centres

All the businesses support our drive towards sector leading waste management performance By the end of 2011, we had introduced the Group s waste management facilities from the supply chain to the BSS businesses and will be developing this further over 2012 By the end of 2011 most branches and all stores had visibility of their own waste reduction and recycling performance In 2012, the best performing sites will be able to operate with neutral waste costs

With the right support from the waste management industry, we believe that zero waste to landfill is achievable and cost effective for our businesses By 2014, we would expect to have achieved a 90% reduction in waste going to landfill on 2005 levels

Operating without polluting our local environment

We were not prosecuted for any environmental offence in 2011, although we were involved in 19 environmental incidents, which we reported to the competent authorities Fourteen of these were paint spills in transit, a result of taking on the distribution of paint to our branches, which had previously been done by our suppliers Supply chain teams have quickly understood how to distribute paint more safely, but it is an area we monitor in case further improvements are required

We are disappointed to have caused a nuisance to our neighbours at four of our branches over 2011, with one being issued with an enforcement note All the issues have been satisfactorily resolved

Unfortunately, oil or diesel from spills entered nearby watercourses three times over the year We continue to provide spill kits to branches and stores and train colleagues in their use

We have an absolute target of zero incidents, which we believe is achievable The trend in incidents reported over the last five years is

"We have continued to invest in Wickes, taking the opportunity to acquire 13 new stores from the receiver of Focus"

for numbers to rise roughly in proportion to the number of sites from which we operate

Reducing water use
In 2011, we used 88m³ of water per million pounds of adjusted turnover, which is already better, some two years earlier, than our 2013 target of 132 6 m³ per million pounds of sales The 37% reduction on the 2008 baseline year was driven through our continuing leakage detection programme We will review our data and set a new target during 2012

Environmental management system
We remain on track to bring the BSS Group companies into the Travis Perkins ISO14001 Environmental Management System Certificate in 2012

In 2011, the Travis Perkins Group had a 30% equity interest in Toolstation Toolstation data has been included in the report on a proportional basis

Selling responsibly

Selling timber and timber products
Customers of our general merchanting businesses are increasingly demanding evidence that the timber and timber products we sell are from well-managed sources

We have continued to develop our internal chain of custody procedures and have changed the way our branches work to improve the provision of evidence The way we sell certified well-managed timber will always require close monitoring if we are to retain the confidence of our certification body and of our customers It is our assertion that we remain the multiple merchant with the best coverage of product and branches for chain of custody with every Travis Perkins branch able to provide evidence We are pleased to report a 36% fall in the number of customer complaints about this aspect of our service delivery Never the less, 18 unhappy customers is unacceptable and in 2012 we will work towards making responsible timber supply second nature

Reducing packaging use
We markedly improved the calculation of merchant packaging volume in 2011 by switching from category level estimates to measured data, thereby reducing our estimate of packaging used by more than 50% Over the course of 2012, we will adopt this approach in the BSS businesses This change in basis of measurement means it is not easy to determine meaningful data for any reduction driven by our activities

The reduction in the intensity of packaging used has, in the main, been achieved through a changed product mix following the acquisition of the BSS Group The product categories sold by BSS have very little packaging Taking back significant quantities of pallets from our customers sites is also contributing We estimate we reused or recycled 21,000 tonnes of pallets in 2011

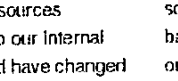
Over 2012 we will be incentivising our branches to recover more pallets from our customers, as well as refining our measure of packaging use We will set out a 2017 target in line with our other KPIs once we have achieved an accurate measure of packaging used

Product and service innovation
About 80% of the contribution that our responsible environmental approach makes to profit comes from having the right products and services to meet the sustainability needs of our customers, their customers and the policy frameworks for sustainable construction.

We launched our Sustainable Business Solutions service at the end of 2010 and in 2011 it incorporates a detailed set of solutions that provide the right level of help, support and expert technical assistance to the construction industry Our integrated approach provides solutions to energy efficient building, renewable energy projects and waste management

In 2011, Travis Perkins Group sold approximately 60km² of insulation, had a range of over 14 different types of renewable product categories and took over £1 3 million in revenue from our customer waste management offer

Travis Perkins exhibited at Eco build in 2011 and will be there again



Geoff Cooper
Chief Executive
21 February 2012

Health & Safety Report

For the year ended 31 December 2011

Health & Safety (H&S) is integrated into everything we do, from the Group Board to every colleague in every branch, store, warehouse and office. Our underlying philosophy is that all injuries are avoidable and that everyone involved in our business should return home safe and well at the end of each day, every day. However, we do not under-estimate the challenge of achieving this in a group that now includes 17 businesses, with a fully integrated supply chain, operating from over 1 800 branches with over 23 500 colleagues making in excess of 10 million deliveries per annum. We aim to be industry leaders in our sector for the reduction and elimination of injuries. During 2011, we continued improving our standards, with the leaders in each of our businesses continuing to own and drive our Stay Safe culture change programme.

Our group accident frequency rate (8.8 lost time injuries per million hours worked) and our group severity rate (0.14 days lost per thousand hours worked) remained at similar levels compared to the previous year. These results include the BSS businesses for both years for comparison purposes.

Stay Safe requires effective leadership, a focus on the key risks in our business and is simply summarised by the desire to have everyone return home safely at the end of each working day. We continue to develop our Stay Safe programme in each business in order to achieve our vision of making injuries a rare occurrence. We are putting considerable emphasis on finding new ways to engage the colleagues in our branches, to increase their personal ownership of Stay Safe.

Health & Safety performance and initiatives

Our improvement rate in 2011 has slowed compared to prior years, however, the 10% increase in minor injury reporting rates and a 93% increase in near miss reporting rates are both clear indicators of the high profile we continue to place on transparency and honesty in the reporting of incidents. The relatively static year-on-year statistics we have seen for group frequency and severity rates do not truly reflect the great strides in health and safety performance seen in many of our individual group businesses, which are highlighted later in this summary. Despite these continuing improvements, we recognise there is no quick fix to reducing injuries, and this is very much 'work in progress' to make injuries rare. We intend to further reduce the frequency and severity rates over the next five years, by continuing our focus on high-risk aspects of our operations, and also by targeting the working behaviour of our colleagues, customers and suppliers.

External enforcement officer inspections of branches continued to show a favourable improvement in performance and standards, with numerous complimentary letters received. The Group received no legal notices in 2011, for the second year running.

There have been numerous initiatives under the Stay Safe development programme, led personally by each business-unit management team and supported by the group health and safety team. The overall theme is one of colleague engagement, with a focus on improved communication, increased buy-in from colleagues and personal ownership of Stay Safe with more individual involvement.

Several on-going themes from 2010 were further supported by new initiatives in 2011.

The Stay Safe quarterly newsletter remains an important tool in the communication campaign, along with regular presentations and briefings for directors, managers and branch colleagues on topics such as Stay Safe focus groups, updated safe systems, safety bulletins, and training DVDs.

'Keep your feet on the ground', an initiative introduced during 2010, has gathered momentum during the year, and is a great example of involving colleagues, developing their own ideas, to increase their personal commitment to the Stay Safe programme. Likewise, our modification of brick grab equipment to facilitate the grabbing of bulk bags was rolled out across the fleet, to remove the need for drivers to climb onto vehicle beds to attach bulk bags. These improvements alone have reduced by 50% the number of incidents involving work at height on the vehicle bed.

To maintain further the momentum of the Stay Safe programme, a bespoke in-house training programme, based around the Institution of Occupational Safety and Health ('IOSH') Managing Safely programme, has continued for all operational directors and key senior managers in support functions. This has proven extremely successful in exploring different personal strategies for achieving culture change, and has also been developed into a Stay Safe Leadership programme for branch managers.

All businesses have continued to develop their own approach to driving the Stay Safe programme in 2011, including:

- The CCF 'Line in the Sand' engagement programme has helped reduce their lost time injury frequency rate by a further 10% during 2011, (42% over the last 3 years),
- Keyline, similarly engaged with all branches and colleagues to develop their 'Don't Walk By' programme, which helped reduce their

"We aim to be industry leaders in our sector for the reduction and elimination of injuries"

lost time injury frequency rate by 28% during 2011 alone,

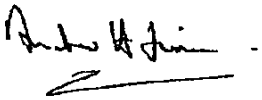
- Group supply chain established steering and implementation committees to help drive ownership and support for the Stay Safe programme. Numerous initiatives including forklift truck 'black box' software, pallet collars, near miss reporting pads, observational safety sessions and IOSH accredited training programmes have all contributed to achieving a 50% reduction in their lost time injury frequency rate over the last three years,
- Travis Perkins in the South West, has developed a Stay Safe support team for drivers and yard teams, with drivers and yard managers seconded to the team from key branches across the region. The support team have been spending their time out on deliveries with drivers or in the yards and warehouses, supporting the establishment and sharing of good practice to drive behavioural change,
- The Wickes national delivery service has continued to expand massively, delivering almost 10 million products in 2011. Although dedicated training and support for delivery hubs (1,500 training days in 2011) has prevented further increases in driver related injury levels during this period of growth, Stay Safe for warehouse colleagues and other store based activities remains a high priority for 2012 to reduce the overall injury levels.

These initiatives and many others across the individual businesses are designed to increase the personal ownership of Stay Safe and engagement of colleagues.

In support of the business desire to increase personal ownership and accountability amongst regional and branch management teams, the group safety team is being reorganised to better reflect the divisional structure of the Group. Consultations commenced at the end of 2011 to move to a divisional business partner structure based with the businesses, supported by expert trainers and a central call centre providing specialist advice to over 1,800 managers. This innovative approach is intended to better support the Stay Safe journey at all levels, driving personal ownership and removing the potential for over-reliance on field-based advisors, which carried a risk of abdication of accountability at local level.

Group plc and group trading board stay safe committees

Both established committees have continued to drive and oversee the Stay Safe journey following the format established over the last few years. Further details of their composition and terms of reference are available on the investor centre section of the company website. In 2012, the format of these committees will be reviewed to take account of the large group and divisional structure now in place.



Andrew Simon
Chairman, Plc Board Health & Safety Committee
21 February 2012

"PTS was named national builders merchant of the year"

Directors

Chairman
Robert Walker was appointed as a non-executive director in September 2009 and became Chairman in May 2010 He is cha rman of Amencana International Holdings Ltd, a non-executive director of Tate & Lyle PLC and has recently been appointed chairman designate of Enterprise Inns plc He was previously cha rman of W H Smith PLC, Williams Lea Group Ltd and BCA Europe and Group Chief Executive of Severn Trent Plc He spent over 30 years with Procter & Gamble, McKinsey and PepsiCo and has also served as a non executive director on a number of FTSE 100/250 boards He is Chairman of the Nominations Committee and a member of the Remuneration and Health & Safety Committees

Chief Executive
Geoff Cooper joined the Company in February 2005 and was appointed Chief Executive on 1 March 2005 He is a chartered management accountant and worked in management consultancy before joining Gateway (now Somerfield plc) as Finance Director in 1990 In 1994 he became Finance Director of UniChem plc, subsequently Alliance UniChem plc (which later became part of Alliance Boots plc), where he was appointed Deputy Chief Executive in 2001 He is non-executive Chairman of Dunelm Group Plc He is Chairman of the Executive Committee

Finance Director
Paul Hampden Smith is a chartered accountant and joined Sandell Perkins in 1988 Following the merger with Travis & Arnold, he was appointed regional finance director In 1992, he became Finance Director of Travis Perkins Trading Company Limited and was appointed Finance Director of Travis Perkins plc in 1996 He is a non-executive director of Redrow plc

Deputy Chief Executive
John Carter joined Sandell Perkins as a management trainee in 1978 He held a number of regional management positions, before being appointed Managing Director, Operations in 1996, and a director of Travis Perkins plc in July 2001 He became Chief Operating Officer in February 2005 and was appointed Deputy Chief Executive in December 2011 He is a member of the Health & Safety Committee

Non-executive Directors

Ruth Anderson was appointed as a non-executive director in 2011. She is a chartered accountant and held a number of positions in KPMG (UK) from 1976 to 2009, being a member of its board from 1998 to 2004 and Vice Chair from 2005 to 2009. She is a non executive director of Ocado plc. She is a member of the Audit and Health & Safety Committees.

Chris Bunker was appointed as a non-executive director in 2004. He is a chartered management accountant and was Finance Director of Thames Water plc, from 2000 until March 2004. He was previously Finance Director of Tarmac PLC and Westland Group PLC. He is a non-executive director of D S Smith Plc and formerly was a non-executive director of Mowlem plc, Baltimore Technologies plc and Xansa PLC. He is the Senior Independent Director and Chairman of the Audit Committee and a member of the Nominations and Remuneration Committees.

John Coleman was appointed as a non-executive director in 2005. He is a chartered management accountant and Chairman of AGA Rangemaster Group plc. He has previously been Chairman of Holiday Break plc, Chief Executive of House of Fraser plc and Chief Executive of Texas Homecare and of a number of businesses within Burton Group PLC. He is a membe of the Remuneration, Audit and Nominations Committees.

Philip Jansen was appointed as a non-executive director in April 2009. He is Group Chief Executive of Brakes Group, and a senior advisor to Bain Capital,the private equity group. He is also a trustee of the charity Wellbeing of Women. He has previously been Group Chief Operating Officer and Chief Executive of Europe for Sodexo, Chief Operating Officer of MyTravel plc and Managing Director, Consumer Division of Telewest Communications PLC. He has also held senior positions with Procter & Gamble and Dunlop Slazenger Group. He is a member of the Remuneration Committee.

Andrew Simon O B E was appointed as a non-executive director in 2006. He is a non-executive director of Finning International Inc. (Canada), Management Consulting Group plc, SGL Carbon SE (Germany), Exova Group plc, Icon Infrastructure Management Limited (Guernsey) and British Car Auctions. He was previously Deputy Chairman of Dalkia plc, Chairman and / or Chief Executive of Evode Group plc and has also held non-executive directorships with Severn Trent Plc, Ibstock PLC, Laporte Plc, Associated British Ports Holdings PLC, and Brake Bros Holdings Ltd. He is chairman of the Remuneration and Health & Safety Committees.

Corporate Responsibility Statement

For the year ended 31 December 2011

The Company has not produced a separate corporate responsibility statement in the report and accounts since it believes these matters are sufficiently important to receive the personal attention of individual directors rather than risking less focus through the exercise of collective responsibility. Instead, full details of those areas normally covered by such a report are contained either in the reports of the directors responsible for such matters, or in a separate report as explained below.

Environment
Chief Executive, Geoff Cooper,
Environment report on pages 38 to 42,

Health & Safety
Non Executive Director Andrew Simon,
Health & Safety report on pages 43 and 44,

Supply chain
Deputy Chief Executive, John Carter's review of the year,

Employees
Deputy Chief Executive, John Carter's review of the year, and

Community relations
Chief Executive, Geoff Cooper's review of the year

The Board takes into account, environmental social and governance matters in its conduct of the Company's business. The Board believes that it has adequate information to identify and assess the major environmental, social and governance risks and as part of the system of internal control receives reports on the risks associated with these matters. The Board has received briefings on such matters during 2011.



Robert Walker
Chairman
21 February 2012

Committees and Professional Advisers

Secretary
A S Pike

Audit committee
C J Bunker (Chairman), R Anderson,
J Coleman

Remuneration committee
A H Simon (Chairman), C J Bunker,
J Coleman, P Jansen, R Walker

Nominations committee
R Walker (Chairman), C J Bunker,
J Coleman

Health & Safety committee
A H Simon (Chairman), R Anderson
J P Carter, R Walker

Executive committee
G I Cooper (Chief Executive and Committee Chairman),
J P Carter (Deputy Chief Executive),
P N Hampden Smith (Finance Director),
N G Bell (Group Development Director),
J Bird (Chairman, Consumer Division),
A J Davidson (Chairman, Specialist Merchanting)
C Kavanagh (Group HR Director),
M R Meech (Group Property Director),
J Mescall (Chairman, General Merchanting),
A S Pike (Company Secretary & Lawyer),
R D Proctor (Supply Chain Director),
P Tallentire (Chairman, Plumbing & Heating Division)

Investment Bankers/Advisors
HSBC Bank plc, Nomura International plc

Corporate broker
Citibank,
Credit Suisse

Bankers
The Royal Bank of Scotland plc,
Barclays Bank plc,
Lloyds TSB Bank plc

Solicitors
Slaughter and May, London,
Linklaters LLP, London,
Clifford Chance LLP, London,
Hewitsons LLP, Northampton

Auditors
Deloitte LLP, London

Registrars
Capita Registrars, Beckenham

Corporate Governance

For the year ended 31 December 2011

UK corporate governance code

This explains how the Company has applied the principles, and the extent to which it has complied with the provisions of, the new UK Corporate Governance Code ('the Code') in 2011 We do so by reference to the five main sections of the Code

Hopefully, this will provide better background information and context to the way the Board is governed, and less 'boiler plate' than in past years

1. Leadership

The Company is governed by a board of directors, of which I am Chairman In addition there are three executive and five non-executive directors Geoff Cooper is Chief Executive and Chris Bunker is the Senior Independent Director Ruth Anderson, (who joined the Board in October 2011), John Coleman, Philip Jansen and Andrew Simon are also independent non-executive directors

The Board has a schedule of matters reserved to it, which is reviewed annually Its key responsibilities are for overall group strategy, policy on corporate governance, approval of expansion plans and major capital expenditure, consideration of significant financial and operational matters and the Company's exposure to key risks It also reviews the strategy of the individual businesses, their annual budgets and progress towards the achievement of those budgets and long-term objectives Legislative, environmental, health and safety and employment issues are also considered The Board has also approved a written statement of the division of key responsibilities between me, as Chairman, and the Chief Executive, and again we review this annually

The Company maintains appropriate directors & officers' insurance in respect of the risk of claims against directors This is reviewed on a regular basis

Communication

As Chairman, I take care to ensure that each director is able to make an effective contribution within an atmosphere of transparency and constructive debate I agree the agenda for board meetings in conjunction with the Chief Executive and the Company Secretary Agendas are based upon an annual plan, but also include matters of particular interest or concern to the Board at any particular time

I discuss the meeting papers with any director who is unable to attend a meeting, to obtain that director's view prior to the meeting I also monitor the information provided to the Board to ensure it is sufficient, timely and clear, and from time to time, the board reviews the adequacy of this information

I email all the non-executive directors in advance of board meetings, to suggest the key issues and high priority matters for particular discussion during the meeting, this also helps the directors to prepare, as they read the papers in advance of the meeting

I maintain regular direct contact with the executive directors and keep the non-executive directors informed of material developments between board meetings I held three meetings during the year with all the non-executive directors, without the executive directors being present Finally, and consistent with normal practice these days, I have regular weekly meetings with the Group Chief Executive and meet from time to time throughout the year with the Finance Director and the Deputy Chief Executive

Board meetings

We held thirteen Board meetings in 2011, two meetings were dedicated to consideration of the Company's long-term strategy Five meetings either included visits to parts of the Company's operations or included presentations by senior executives on their areas of responsibility Individual visits to operational sites by non-executive directors also took place (see non-executive meetings below) In addition to the regular board meetings, key financial information is circulated to directors outside of meetings

The number of board and committee meetings attended by each director (in whole or in part) during the year was as follows

	PLC Board No	Audit No	Remuneration No	Nomination No	Health & Safety No	Executive No
Number of meetings	**13**	**5**	**6**	**3**	**3**	**11**
Attendances						
R Anderson	3	1	-	1	1	-
C J Bunker	13	5	6	3	-	-
J P Carter	13	2	-	-	3	11
J Coleman	12	5	6	3	-	-
G I Cooper	13	-	6	3	-	11
P N Hamoden Smith	13	5	-	-	-	11
P Jansen[2]	13	5	1	3	-	-
A H Simon	13	1	6	3	3	-
R Walker	13	5	6	3	3	-

[1] Appointed to the Board in October 2011

[2] Retired from Audit Committee and appointed to Remuneration Committee in December 2011

Board committees

We have five board committees the Audit Committee, the Remuneration Committee, the Nominations Committee, the Health & Safety Committee and the Executive Committee, which operate within defined terms of reference, which we review annually These are available on the Company's website or may be obtained from the Company Secretary The minutes of committee meetings are circulated to all the Directors

The Executive Committee is chaired by the Group CEO and its members are listed on page 48 Other executives are invited to attend from time to time in relation to specific matters The main purpose of this Committee is to assist the executive directors in the performance of their duties in relation in particular to

- Strategy, operational plans, policies, procedures and budgets,
- The monitoring of operational and financial performance,
- The assessment and control of risk,
- The prioritisation and allocation of resources

2. Effectiveness

The Board is satisfied that I and the five non-executive directors are all independent In particular, none of the specific circumstances set out in Code provision B 1 1 apply Appointments of new directors are made by the Board on the recommendation of the Nominations Committee I chair that Committee and the other members are independent non-executive directors

In the past year, we have expanded the remit of the Committee to include a broader HR and succession agenda across the senior management layers of the Group This has worked particularly well and a full report of the Committee's work in 2011 is on page 67

Appointment terms

With regard to the appointment of non-executive directors, our policy is to recruit people of the highest calibre, with a breadth of skills and experience appropriate for the Company's business Non-executive directors are appointed for a period of three years, at the end of which the appointment may be renewed by mutual agreement It is the Board's policy that non-executive directors should generally serve for six years (two three-year terms) and that any term beyond this should be subject to a rigorous review This review takes into account both the need for progressive refreshing of the Board, and the particular requirements of the Company at the time of the possible extension

Non executive directors do not have a service contract, but each has received a letter of appointment These appointments expire on the following dates and the length of service at that date is also shown

Ruth Anderson	October 2014 (3 years)
Chris Bunker	May 2013 (9 years, 4 months)
John Coleman	February 2014 (9 years)
Philip Jansen	April 2015 (6 years)
Andrew Simon	February 2015 (9 years)
Robert Walker	September 2012 (3 years)

The letters of appointment will be available for inspection at the Annual General Meeting

Induction

The Board has an induction process for new directors, which is facilitated by the Company Secretary I ensure that all directors receive appropriate training on appointment and then subsequently as required, taking into account the need to update their skills and their knowledge of the Company's business Non-executive directors are also regularly provided with information on forthcoming legal and regulatory changes and corporate governance developments, and briefings on the key risks facing the Company including those identified in the Corporate Responsibility statement on page 48

All directors have direct access to the Company Secretary and may take independent professional advice in the furtherance of their duties if necessary

Non-executive mentoring

Travis Perkins has a long tradition of maintaining close contact between the Board, management and employees Part of the feedback from the Board's internal evaluation of its performance in 2010 suggested this contact had slipped, due to the work involved in securing the BSS acquisition and the subsequent long-winded and inefficient OFT clearance process As a response, in 2011, we trialled a new approach to involving our non executive directors (including myself) more closely with the individual businesses At the start of the year, each non-executive director was allocated two of the Group's businesses to mentor throughout the year The mentoring process was each non executive directors' choice, but involved a programme of contact and meetings with the management of those businesses and a number of site visits The intention was to get each non-executive more involved in better understanding our businesses, their people and strategies, and thereby bring a fresher and more independent viewpoint to their meetings

We reviewed the progress of this initiative through the course of the year and have decided to extend it for 2012, rotating the allocation of businesses and including the central functions (HR, Supply Chain, Property etc) in the exercise

Evalution of performance

During the year, the Board undertook an evaluation of its performance and the performance of its committees and the individual directors The Board's policy is to engage an external facilitator to assist this process at least every three years, and in 2011, the Board appointed Egon Zehnder in this role, since they had conducted a thorough external evaluation four years earlier and there was no conflict of interest with the Company The Board firmly believes that search firms are better equipped to perform this work than individual consultants

Egon Zehnder conducted interviews with each director and the Company Secretary separately These interviews formed the basis of a report, which Egon Zehnder presented to the Board in October The conclusion, following an extensive discussion of the report by the Board, was that overall the Board operated very effectively

However following discussion of suggestions for improvement, the Board will focus on a number of areas in 2012, to improve further its performance Those areas are

- Continued monitoring of succession planning, both at board and senior executive level,
- In addition to non-executive director mentoring, increased attendance at board meetings by senior executives,
- More use of external expertise to improve the Board's knowledge E-commerce was an area particularly emphasised

In 2012, the Board will conduct an internal review of its performance

Re-election

From the 2012 AGM, all directors will submit themselves for re-election every year As a result of the board evaluation exercise, as Chairman I am satisfied that each director continues to show the necessary level of commitment to the Group, and has sufficient time available to fulfil his or her duties, to justify their re-election The other directors, in a process led by the Senior Independent Director, have reached a similar view in regard to my own re-election

The Board believes that there is presently a blend of skills and experience among the non-executive directors, which is appropriate for the Group In profiling the skills required for the Board, we emphasise experience in the merchanting sector, retail and consumer goods experience, capital project and M&A evaluation and exposure and experience of international markets, as well of course, as the required financial control and accounting background

In particular, the Group will benefit from the recent addition of Ruth Anderson whose financial and accounting experience will aid the planning for Chris Bunker's retirement in 2013 In order to secure Ruth's addition to the Board, we created an additional Board seat

3. Accountability

A review of the performance of the Group's businesses and the financial position of the Group is included in the reports of the Chief Executive, the Deputy Chief Executive and Finance Director set out on pages 14 to 34 The Board uses them, together with my statement on pages 12 and 13 to present a full assessment of the Company's position and prospects its business model, and its strategy for delivering that model The Directors' responsibilities for the financial statements are described on page 72 Their consideration of the Group as a going concern is dealt with in the Finance Director's report on page 34

Internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness In the design of the system of internal control, consideration has been given to the significant risks to the business, the probability of these risks manifesting themselves and the most cost effective means of controlling them The system manages rather than eliminates risk and therefore can only provide reasonable, and not absolute, assurance against material misstatement or loss

The day-to-day operation of the system of internal control has been delegated to executive directors and senior management, but the effectiveness of the system is regularly reviewed by the Audit Committee and the Board in a process that accords with the Turnbull Guidance

Risk assessment

The Board and the Executive Committee receive regular reports on specific areas of risk and the results of Internal Audit reviews If appropriate these reports include recommendations for improvement in controls or for the management of those risks Measures to integrate risk management processes into the Group's operations, to extend awareness of the importance of risk management and to ensure that recommended improvements are implemented, are regularly reviewed and refreshed Senior executives are asked, twice a year, to confirm the adequacy of internal controls in their areas of responsibility, identify any control weaknesses, and to confirm the accuracy and completeness of information given to the directors and to the external auditors This process was extended further through the management structure in 2011

As regards the Board's evaluation of the risks associated with the business, the Board addresses this in two particular ways

- At each board meeting a rolling update of major risks assessed by the executive teams is reviewed for relevance, standard of controls and accountabilities
- A new initiative this year, at the suggestion of the Group Chief Executive, was to evaluate each quarter a list of 'things that are keeping us awake', including potential 'black swan' (or unexpected) risks that the Group might encounter Amongst the comprehensive and sometimes voluminous reports the Board receives, this new process has worked exceptionally well in that it has focussed attention on the main risks we face and is now a regular feature of the Board agenda

The Group has systems and procedures in place to manage and control the risks associated with financial reporting and the preparation of consolidated accounts This includes experienced and qualified personnel preparing the consolidation and review by senior management

In conjunction with the Audit Committee, the Board has carried out an annual review of the overall effectiveness of the system of internal control and risk management procedures, during the year and up until the date of approval of this annual report

Audit committee and auditors

The Board has established an Audit Committee consisting of three independent non-executive directors Its terms of reference and a description of its work in 2011 are contained in its report which is set out on pages 53 to 55

4. Remuneration

The Board has established a Remuneration Committee consisting of the Chairman and four independent non executive directors Its responsibilities include remuneration policy, a

review of the performance of executive directors prior to determining their remuneration and the approval of incentive arrangements, including performance criteria. The remuneration of the non-executive directors is determined by the Board as a whole, except that the Remuneration Committee makes a recommendation in respect of the Chairman's fee. No director plays a part in the discussion about his own remuneration.

The Committee's terms of reference and a description of its work in 2011 are contained in its report which is set out on pages 56 to 66.

5. Relations with shareholders

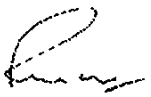
The Company encourages two-way communication with both its institutional and private investors and responds promptly to all enquiries received. In 2011, the Chairman, the Senior Independent Director and the executive directors, either separately or together, attended a number of meetings with analysts, and with shareholders representing circa 60% of the issued share capital. In particular, a strategy presentation, combined with a visit to some key Group premises, was held for analysts in May 2011. We also make it clear that the Senior Independent Director is available as a direct contact for shareholders, if they wish. The Chairman and executive directors report to the Board on any meetings with shareholders or analysts. In addition, written reports about the Company by analysts or brokers are circulated to all directors.

During 2011, and starting shortly after the AGM, I had a series of meetings with the Company's main shareholders. The timing was deliberate, and allowed the Board significant time before the following year's AGM to both consider and respond to issues raised by shareholders. In addition, the intention was to speak with the group's top 18 or so investors, in order to ensure as many views as possible are canvassed, given current market volatility, it is quite possible that a smaller shareholder one year will become a major shareholder the following year. This process hopefully ensures that their views will have been taken into account.

As well as sending the annual report to shareholders, during the year, the Company published its interim results on its website, issued two interim management statements, and one further trading update. 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 takes place. Each substantive issue is the subject of a separate resolution. I announce the numbers of proxy votes for and against each resolution at the meeting, after the voting has taken place, and these numbers are subsequently published on the Company's website.

Corporate governance compliance statement

I am pleased to report that the Company has complied throughout the year ended 31 December 2011 with the provisions set out in the Code.



Robert Walker
Chairman
21 February 2012

Audit Committee Report

For the year ended 31 December 2011

As Chairman of the Audit Committee, I set out below our report on its operation and activities in 2011, which particularly included financial oversight of the BSS Group integration. During the year, I was pleased to welcome Ruth Anderson as member of the Committee, a role to which she brings extensive financial experience.

Role of the audit committee

The Committee is primarily responsible for:

- The integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and reviewing significant financial reporting judgments contained therein,
- Reviewing the Company's internal financial controls and its internal control and risk management systems,
- Monitoring and reviewing the effectiveness of the Company's internal audit function,
- Reviewing the audit plans of the external auditors and for monitoring the conduct of the audit,
- Reviewing the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements,
- Reviewing and implementing the Company's policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by an external audit firm,
- Making recommendations to the Board, for a resolution to be put to the shareholders in relation to the appointment and remuneration of the external auditors.

After each meeting I report to the Board on the work of the Committee, identifying any matters where it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

The Committee's full terms of reference are available on the Company's website, or on request to the Company Secretary.

Composition of the audit committee

I was Chairman, and John Coleman was a member, of the Committee throughout 2011. Philip Jansen was also a member until December 2011, when Ruth Anderson joined the Committee following her appointment to the Board in October 2011. All members of the Committee are considered to be independent and have considerable financial and commercial experience from a variety of corporate backgrounds. The Company Secretary is secretary to the Committee. The Board considers that both I and Ruth Anderson have the recent and relevant financial experience required by the UK Corporate Governance Code (see also the board profiles on pages 46 and 47).

Meetings and attendance

The Committee held five meetings during 2011, and attendance at the meetings is shown on page 49. I also invited the Group Chairman, the Chief Executive, the Finance Director, the Deputy Chief Executive, the Group Financial Controller, the Director of Business Risk and Assurance and the external auditors to attend the meetings. At each meeting I gave the external auditors and the Director of Business Risk and Assurance the opportunity to discuss with the Committee, any matters which they wished to raise without the presence of management. In addition, during the year, I held a number of meetings with the Director of Business Risk and Assurance and with the external auditors, without management being present. Committee members meet regularly with operational and functional staff throughout the year and participate in relevant technical update programmes. I am satisfied that the Committee received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities during the year.

Main activities of the committee during the year

At our meeting in February the Committee reviewed the annual financial statements of the Company taking into account regular management accounting information and reports from the internal auditors on internal control matters and from the external auditors on the conduct of their audit, their review of accounting policies, areas of judgment in the financial statements and their comments on statements concerning risk and internal control. A similar review was undertaken at the July meeting when the interim statements were considered. At these and our other meetings the Committee also reviewed:

- Progress with regard to the financial integration of the BSS Group and key accounting assumptions and judgements related thereto, including the fair value of the assets acquired,
- The plans for restructuring of the Group Finance function in the light of the growth of the Group,
- The Group's systems for accounting for rebates on product purchases, and stock management,
- The policies and training which had been implemented in respect of the Bribery Act,
- The internal controls for the new office in China,
- The Group's tax planning,
- Proposed revisions to the Group's segmental reporting following the BSS acquisition,
- An evaluation of the Committee's work carried out as part of the Board evaluation process referred to on page 50, I subsequently reported to the Board on this evaluation,
- The Committee's terms of reference, no changes were recommended to the Board,
- Any comments received on its 2010 report from institutional investor bodies,
- The effectiveness of the system of internal financial control and the system for monitoring and reporting on risks faced by the Group taking into account regular reports received from financial management, internal and external auditors,
- The terms of reference, strategy, staffing processes and effectiveness of the internal audit department taking into account the results of a survey amongst stakeholders,
- The status of actions taken in response to

recommendations arising from internal and external audit work,
- The effectiveness of the Group's 'whistleblowing' policy,
- The policy on engagement of the external auditor for non-audit work, as referred to below, and the policy on the employment of anyone previously employed by the external auditor,
- The plans presented by the external auditor for conduct of the year-end audit and half-year review including the related risk analyses, terms of engagement, fees and letters of representation,
- The effectiveness, independence, and objectivity of the external auditor, taking into account written assurances provided by Deloitte LLP, with regard to its quality and independence controls, and its ethical standards, together with the results of a survey of stakeholders and the annual report of the Audit Inspection Unit,
- The Group's accounting policies, forthcoming changes to International Financial Reporting Standards and other regulatory changes and various guidance notes issued by the Financial Reporting Council,
- The effectiveness of the Group's policies and processes for fraud prevention

No matters of material significance were identified by the auditors during the year and there were no material audit related matters that were discussed with investors

Two members of the Committee are also members of the Remuneration Committee The Audit Committee is satisfied that the Group's remuneration policies are compatible with a robust control environment and good stewardship

The key areas of risk and sensitivity, the major accounting policies, and the principal assumptions with regard to fair values are described in the Annual Report and notes to the accounts The Committee reviewed these during the year, taking into account relevant external advice, and was satisfied that they were appropriate

External auditors

We place great importance on the effectiveness and independence of the external auditors and, together with them, are careful to ensure their objectivity is not compromised At our October meeting, the auditors presented to the Committee their plans for the forthcoming audit together with details of their proposed fees and how they ensure that their objectivity and independence are not compromised Deloitte LLP (or its predecessor firms) is a leading international audit partnership, and was first appointed as auditor to Group companies more than 30 years ago There are no contractual restrictions on the Group with regard to their appointment In accordance with professional standards, the partner responsible for the audit changes every 5 years, the last change occurred in 2010

The Committee considers that Deloitte provide a high quality, efficient and cost effective audit service Accordingly, following our February 2012 meeting at which we reviewed the 2011 audit process, the Committee recommended to the Board that resolutions be put to shareholders at the Annual General Meeting for the re-appointment of the external auditors, and to authorise the Directors to fix their remuneration

One of the Committee's responsibilities is to ensure compliance with the Board's policy in respect of services provided by, and fees paid to, the auditors Audit fees, which are regularly compared with peer companies by the Committee, are initially negotiated by the Finance Director, but are then approved by the Committee The policy in relation to other services that could be provided by the external auditors, which has been approved by the Board, can be summarised as follows

General principles

There is a presumption against the external auditors providing non-audit services and they should only be selected for such work where its nature makes it more timely and cost effective to select advisors who have a good understanding of the Group or the work is of a particularly confidential or specialist nature The external auditors should not provide non-audit services where either the nature of the work or the extent of such services might impair their independence or objectivity Any engagement of the external auditors for non-audit work with a fee over £25,000 requires my approval

Areas of work

The policy sets out certain non-audit services where it would be usual to engage the external auditors, such as regulatory reviews and some tax services, and those where their engagement is not permitted, such as work relating to the design of financial information systems I am consulted in relation to any proposed work not covered by the list

Value of work

Non-audit services require approval as follows
- Up to £5,000 – no formal approval is required provided the work is permitted under the list referred to above,
- £5,000 to £25,000 – Group Finance Director,
- £25,000 to £50,000 – Group Finance Director and Committee Chairman,
- £50 000 and above – Group Finance Director and Committee Chairman following a competitive tender

Formal approval by the Committee is also required if the aggregated level of forecast fees for non-audit services exceeds 50% of the statutory audit fee

Reporting

The Group Finance Director reports twice yearly to the Committee on fees for non-audit services payable to the auditors

As shown in note 5 to the accounts, during the year the Auditors were paid £401k (2010 £404k) for audit-related work and £299k (2010 £689k) for non-audit work.

The principal item of non-audit fees was £182k related to specialist taxation advice associated with the acquisition of BSS Group plc In addition, non-audit fees included a review of the interim statements and audit work

undertaken in respect of US private placement notes issued by BSS prior to acquisition. In view of Deloitte's detailed understanding of the Group's operations and accounting policies, and being mindful of future Auditor reporting obligations, the Audit Committee decided that it was appropriate for Deloitte to undertake this work. In addition, £119k (2010: £514k) of fees was paid to other accounting firms for non-audit work.

The Committee understands that the total fees paid by the Group to Deloitte in 2011 amount to less than 0.03% of Deloitte's UK fee income and considers that the Auditors' independence has not been impaired by the non-audit fees paid in 2011.

Internal audit

As well as its reviews of the internal audit department's strategy and processes, as described above, during its meetings in 2011, the Committee received presentations from the Director of Business Risk and Assurance, about the results of work undertaken by the department, and approved its risk-based plans for work in 2012. Taking into account the results of a stakeholder survey and other reports, the Committee was satisfied with the overall effectiveness of the internal audit function.

Overview

As a result of our work during the year, and taking into account the result of the Board and Committee evaluation process described on page 50, the Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence, objectivity and effectiveness of the external and internal auditors. The Committee has also concluded that the Group's internal control and risk management systems were effective during the year.

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



Chris Bunker
Chairman, Audit Committee
21 February 2012

Directors' Remuneration Report

For the year ended 31 December 2011

Introduction

This report sets out the Group's remuneration policies for its directors and senior executives and describes how those policies are applied in practice

Unaudited Information

Remuneration committee chairman's statement

Executive remuneration is a high profile issue and the Remuneration Committee welcomes the accountability and transparency that shareholders and the public expect The increasingly complex nature of executive remuneration requires Committee members to keep themselves abreast of developments and to obtain high quality, independent advice on a range of issues

In 2011, the Committee undertook a review of its external advisers and decided to appoint PWC LLP as its main advisor replacing Hewitt New Bridge Street We are working with our new advisors on a review of executive remuneration to ensure that it continues to provide value for shareholders whilst retaining and motivating top quality executives

- Remuneration should be competitive and contribute to the delivery of short and long-term shareholder value,
- Remuneration should contain significant performance related incentive elements,
- All colleagues should be able to share in the success of the Group through participation in both annual bonus schemes and longer term share plans

The Committee is delighted that more than 2,100 colleagues benefited from a record pay-out of more than £17 million under the group's Sharesave Scheme In addition to this executive share options vested for more than 100 senior managers

Our executive directors are entitled to awards of up to 75 9% of their maximum potential under the Annual Bonus Plan as a result of the Group meeting the targets set for 2011, (which are described in more detail later in this report) These targets were set at a more stretching level in 2011, evaluated by considering the likely value of risks and opportunities pertaining to the Group's annual budget In 2011, the net risks were valued at the outset of the year at a higher level than in previous years In 2012, the level of stretch has increased yet further In 2011, long-term incentive awards made in 2008 under the Performance Share Plan ('PSP') did not vest, but we anticipate that there will be partial vesting in 2012 of the PSP awards made in 2009

Future developments

The Committee plans a full review of executive remuneration in the Group We have retained broadly the same structure for 6 years and believe that, with the expanded group following the BSS acquisition now more settled, we should plan for the next stage of our development to ensure that remuneration continues to support our aim to build sustainable shareholder value and give our senior managers opportunities to share in our success

It is vital that both our short and long-term incentives reward our leaders in maintaining the focus on the strategies described earlier in the Chief Executive's section of the report on page 20 The goal, for each of our mature businesses, is that they equal the highest operating margin and return on capital of any business operating in their segment We will ensure that any future changes to our short and long-term incentive arrangements continue to encourage the right economic behaviour and allow all colleagues to participate in the financial success of the Group

Whilst we have already taken time to discuss the implications of the ABI guidelines, the current political and public scrutiny of executive remuneration may lead to new legal or regulatory requirements for companies We do not know yet what the impact of these will be and we welcome calls for transparency and more dialogue with shareholders The shareholdings of our senior executives give them much more alignment with the interest of shareholders We would like to build on this and encourage more colleagues in the Group to become long-term shareholders

We are also very much mindful of our duty to appoint and retain top quality executives in order to build on our management strength across all Group businesses

Continuing to ensure appropriate pay and reward relativities is an area of increasing concern for the Remuneration Committee Whilst we have been successful in recruiting some high quality individuals at senior executive level to strengthen our Executive Committee and to lead new parts of our significantly enlarged business, the external market pay demands are creating issues in relation to pay relativity with our existing plc directors We are debating ways of dealing with this difficult and contentious issue

Finally on page 19 of the Annual Report, we confirm the decision to promote John Carter to the new role of Deputy Chief Executive Officer from January 1, 2012, with significantly increased responsibilities, allowing our Chief Executive, Geoff Cooper to begin to develop the strategic themes highlighted in his report We have commissioned a piece of external benchmarking work to assist us to determine the appropriate remuneration package for John Carter's expanded role, which will apply from the date of his appointment The decision made will be disclosed in next year's Remuneration report

2011 highlights

- Below inflation salary increases for executive directors at the same level as the percentage increase for all colleagues, for the fifth consecutive year This means that excluding the previously disclosed pension adjustment made for Geoff Cooper in 2010, their fixed pay compound increase for the last five years is 12%,
- Stretching annual performance targets met, resulting in bonus payments being made to our strong management team,
- 25% of annual bonus deferred for three years held in the form of shares, with 78,755 shares now deferred in this way for the plc directors,
- All employees continue to share in the Group's success through participation in short term incentive plans and longer term share plans with a record pay-out under the group Sharesave Scheme,
- Executive share options vested for over 100 senior managers (excluding executive directors who were not eligible),
- All of our top 27 senior executives, including the three executive directors had a shareholding valued in excess of our guidance

Who attends remuneration committee meetings?

During the year the Committee comprised Andrew Simon (Chairman), Chris Bunker John Coleman, and Robert Walker all of whom are independent non-executive directors Philip Jansen, also an independent Non Executive

Director, joined the committee in December

The Committee met 6 times in 2011 Attendance at the meetings is shown on page 49

The Committee is responsible for the broad policy on directors' and senior executives' remuneration It determines all aspects of the remuneration packages of the executive directors and reviews, with the Chief Executive, the remuneration packages of other senior executives It also oversees the administration of the share schemes The Committee's terms of reference are available on our website or from the Company Secretary

Hewitt New Bridge Street (a trading name of Aon Corporation) and PwC provided advice to the Committee during the year on executive remuneration PwC provided audit services to a BSS subsidiary early in the year together with limited tax services prior to their resignation as auditors Other than that neither provided other services to the Company during the year, but another part of AON Corporation provides insurance broking services These advisors were appointed by the Committee In addition Geoff Cooper (Chief Executive), Paul Hampden Smith (Finance Director), Andrew Pike (Group Company Secretary), Carol Kavanagh (Group Human Resources Director) and Stella Girvin (Deputy Company Secretary) have assisted the Committee in its work, but never in respect of their own remuneration The Committee keeps itself fully informed of relevant developments and best practice in remuneration matters and seeks advice where appropriate from external advisors

What is our remuneration policy?

We continue to focus our efforts on ensuring that we have the right mix of fixed and variable remuneration Our incentive structure is designed to support the group goal of creating shareholder value through consistently outperforming in our markets We believe that, measured as a long run average over 50% of total remuneration for executive directors should be performance related

In determining the overall policy for executive remuneration, all associated risks arising throughout the group are considered, thereby ensuring that the overall remuneration structure and variable scheme targets are set so that they do not give rise to any undue risk taking We believe that it is important that our most senior executives build up a shareholding in the Company and we set formal shareholding guidelines The target shareholding, to be acquired within 5 years of appointment, is 100% of salary for the executive directors and 50% of salary for our most senior executives All directors and executives are aware that the Remuneration Committee may scale back future long-term incentive awards for individuals who have not consistently met the target level Share options which have vested, but not been exercised, count towards the target

As at 31 December 2011, all 27 senior executives had achieved their target shareholding More specifically, Geoff Cooper, Paul Hampden Smith and John Carter held a salary ratio shareholding of 292%, 722% and 167% respectively

What makes up fixed remuneration?

BASIC SALARIES

Basic salaries are reviewed annually for each director and are normally set with reference to individual performance, experience and contribution together with developments in the relevant employment market, internal relativities and reference to the general economic environment, it is this last point which has outweighed all others in determining pay awards for 2012

In line with the majority of employees, the executive directors were awarded a 2% base pay increase in January 2012 This means that for the fifth successive year the same basic salary increase percentage has been applied to all employee levels

From 1 January 2012, the executive directors' salaries are

- John Carter £392 100,
- Geoff Cooper £652,200,
- Paul Hampden Smith £392,100

BENEFITS

In addition to their basic salary directors receive a benefits package which includes private medical insurance, life assurance, and an incapacity benefits scheme Paul Hampden Smith and John Carter are also in receipt of either a car or car allowance

PENSION ARRANGEMENTS

In respect of pension arrangements, Geoff Cooper and John Carter receive cash equal to 25% of basic salary

Paul Hampden Smith was a member of the Group's defined benefits pension scheme until 31 March 2011 and now receives cash equal to 25% of basic salary

What makes up variable remuneration?

Variable remuneration is a mix of short-term and long-term incentives designed to deliver shareholder value and to reward executives

ANNUAL BONUS

Executive directors are eligible for an annual bonus The Remuneration Committee sets targets linked to board approved annual budgets Maximum bonus payments are awarded only when performance for the year in question significantly exceeds the agreed annual budget targets The maximum bonus levels are 120% of salary for the Chief Executive and 100% of salary for the Finance Director and the Deputy Chief Executive One quarter of the bonus is deferred in shares for 3 years

PERFORMANCE SHARE PLAN

Executive directors receive awards under this Plan each year The maximum award is 150% of salary These awards vest after 3 years subject to the achievement of a range of performance targets

In 2011, the total level of award made under this scheme to each executive director was 150% of basic salary

SHARE MATCHING SCHEME

Executive directors are also invited to participate in this Scheme, which involves a participant buying shares from their own resources The maximum amount that can be invested by a participant is equal to 50% of post-tax salary Provided that these shares are retained for 3 years, and further performance targets are met, matching shares will be made available The maximum share match is effectively on a basis of 2 shares for each 1 purchased

ALL EMPLOYEE SHARE PLANS

As with all group employees, the executive directors can participate in two HMRC approved schemes, the Sharesave scheme and the Share Incentive Plan which operates only on a buy as you earn basis

Variable remuneration in 2011

ANNUAL BONUS

The performance measures were the same as for the previous year and the targets and results are as follows

Measure	Weighting	Target range	Achieved
EPS	50%	95% - 105%	45 1%
ROCE	30%	95% - 105%	16 8%
Personal objectives	20%	0% - 20%	10%-14%

The evaluation of personal objectives involved the Remuneration Committee considering personal development and performance by the executive directors on a balanced scorecard of measures, including the following main topics

- Market outperformance
- Risk monitoring,
- Health and safety
- Integration of BSS
- Global sourcing initiatives
- Category management capability,
- Supply chain optimisation
- Succession

The Remuneration Committee assessed the specific achievements against these objectives by reviewing the detailed measures attached to each one as well as reviewing the performance of each director overall The annual bonus for each of the executive directors is as follows

	% bonus	Full bonus	Cash bonus	Deferred in shares
John Carter	75 9	£291,760	£218 820	9,106
Geoff Cooper	91 1	£582,498	£435,873	18 180
Paul Hampden Smith	71 9	£276,384	£207,288	8,626

PERFORMANCE SHARE PLAN

The targets set in 2008 were not met and no awards vested in 2011 This is disappointing as the Company has out-performed its competitors and the share price has risen significantly It does serve as a reminder that stretching targets are difficult to achieve in difficult economic circumstances

SHARE MATCHING SCHEME

There was partial vesting at 51% of the full awards made in 2008 The participants have also benefitted from the increase in the share price along with other shareholders

ALL EMPLOYEE SHARE PLANS

Over 2,100 colleagues shared a record pay-out of more than £17 million under the Sharesave scheme None of the executive directors received this benefit as their savings and share options under the scheme do not mature until December 2013

EXECUTIVE SHARE OPTION AWARDS

Executive share options granted in 2008 vested during the year for over 100 senior managers The executive directors were excluded from this 'one-off' award

The Board believes that wider employee share ownership benefits the Company and strengthens the link between shareholders and group employees In 2011 the success of the two schemes previously mentioned along with our 'Buy as You Earn' scheme has created many more employee shareholders

Variable remuneration in 2012

As mentioned above, we do not propose any fundamental change to the current remuneration structure during 2012, but we are conducting a full review with our new advisers

ANNUAL BONUS

The compulsory deferral of 25% of the bonus in shares remains Performance will be assessed against agreed budgets and the weighting will be as follows The weighting is unchanged from 2011

Measure	Weighting
EPS	50%
ROCE	30%
Personal objectives 20%	

PERFORMANCE SHARE PLAN

The maximum award levels will be 150% of basic salary for each of the executive directors The performance targets will be Aggregate Cashflow, Relative Total Shareholder Return ('TSR') and Adjusted Earnings per Share ('EPS') with the same relative weighting as last year

Measure	Rationale	Weighting
Aggregate cashflow	Reinforces importance of cash generation at a time when the Group wishes to reduce the financial leverage taken on in respect of acquisitions	40%
Relative TSR	External measure of shareholder value	20%
EPS growth	A reasonable and well understood proxy for an increase in shareholder value for the benefit of all shareholders provided undue leverage is controlled	40%

		Range
Aggregate cashflow over three years up to 2014	Three aggregate cash flow targets	
	No vesting below lower target	£761m - £841m
	Straight line increase until full vesting at upper target	
Company TSR relative to FTSE250 Index	Median (top 50%)	30% vests
	Upper quartile (top 25%)	100% vests
	Straight-line between these points	
EPS growth	RPI + 3% p a	30% vests
	RPI + 10% p a	100% vests
	Straight-line between these points	

The Earnings Per Share targets are calculated on a compound annual basis and include the increase in the Retail Prices Index ('RPI') Although RPI is forecast to reduce in the next 3 years, it has remained stubbornly high for some time If it reduces to average 3% over the next 3 years the aggregate EPS growth will have to be 44% in 3 years time for this part of the award to vest in full

Given the current economic climate, this would represent an outstanding achievement

SHARE MATCHING SCHEME

Once again the maximum investment will be 50% of post tax salary and the other features of the scheme will also be unchanged The performance target will be Cash Return on Capital Employed ('CROCE')

Measure	Rationale	Range	Matching ratio
CROCE	Reinforces importance of cash generation and Return on Capital Employed	9 53% - 10 53%	0 6 for 1 2 for 1 Straight-line between the two

For executive directors, the remuneration framework can be summarised as follows

Fixed remuneration

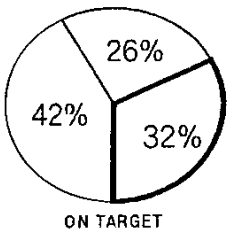
Base salary	Reviewed on 1 January each year against • economic circumstances, • increases for all group employees • salary levels in similar sized companies e g FTSE150-250, • individual performance, experience and contribution
Benefits	• market competitive, • linked to benefits for other group employees
Pension	where appropriate, membership of a group pension scheme, alternative cash allowance or top-up at 25% of all or part of basic salary

Variable remuneration

Annual bonus	Targets reviewed each year on target bonus for CEO – 60% of salary, max bonus for CEO – 120% of salary, • on target bonus fo other directors – 50% of salary • max bonus for other directors – 100% of salary, compulsory deferral of 25% of bonus in Company shares and paid after 3 years, subject to continued employment
Performance share plan	Awards made each year • max value of award – 150% of salary, • awards vest after 3 years subject to achievement of a range of performance targets and continuing employment, • current performance targets are EPS growth, TSR and Aggregate Cash Flow each with a vesting range
Share matching scheme	Voluntary investment by director in Company shares from own resources • max investment equal to 50% of post-tax salary, • matching shares awarded after 3 years provided that investment shares are still held, performance targets are met and director continues in employment, • matching shares of up to 2 for each 1 investment share held plus grossing up for tax, • current performance target is CROCE with a vesting range

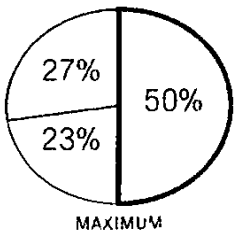
Expected value of total remuneration package

The following charts show the split between fixed and variable remuneration excluding benefits in kind for 'on-target' performance and 'maximum' performance



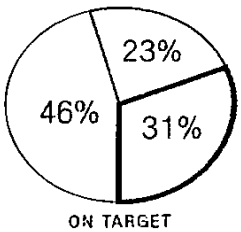
ON TARGET

Chief Executive Officer



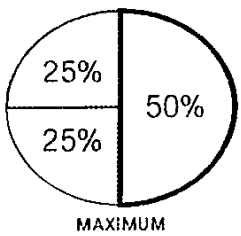
MAXIMUM

Chief Executive Officer



ON TARGET

Deputy Chief Executive and Group Finance Director



MAXIMUM

Deputy Chief Executive and Group Finance Director

☐ Fixed ☐ Bonus ☐ LTIP

N B The charts exclude the one off 2009 share award made to John Carter

Non-executive directors

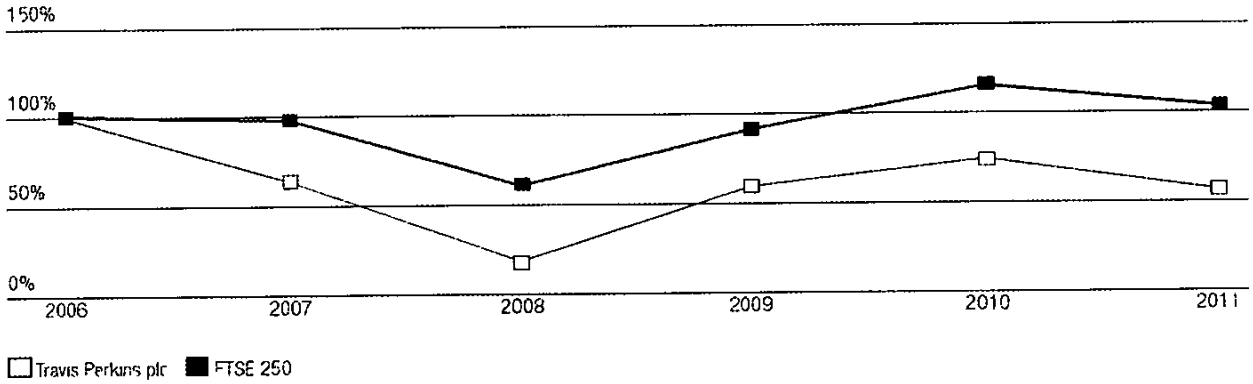
The remuneration of the non-executive directors is determined by the Board (in the case of the Chairman, on the recommendation of the Remuneration Committee) Each non-executive director receives an annual fee In addition, Chris Bunker and Andrew Simon receive additional fees for, in the case of the former, the role of Senior Independent Director and for chairing the Audit Committee and, in the case of the latter, for chairing the Remuneration and Health & Safety Committees The fees for 2011 were set as

- Base fee - £50,000 p a
- Additional fee for Senior Independent Director – £7,000 p a
- Additional fee for committee chairmanship – £10,000 p a
- Additional fee for second committee chairmanship – £4,000 p a

Non executive directors do not receive any other benefits (other than a staff discount card for purchasing products) and are not eligible to join a company pension scheme No compensation is payable on termination of their employment, which may be without notice from the Company They cannot participate in any of the Company's share schemes

Total shareholder return

As required by the Companies Act, the graph below shows total shareholder return for Travis Perkins' shares over the last five years, relative to the FTSE 250 Index Total shareholder return is defined as a combination of growth in the Company's share price and dividends paid to shareholders The FTSE 250 Index has been chosen as a comparable broad equity market index because the Company has been a member of it for the five year period



Audited information

Contracts of executive directors

Each of the executive directors has a service contract, the date of which is shown below, which will be available for inspection at the Annual General Meeting These contracts provide for six month's notice from the directors and 12 month's notice from the Company They do not specify any particular level of compensation in the event of termination or change of control

- John Carter 6 August 2001
- Geoff Cooper 1 February 2005
- Paul Hampden Smith 8 October 1996

It is the Company's policy to allow each executive director to hold one non-executive directorship in another company (and to retain the fee payable)

Amount of directors' emoluments

Part of each executive director's remuneration may consist of benefits in kind not payable in cash, such as the provision of a company car, a fuel card, and private healthcare insurance. No director receives an expense allowance, which is chargeable to tax. Details of directors' remuneration are set out in the table below:

£'000	Basic salary 2011 £'000	Annual bonus 2011 £'000	Benefits 2011 £'000	Total remuneration 2011 £'000	2010 £'000
Executive					
Geoff Cooper	639	582	168	**1,389**	1,424
Paul Hampden Smith[2]	384	276	96	**756**	766
John Carter[3]	384	292	131	**807**	781
Non-executive					
Ruth Anderson[4]	9	-	-	**9**	-
Chris Bunker	67	-	-	**67**	60
John Coleman	50	-	-	**50**	44
Philip Jansen	50	-	-	**50**	44
Andrew Simon	64	-	-	**64**	55
Tim Stevenson[5]	-	-	-	**-**	68
Robert Walker	200	-	-	**200**	162
	1,847	1,150	395	**3,392**	3,404

Notes
1 Highest paid director. Benefits include a cash allowance of £159,851 (2010: £244,007) in lieu of pension accrual and £8,446 dividend equivalent on exercise of LTIP awards. These do not count when calculating annual bonus and granting share incentives. Geoff Cooper also received and retained in 2011, £100,000 (2010: £92,840) in respect of his non-executive chairmanship of Dunelm Group Plc.
2 Benefits include a £16,000 'cash for car' allowance, a £1,500 fuel allowance and £72,075 cash allowance in lieu of pension accrual and £5,624 dividend equivalent on exercise of LTIP awards, which do not count when calculating annual bonus and granting share incentives. Paul Hampden Smith also received and retained in 2011, £45,000 (2010: £40,000) in respect of his non-executive directorship of Redrow plc.
3 Benefits include a cash allowance of £96,100 in lieu of pension accrual and £1,272 dividend equivalent on exercise of LTIP awards, which do not count when calculating annual bonus and granting share incentives.
4 Appointed 24 October 2011.
5 Retired 17 May 2010.

Directors' pension entitlements

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

	John Carter	Paul Hampden Smith	Geoff Cooper
Age at 31 December 2011	50	51	57
	£'000	£'000	£'000
Accrued pension at 31 December 2010	290	82	5
Accrued pension at 31 December 2011 or earlier leaving	246	83	5
(Decrease) / increase in accrued pension in 2011	(44)	1	-
Real decrease in accrued pension in 2011	(60)	(3)	-
Transfer value of the real decrease in accrued pension net of member's contributions	(1,263)	(53)	(1)
Value of decrease in accrued benefit	(1,263)	(61)	(1)
Member's contributions towards pension	-	8	-
Increase in transfer value net of member's contributions	481	395	19
Transfer value of benefits accrued at 31 December 2010	4,608	1,239	116
Transfer value of benefits accrued at 31 December 2011	**5,089**	**1,642**	**135**

Notes
1 Only base salary is pensionable for service from 1 December 2004.
2 Geoff Cooper ceased future accrual on 5 April 2006, but benefits up to that date retain a link to current salary.
3 John Carter ceased future accrual on 31 December 2010. Benefits on leaving have been calculated using a 3 year averaging of pensionable salaries.
4 Paul Hampden Smith ceased future accrual on 31 March 2011. Benefits on leaving have been calculated using a 3 year averaging of pensionable salaries.
5 Salary Sacrifice was introduced for member contributions in April 2006. The figures for Paul Hampden Smith above include the sacrificed amounts.
6 Any pensions paid on early retirement are subject to abatement.

Travis Perkins' share price information

	2011	2010
Mid-market price at the year end	**796p**	1,058p
Highest mid-market price during the year	**1,127p**	1,058p
Average mid-market price during the year	**928p**	817p
Lowest mid-market price during the year	**711p**	665p

Directors' shareholdings

The Directors' holdings of ordinary 10p shares of Travis Perkins plc at 31 December 2011 and 2010 were as follows

Director	Interest	2011 No	2010 No
Ruth Anderson	Beneficial owner	-	-
Chris Bunker	Beneficial owner	**11,900**	11,900
John Carter	Beneficial owner	**61,918**	52,062
John Coleman	Beneficial owner	**2,465**	2,465
Geoff Cooper	Beneficial owner	**195,053**	165,094
Paul Hampden Smith	Beneficial owner	**283,933**	208,883
Philip Jansen	Beneficial owner	-	
Andrew Simon	Beneficial owner	**3,400**	3,400
Robert Walker	Beneficial owner	**80,595**	65,000

Between 31 December 2011 and the date of this report, the only change to the above Directors' shareholdings is to Paul Hampden Smith s whose shareholding had increased to 283,961 because of his monthly contribution to the Travis Perkins' Buy As You Earn Plan

Share matching scheme

Participation by directors is as follows

Grant date		Outstanding 1 January 2011 No	Granted during year No	Lapsed during year No	Vested during year No	**Outstanding 31 December 2011 No**
Geoff Cooper						
1 April 2008	Investment matching shares	103,988	-	(50,955)	(53,033)	-
19 May 2009	Investment matching shares	157,785	-	-	-	**157,785**
16 March 2010	Investment matching shares	71,853	-	-	-	**71,853**
15 March 2011	Investment matching shares	-	65,580	-		**65,580**
Paul Hampden Smith						
1 April 2008	Investment matching shares	72,787	-	(35,666)	(37,121)	-
19 May 2009	Investment matching shares	110,450	-	-	-	**110,450**
16 March 2010	Investment matching shares	50,296	-	-	-	**50,296**
15 March 2011	Investment matching shares	-	39,424	-	-	**39,424**
John Carter						
19 May 2009	Investment matching shares	63,974	-	-	-	**63,974**
16 March 2010	Investment matching shares	50,296	-	-	-	**50,296**
15 March 2011	Investment matching shares	-	39,424	-	-	**39,424**

Notes

1 Vesting is on the third anniversary of the grant date

2 Award/purchase prices (restated for the rights issue as appropriate) are 1 April 2008 840p, 19 May 2009, 553p, 16 March 2010 740p, 15 March 2011, 968p

3 Performance criteria apply For the share matching shares granted in 2008, which vested during 2011, minimum vesting required CROCE of 11 5%, and full vesting required 12 5% The Award vested at 51% For investment matching shares granted in 2009 and 2010 a condition based on a three year average of cash return on capital employed ('CROCE') applies as described on page 59 For 2009 the target range was 6 45% - 8 82% and for 2010 the target range was 7 5% to 9 0%

Performance share plan

Participation by directors is as follows

Grant date	Outstanding 1 January 2011 No	Granted during year No	Lapsed during year No	**Outstanding 31 December 2011 No**
Geoff Cooper				
5 March 2008	73,015	-	(73,015)	-
23 June 2009	131,289	-	-	**131,289**
5 March 2010	92,437	-	-	**92,437**
4 March 2011	-	75 224	-	**75,224**
4 April 2011	-	18,605	-	**18,605**
Paul Hampden Smith				
5 March 2008	42,591	-	(42,591)	-
23 June 2009	76,585	-	-	**76,585**
5 March 2010	53,921	-	-	**53,921**
4 March 2011	-	37,686	-	**37,686**
4 April 2011	-	18,642	-	**18,642**
John Carter				
5 March 2008	42,591	-	(42,591)	-
23 June 2009	76,585			**76,585**
5 March 2010	53,921	-	-	**53,921**
4 March 2011	-	37,686	-	**37,686**
4 April 2011	-	18,642	-	**18,642**

Notes

1 Vesting is on the third anniversary of the grant date

2 Award prices (restated for the 2009 rights issue as appropriate) are 23 June 2009, 473p, 5 March 2010, 695 5p, 4 March 2011, 1 020p, 4 April 2011, 1,031p

3 Performance criteria apply For performance shares granted in 2008 and 2009, vesting is at 33 1/3% if EPS exceeds inflation by 3% a year pro rata between 100% & 33 1/3% if EPS exceeds inflation by between 3% and 10%, and 100% if EPS exceeds inflation by 10% The 2008 Award lapsed Performance conditions for the 2010 award are vesting is at 30% if EPS exceeds inflation by 3% a year TSR is in the top 50% of the FTSE 250 and Aggregate cash flow is at least £470m, vesting is at 100% if EPS exceeds inflation by 10% a year, TSR is in the top 25% and Aggregate cash flow is at least £520m. There is a straight line vesting between these points Conditions for the 2011 award performance were the same as 2010 except the range for Aggregate cash flow is £844m to £977m

Deferred share bonus plan

Participation by directors is as follows

Grant date	Outstanding 1 January 2011 No	Granted during year No	Lapsed during year No	**Outstanding 31 December 2011 No**
Geoff Cooper				
5 March 2008	13,564	-	(13,564)	-
3 March 2010	19,862		-	**19,862**
2 March 2011	-	16,729	-	**16,729**
Paul Hampden Smith				
5 March 2008	7,743		(7,743)	-
3 March 2010	11,586	-	-	**11,586**
2 March 2011		9 496	-	**9,496**
John Carter				
5 March 2008	7,743	-	(7,743)	-
3 March 2010	11,586	-	-	**11,586**
2 March 2011	-	9,496	-	**9,496**

Notes
1 Vesting is on the third anniversary of the grant date
2 The award price (restated for the 2009 rights issue if appropriate) for the 5 March 2008 grant was 698p for the 3 March 2010 grant was 801 1667p and for the 2 March 2011 grant was 987 3p

Executive share options

Participation by directors in the 2001 Executive Share Option Scheme is as follows

	Outstanding 1 January 2011 No	Exercised during year No	**Outstanding 31 December 2011 No**	Exercise price	Exercise period
Geoff Cooper	17,980	-	**17,980**	1,320p	Anytime until 31/3/15
Paul Hampden Smith	49,923	(49,923)	**-**	596p	
	39,368		**39,368**	845p	Anytime until 9/4/12
	51,994	-	**51,994**	841p	Anytime until 10/4/13
	23,787		**23,787**	1,033p	Anytime until 15/3/14
	10,489	-	**10,489**	1,320p	Anytime until 31/3/15
John Carter	37,296	-	**37,296**	845p	Anytime until 9/4/12
	41,594	-	**41,594**	841p	Anytime until 10/4/13
	22,058	-	**22,058**	1,033p	Anytime until 15/3/14
	10,487	-	**10,487**	1,320p	Anytime until 31/3/15

Share award for John Carter

Grant date	**Outstanding 1 Jan and 31 Dec 2011 No**
10 November 2009	**47,612**

Notes
1 The one off Award structured as a nil cost share option was made following consultation with principal shareholders in 2009
2 The Award vests in equal tranches after completion of years four, five and six, the first year being 2009
3 The performance conditions are linked to procurement improvement initiatives agreed annually by the Remuneration Committee together with delivery of John Carter's objectives as part of Travis Perkins' strategic plan.

Sharesave options

Participation by directors in the 2002 Travis Perkins' Sharesave Scheme is as follows

	Outstanding 1 Jan and 31 Dec 2011 No
Geoff Cooper	3,670
Paul Hampden Smith	3,670
John Carter	3,670

Notes
1 No performance conditions apply
2 All options are exercisable from 1 December 2013 to 31 May 2014 at a price of 442p (restated for the 2009 rights issue)

Share dilution

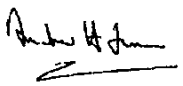
At 31 December 2011, shares under grant for executive share schemes over a 10 year period represented 1 43% of issued share capital and shares under grant for all employee share schemes over the previous 10 years represented 5 22% There were 6,012,644 (2 47% of issued share capital) unallocated shares and 289,142 allocated shares (0 12%) held in the employee trust

Shareholders' approval

The directors confirm that this report has been drawn up in accordance with the requirements of the Companies Act 2006 and the UK Corporate Governance Code

The shareholders will be invited to approve the remuneration policy set out in this report at the Annual General Meeting, at which the Chairman of the Committee will be available to answer any questions

Approved by the Board and signed on its behalf by



Andrew Simon
Chairman, Remuneration Committee
21 February 2012

Nominations Committee Report

For the year ended 31 December 2011

The principal role of the Nominations Committee is to identify and nominate for Board approval, candidates to fill board vacancies as and when they arise The Committee prepares a description of the role and skills and capabilities required, and maintains contact with major shareholders about appointments to the Board It also keeps the structure, size and composition of the Board under review, and considers succession planning for both executive and non executive directors and for other senior executive posts The terms of reference of the Committee are available on the Company's website or from the Company Secretary

During the year, the Committee members were Robert Walker (Chairman), together with Chris Burke and John Coleman, both of whom are independent non-executive directors

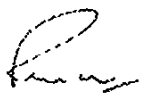
The Committee met three times in 2011 In addition to the Committee members, the meetings were also attended by the other non-executive directors and, in part, by the Chief Executive and the Group HR Director

In the past year, the remit of the Committee has been expanded to include a broader HR and succession agenda across the senior management levels in the Company The Committee reviewed the personal development plans for the Executive Directors, a proposed reorganisation of the Finance department, the recruitment of a further non-executive director and the bench strength and succession plans for the most senior levels throughout the Company

For each board position, the Committee selects the appropriate search firm, after reviewing a shortlist of a minimum of three alternatives In the case of Ruth Anderson's appointment, the Board prepared a detailed job specification shortlisted three search firms, then asked Lygon Group to undertake a search for candidates with the requisite skills and experience

The Committee and the Board also considered the aspirations of the Davies Review for an increasing representation of women on company boards The Board shares that aspiration, but in view of the historic challenge faced in the construction sector in attracting women candidates, it is reluctant to commit to specific targets Nevertheless, for board appointments, while ensuring that existing high standards are maintained, the recruitment criteria set by the Committee have been amended so that prior PLC experience is not essential It is hoped that this will widen the pool of potential candidates

The Chairman of the Nominations Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee



Robert Walker
Chairman, Nominations Committee
21 February 2012

Directors' Report

For the year ended 31 December 2011

The Directors present their annual report and audited accounts for the year ended 31 December 2011. The Corporate Governance statement on pages 49 to 52 forms part of the Directors' report.

Principal activities

Travis Perkins is one of the largest builder's merchants and home improvement retailers in the UK. The principal activities of the Group are the sale of timber, building materials, and plumbing and heating products, and the hiring of tools, to the building trade, industry generally and the general public, within the United Kingdom. The Directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

Business review

A review of the Group's position, developments and future prospects is contained in the Chairman's statement on pages 12 and 13, the Chief Executive's review of the year on pages 14 to 21, the Deputy Chief Executive's review of the year on pages 24 to 29 and the Finance Director's review of the year on pages 30 to 34. A review of the Group's environmental performance is on pages 38 to 42.

Results and dividends

The Group results for the year ended 31 December 2011 and dividends for the year ending 31 December 2011 are set out on page 74. If approved, the final dividend will be paid on 31 May 2012 to those shareholders on the register at the close of business on 4 May 2012.

Balance sheet and post balance sheet events

The balance sheet on pages 76 and 77 shows the Group's financial position. No significant events have occurred since the balance sheet date.

Principal risks and uncertainties

A review of the Group's principal risks and uncertainties are on pages 36 to 37.

Directors and their interests

In accordance with the Company's Articles of Association, Ruth Anderson will be standing for election by shareholders at the Annual General Meeting, having been appointed to the Board since the last Annual General Meeting. The Board believes that Ruth Anderson's professional financial background and extensive experience of advising a broad range of companies across many business sectors will greatly benefit the Company, complement the skills of the other Board members, and make her an excellent choice as a non-executive director.

The UK Corporate Governance Code ('the Code') requires that all directors of FTSE 350 companies are subject to re-election at the Company's Annual General Meeting each year, and therefore executive directors, Geoff Cooper, Paul Hampden Smith and John Carter, and non-executive directors Robert Walker, Chris Bunker, John Coleman, Philip Jansen and Andrew Simon will all seek re-election at the Annual General Meeting.

The names of the Directors at 31 December 2011, together with their biographical details are set out on pages 46 and 47. All of these Directors held office throughout the year, except Ruth Anderson who was appointed on 24 October 2011. The executive directors have rolling 12 month notice periods in their contracts. The non-executive directors do not have service contracts. In the light of the formal evaluation of their performances as a result of the process described on page 50, Robert Walker, Chairman, confirms on behalf of the Board that all directors continue to be effective in, and committed to, their roles.

Directors and officers of the Company are entitled to be indemnified out of the assets of the Company in respect of any liability incurred in relation to the affairs of the Company, or any associate company, to the extent the law allows. In this regard the Company is required to disclose that under article 140 of the Company's Articles of Association, the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 2006 against liabilities incurred by them in the execution of their duties and exercise of their powers. This indemnity is currently in force. In addition, if proceedings against directors are instituted subsequent to any person acquiring control of the Company, the Company has agreed with each of the Directors that pursuant to article 140(D) of the Company's Articles of Association, the Company shall provide a director with funds (subject to certain restrictions) to meet expenditure incurred by that director in defending any criminal or civil proceedings.

A copy of the Company's Articles of Association (which contains this indemnity) is available for inspection at the Company's registered office during normal business hours and will be available for inspection at (and during the period of 30 minutes prior to) the Company's forthcoming Annual General Meeting.

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 Company has undertaken to comply with the best practice on approval of directors' conflicts of interests in accordance with the Company's Articles of Association. Under the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests.

The disclosable interests of Directors at 31 December 2011, including holdings, if any, of wives and of children aged under 18, were as detailed in the Directors' Remuneration Report on pages 63 to 66.

Substantial shareholdings

As at 2nd February 2012, the Company had been notified of the following interests amounting to 3% or more of the voting rights in the issued ordinary share capital of the Company

	Number	%
Sprucegrove Investment Management Ltd	13,993,653	5.74
Standard Life Investments Ltd	12,179,018	4.99
Pzena Investment Management LLC	11,363,083	4.66
Morgan Stanley & Co Inc	10,944,193	4.49
Investec Ltd	9,193,693	3.77
Dimensional Fund Advisors LP	9,001,799	3.69
Sanderson Asset Management Ltd	8,912,988	3.65
UBS	8,512,604	3.49
Legal & General Investment Management Ltd	8,448,143	3.46

Close company status

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

Employees and charitable donations

Statements on these matters are contained in the Chief Executive's review of the year on page 20 and the Deputy Chief Executive's review of the year on page 25 respectively

Details of the number of employees and related costs can be found in note 7 to the financial statements

The Company is committed to equality of opportunity and recognises the benefit of diversity within its workforce Its approach to the matter of the representation of women on company boards is set out in the Nominations Committee report The Company has an equal opportunities policy aimed at ensuring that employment decisions are based on ability and potential regardless of gender, race, colour, ethnic origin or sexual orientation, age or disability In particular, applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the person concerned In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

The Group's policies and practices have been designed to keep employees informed on matters relevant to them as employees through regular meetings and newsletters Employee representatives are consulted regularly on a wide range of matters affecting their interests All employees with more than three months' service are eligible to participate in the Company's Sharesave and Buy As You Earn plans Details are provided in the Directors' Remuneration Report

Political donations

The Group did not give any money for political purposes nor did it make any donations to political organisations or incur any political expenditure during the year

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 2011 represented 57 days (31 December 2010 55 days) of average purchases of goods and services The Company's trade creditors at 31 December 2011 represented 30 days (2010 30 days)

Auditor

Resolutions to re-appoint Deloitte LLP as the Company's auditor and to authorise the Directors to fix the auditor's remuneration will be proposed at the Annual General Meeting

Statement on disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- The director has taken all reasonable steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s 418 of the Companies Act 2006

Share capital and change of control

As at 31 December 2011 the Company had an allotted and fully paid share capital of 243,816,533 ordinary shares of 10 pence each, with an aggregate nominal value of 24,381,653 (including shares owned by the employee share ownership trust) The ordinary shares are listed on the London Stock Exchange All the shares rank pari passu The rights and obligations attaching to the shares are set out in the Company's Articles of Association Fully paid shares in the Company are freely transferable

There are no persons that hold securities carrying special rights with regard to the control of the Company Details of the structure of the Company's share capital and changes in the share capital during the year are also included in note 21 to the financial statements

The Travis Perkins Employee Share Ownership Trust owns 6,305,367 shares in the Company (2 59% of issued share capital) for use in connection with the Company's share schemes Any voting or other similar decisions relating to those shares would be taken by the trustees, who may take account of any recommendation of the Company

There are no restrictions on voting rights attaching to the Company's ord nary shares The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights

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

There are a number of agreements to which the Company is a party that may take effect, alter or terminate upon a change of control following a takeover bid None of these agreements is considered significant in the context of the Company as a whole

There are no agreements providing for compensation for Directors or employees on change of control As set out in the Directors Remuneration Report on page 61, service contrac ts for executive directors do not specify any particular level of compensation in the event of termination following change of control of the Company As noted above, the Company has agreed with each of the directors that it shall provide a director with funds (subject to certain res rictions) to meet expenditure incurred in defending any criminal or civil proceedings if such proceedings are instituted subsequent to any person acquiring control of the Company

Annual general meeting

The Annual General Meeting of the Company will be held at Northampton Rugby Football Club, Franklin's Gardens, Weedon Road, Northampton, NN5 5BG on Tuesday 22 May 2012 at 11 45 a m A buffet lunch will be available In addition to the resolutions to approve the receipt of the Company's annual accounts, the declaration of a final dividend, the appointment and re-appointment of the Company's directors, the re appointment of the Company's auditors and to give the directors authority to fix the auditors' remuneration, the following items are to be proposed at the forthcom ng Annual General Meeting The Board considers that all of the resolutions proposed are in the best interests of the company and of its shareholders as a whole and unanimously recommends that shareholders vote in favour of all resolutions put before the Annual General Meeting

Resolution 14
Directors' Remuneration Report
In accordance with the Directors' Remuneration Report Regulat ons 2002, this resolution seeks shareholders' approval of the Directors' Remuneration Report as set out on pages 56 to 66

Resolution 15
Sharesave scheme 2012
This resolution seeks shareholder approval to establish a new savings-related share option scheme, which will replace the existing 2002 Travis Perkins Sharesave Scheme, which is due to expire this year The Travis Perkins Sharesave Scheme 2012 is a standard HM Revenue & Customs approved all-employee plan and will be used to encourage employee share ownership throughout the Group A description of the principal terms of the Sharesave Scheme 2012 are summarised in the Appendix to the Notice of Annual General Meeting which can be found on page 126

Resolution 16
Renewal of authority to allot shares
Paragraph (a) of this resolution would give the Directors the authority to allot ordinary shares up to an aggregate nominal amount equal to £8,132,018 (representing 81 320 185 ordinary shares of 10 pence each) This amount represents approximately one third of the issued ordinary share capital of the Company as at 21 February 2012, the latest practicable date prior to publication of this Notice

In line with guidance issued by the Association of British Insurers (the 'ABI'), paragraph (b) of this resolution would give the Directors authority to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £16,264,037 (representing 162,640,371 ordinary shares of 10p each), as reduced by the nominal amount of any shares issued under paragraph (a) of this resolution This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 21 February 2012, the latest practicable date prior to publication of this Notice If this authority is exercised, the Directors intend to follow ABI guidance issued from time to time, (including as to the re election of directors) It is now our practice to propose all directors for annual re election at each Annual General Meeting in accordance with the Code

The authorities sought under paragraphs (a) and (b) of this resol tion will expire at the earlier of 30 June 2013 (the last date by which the Company must hold an annual general meeting in 2013) and the conclusion of the annual general meeting of the Company held in 2013

The Directors have no present intention to exercise either of the authorities sought under this resolution, except, under paragraph (a), to satisfy options under the Company's employee share option schemes

Resolution 17
Limited authority to allot shares for cash
This resolution would give the Directors the authority to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings

Except as provided in the next paragraph, this authority would be limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £1,219,802 (representing 12,198,027 ordinary shares) This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 21 February 2012, the latest practicable date prior to publication of this Notice In respect of this aggregate nominal amount, the Directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 7 5% should not take place without prior consultation with shareholders

Allotments made under the authorisation in paragraph (b) of resolution 16 would be limited to a. otments by way of a rights issue only (subject to the right of the board to impose necessary or appropriate limitations to deal with for example, fractional ent tlements and regula ory matters)

The authority will expire at the earlier of 30 J ne 2013 (the last date by which the Company must hold an annual general meeting in 2013) and the conclusion of the annual general meeting of the Company held in 2013 Any issue of shares for cash will, however, still be subject to the requirements of the UK Listing Authority

Resolution 18
Notice of meetings
The Companies Act 2006 requires that the notice period for general meetings of a company is 21 days unless certain requirements are satisfied, including that shareholders approve a shorter notice period, which cannot be less than 14 clear days At the Annual General Meeting held in 2011, shareholders approved a notice period for general meetings (other than AGMs) of not less than 14 clear days effective until the AGM to be held in 2012 This resolution is proposed to allow the Company to continue to call general meetings (other than AGM's) on 14 clear days notice The Directors believe it is in the best interests of the shareholders of the Company to preserve the shorter notice period and accordingly are putting this resolution to be proposed as a special resolution to the meeting The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole The approval will be effective until the Company's Annual General Meeting in 2013 when it is expected that a similar resolution will be proposed Under the Companies Act 2006 in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders

Resolution 19
Authority to purchase own shares
The authority for the Company to purchase its own shares of 10 pence each granted at last year's Annual General Meeting will expire on the date of the forthcoming Annual General Meeting The Directors wish to renew this authority and a special resolution, which is set out in full in the Notice of Annual General Meeting on page 125, will be proposed at the forthcoming Annual General Meeting to give the Company the authority to purchase its own ordinary shares in the market as permitted by the Companies Act 2006 The authority limits the number of shares that could be purchased to a maximum of 24,396,055 (representing 10% of the issued ordinary share capital of the Company as at 21 February 2012) and sets minimum and maximum prices This authority will expire no later than 30 June 2013

The Directors consider that it is in the best interests of the Company to have available this authorisation, in case of circumstances when it would be appropriate to use it They would only use it after consideration of the effect on earnings per share and the longer-term benefit for the Company and shareholders generally The fact that such authorisation is being sought should not be taken to imply that shares would be purchased at any particular price or indeed at all Any ordinary shares purchased pursuant to this authority may either be held as treasury shares or cancelled by the Company, depending on which course of action is considered by the Directors to be in the best interests of shareholders at the time

As at 21 February 2012, there were options over 12,252,464 ordinary shares in the capital of the Company, including 2,044,655 Investment Matching Shares, 240,508 Deferred Bonus Share Plan shares and 1,653,045 Performance Share Plan shares - these are described in the Directors' Remuneration Report on pages 56 to 66), which represent 5 02% of the Company's issued ordinary share capital (excluding any treasury shares) If the authority to purchase the Company's ordinary shares were exercised in full, these options would represent 5 02% of the Company's issued ordinary share capital (excluding any treasury shares) As at 21 February 2012, the Company did not hold any treasury shares in the Company and no warrants over ordinary shares in the capital of the Company existed



By order of the Board,
Andrew Pike
Company Secretary
21 February 2012

Statement of Directors' Responsibilities

For the year ended 31 December 2011

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, International Accounting Standard 1 requires that directors

- Properly select and apply accounting policies,
- Present information, including accounting policies, in a manner that provides relevant reliable, comparable and understandable information,
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- Make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company s website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Responsibility statement

We confirm that to the best of our knowledge

- The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- The management report, which is incorporated into the directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board

Geoff Cooper
Chief Executive

Paul Hampden Smith
Finance Director
21 February 2012

Independent Auditor's Report to the Members of Travis Perkins plc

For the year ended 31 December 2011

We have audited the financial statements of Travis Perkins plc for the year ended 31 December 2011 which comprise Group and Parent Company Income Statements, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2011 and of the Group's and the Parent Company's profit for the year then ended;
- The financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

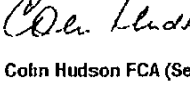
We have nothing to report in respect of the following.

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.

Under the Listing Rules we are required to review:

- The Directors' statement, contained within the Finance director's review of the year, in relation to going concern;
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the Board on directors' remuneration.



Colin Hudson FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
21 February 2012

Income Statements

For the year ended 31 December 2011

		THE GROUP					
		2011			2010		
	Notes	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m
Revenue	4	**4,779.1**	**-**	**4,779.1**	3,152 8	-	3,152 8
Operating profit before amortisation	5	**313.2**	**(9.8)**	**303 4**	239 0	(19 0)	220 0
Amortisation of intangible assets		**(12.9)**	**-**	**(12 9)**	(0 2)	-	(0 2)
Operating profit		**300 3**	**(9 8)**	**290 5**	238 8	(19 0)	219 8
Finance income	10	**22.4**	**-**	**22 4**	17 5	-	17 5
Finance costs	10	**(38.9)**	**(4.4)**	**(43 3)**	(39 8)	(0 7)	(40 5)
Profit before tax		**283 8**	**(14.2)**	**269 6**	216 5	(19 7)	196 8
Tax	11	**(74 5)**	**17 3**	**(57 2)**	(59 8)	4 3	(55 5)
Profit for the year		**209 3**	**3 1**	**212.4**	156 7	(15 4)	141 3
Earnings per ordinary share	12						
Basic				**90 3p**			69 6p
Diluted				**87 3p**			67 2p
Total dividend declared per ordinary share	13			**20 0p**			15 0p

All results relate to continuing operations Details of exceptional items are given in notes 5 10 and 11

		THE COMPANY	
	Notes	**2011 £m**	2010 £m
Revenue	4	**86.0**	47 2
Operating profit before exceptional items	5	**68.9**	31 8
Exceptional items		**-**	(13 4)
Operating profit after exceptional items		**68.9**	18 4
Finance income	10	**19.5**	15 5
Finance costs	10	**(39 8)**	(42 1)
Profit / (loss) before tax		**48.6**	(8 2)
Tax	11	**10 1**	10 4
Profit for the year		**58.7**	2 2

All results relate to continuing operations

Statements of Comprehensive Income

For the year ended 31 December 2011

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	2011 £m	2010 £m
Profit for the year	**212.4**	141 3	**58.7**	2 2
Cash flow hedges				
Losses arising during the year	**(4 6)**	(4 4)	**(4.6)**	(4 4)
Transferred to income statement	**2.8**	6 8	**2.8**	6 8
	(1 8)	2 4	**(1.8)**	2 4
Actuarial (losses) / gains on defined benefit pension schemes	**(49 8)**	15 9	**-**	-
	(51.6)	18 3	**(1.8)**	2 4
Movement on cash flow hedge cancellation payment	**4.2**	4 8	**4 2**	4 8
Tax relating to components of other comprehensive income	**7.1**	(6 7)	**(0.6)**	(2 0)
Other comprehensive (loss) / income for the year	**(40 3)**	16 4	**1.8**	5 2
Total comprehensive income for the year	**172.1**	157 7	**60 5**	7 4

Balance Sheets

As at 31 December 2011

	Notes	THE GROUP 2011 £m	THE GROUP 2010* £m	THE COMPANY 2011 £m	THE COMPANY 2010 £m
Assets					
Non-current assets					
Property, plant and equipment	16	**562.6**	527 1	**0.2**	0 1
Goodwill	14	**1,706.2**	1,697 8	**-**	-
Other intangible assets	15	**388.9**	411 9	**-**	-
Derivative financial instruments	25	**40.3**	56 9	**40.3**	0 3
Investment property	17	**0.4**	0 4	**-**	-
Interest in associates	18	**51.3**	45 7	**58.5**	52 3
Investment in subsidiaries	18	**-**	-	**2,872.8**	2,697 8
Loans and receivables	25	**-**	-	**-**	174 4
Available-for sale investments	18	**1.5**	1 5	**-**	-
Retirement benefit asset	8	**19.3**	31 7	**-**	-
Deferred tax asset	27	**-**	-	**9.9**	4 7
Total non-current assets		**2,770.5**	2,773 0	**2,981.7**	2,939 6
Current assets					
Inventories		**596.0**	571 4	**-**	-
Trade and other receivables	19	**743.0**	687 2	**214.1**	208 4
Derivative financial instruments	25	**3.1**	0 1	**3.1**	0 1
Assets held for resale		**-**	2 3	**-**	-
Cash and cash equivalents	20	**78.6**	62 9	**-**	2 4
Total current assets		**1,420 7**	1,323 9	**217.2**	220 9
Total assets		**4,191.2**	4,096 9	**3,198 9**	3,160 5

* As required by IFRS 3 (revised) the 2010 comparative numbers and appropriate notes have been revised to reflect the final fair value adjustments to the assets and liabilities of The BSS Group plc identified since the last annual report. Further details are given in note 30

	Notes	THE GROUP 2011 £m	THE GROUP 2010* £m	THE COMPANY 2011 £m	THE COMPANY 2010 £m
Equity and liabilities					
Capital and reserves					
Issued capital	21	**24.4**	24 2	**24.4**	24 2
Share premium account	23	**480.8**	471 5	**479.7**	470 4
Merger reserve	23	**326.5**	325 9	**326.5**	325 9
Revaluation reserve	23	**20 8**	21 3	**-**	-
Hedging reserve	23	**(5 1)**	(6 9)	**(5.1)**	(6 9)
Own shares	23	**(75 2)**	(83 4)	**(75 2)**	(83 4)
Accumulated profits	23	**1,335 6**	1,199 2	**192.5**	178 7
Total equity		**2,107 8**	1,951 8	**942.8**	908 9
Non-current liabilities					
Interest bearing loans and borrowings	24	**598.2**	760 9	**592.8**	686 8
Derivative financial instruments	25	**5.9**	4 2	**5.9**	124 7
Retirement benefit obligations	8	**65 0**	59 6	**-**	-
Long-term provisions	26	**28 9**	36 0	**-**	-
Amounts due to subsidiaries		**-**	-	**1,563 5**	1,335 7
Deferred tax liabilities	27	**97 4**	110 5	**-**	-
Total non-current liabilities		**795.4**	971 2	**2,162 2**	2,147 2
Current liabilities					
Interest bearing loans and borrowings	24	**60.3**	72 3	**71.6**	71 9
Unsecured loan notes	24	**3 3**	3 3	**3.3**	3 3
Trade and other payables	28	**1,088 3**	1,004 5	**19 0**	26 7
Derivative financial instruments	25	**-**	2 5	**-**	2 5
Tax liabilities		**75.9**	36 5	**-**	
Short-term provisions	26	**60.2**	54 8	**-**	-
Total current liabilities		**1,288 0**	1,173 9	**93.9**	104 4
Total liabilities		**2,083 4**	2,145 1	**2,256.1**	2,251 6
Total equity and liabilities		**4,191 2**	4,096 9	**3,198 9**	3 160 5

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 21 February 2012 and signed on its behalf by

Geoff Cooper, Chief Executive

Paul Hampden Smith, Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	THE GROUP							
	Issued share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 1 January 2010	20 9	471 2	-	21 3	(12 1)	(83 7)	1,042 8	1,460 4
Profit for the year	-	-	-	-	-	-	141 3	141 3
Cash flow hedge gains	-	-	-	-	2 4	-	-	2 4
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	-	15 9	15 9
Unamortised cash flow hedge cancellation payment	-	-	-	-	4 8	-	-	4 8
Tax relating to comprehensive income	-	-	-	-	(2 0)	-	(4 7)	(6 7)
Total comprehensive income for the year	-	-	-	-	5 2	-	152 5	157 7
Dividends	-	-	-	-	-	-	(10 1)	(10 1)
Issue of share capital	3 3	0 3	325 9	-	-	0 3	(0 3)	329 5
Realisation of revaluation reserve in respect of property disposals	-	-	-	(0 2)	-	-	0 2	-
Difference between depreciation of assets on a historical basis and on a revaluation basis				(0 2)	-		0 2	
Deferred tax rate change	-	-	-	0 4	-	-	-	0 4
Credit to equity for equity-settled share based payments	-	-	-		-	-	13 9	13 9
At 31 December 2010	24 2	471 5	325 9	21 3	(6 9)	(83 4)	1,199 2	1,951 8
Profit for the year	-	-	-	-	-	-	212 4	212 4
Cash flow hedge losses	-	-	-	-	(1 8)	-	-	(1 8)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	-	(49 8)	(49 8)
Unamortised cash flow hedge cancellation payment	-	-	-	-	4 2	-	-	4 2
Tax relating to comprehensive income	-	-	-	-	(0 6)	-	7 7	7 1
Total comprehensive income for the year	-	-	-	-	1 8	-	170 3	172 1
Dividends	-	-	-	-	-	-	(38 8)	(38 8)
Issue of share capital	0 2	9 3	0 6	-	-	8 2	(7 1)	11 2
Realisation of revaluation reserve in respect of property disposals	-	-	-	(1 1)	-	-	1 1	-
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	-	-	(0 3)		-	0 3	-
Deferred tax rate change	-	-	-	0 9	-	-	-	0 9
Foreign exchange differences	-	-	-	-	-	-	(0 1)	(0 1)
Credit to equity for equity-settled share based payments	-	-	-	-	-	-	10 7	10 7
At 31 December 2011	**24.4**	**480.8**	**326 5**	**20.8**	**(5.1)**	**(75.2)**	**1,335.6**	**2,107.8**

Statement of Changes in Equity

For the year ended 31 December 2011

	THE COMPANY						
	Issued share capital £m	Share premium account £m	Merger reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 1 January 2010	20 9	470 1	-	(12 1)	(83 7)	178 7	573 9
Profit for the year	-	-	-	-	-	2 2	2 2
Cash flow hedge gains		-	-	2 4		-	2 4
Unamortised cash flow hedge cancellation payment	-	-	-	4 8	-	-	4 8
Tax relating to comprehensive income	-	-	-	(2 0)	-	-	(2 0)
Total comprehensive income for the year	-	-	-	5 2	-	2 2	7 4
Dividends	-	-	-	-	-	(10 1)	(10 1)
Issue of share capital	3 3	0 3	325 9	-	0 3	(0 3)	329 5
Credit to equity for equity-settled share based payments	-	-	-	-		8 2	8 2
At 31 December 2010	24 2	470 4	325 9	(6 9)	(83 4)	178 7	908 9
Profit for the year	-		-	-	-	58 7	58 7
Cash flow hedges losses	-	-	-	(1 8)	-	-	(1 8)
Unamortised cash flow hedge cancellation payment	-	-	-	4 2	-	-	4 2
Tax relating to comprehensive income	-	-	-	(0 6)	-	-	(0 6)
Total comprehensive income for the year	-	-	-	1 8	-	58 7	60 5
Dividends	-	-	-	-	-	(38 8)	(38 8)
Issue of share capital	0 2	9 3	0 6	-	8 2	(7 1)	11 2
Credit to equity for equity-settled share based payments	-	-	-	-	-	1 0	1 0
At 31 December 2011	**24 4**	**479 7**	**326 5**	**(5 1)**	**(75 2)**	**192 5**	**942 8**

Cash Flow Statements

For the year ended 31 December 2011

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Operating profit before exceptional items	**300.3**	238 8	**68.9**	31 8
Adjustments for				
Depreciation of property plant and equipment and amortisation	**76.8**	57 7	**-**	0 1
Other non cash movements	**13.9**	8 0	**5.1**	2 3
Losses of associate	**0.6**	2 1	**-**	
Gain on disposal of property, plant, equipment and investments	**(17.6)** (11 3)	**-** -		
Operating cash flows before movements in working capital	**374.0**	295 3	**74.0**	34 2
Increase in inventories	**(36 1)**	(62 3)	**-**	-
(Increase) / decrease in receivables	**(62.0)**	(3 2)	**1 5**	(125 0)
Increase in payables	**107.1**	112 8	**231 9**	353 9
Payments on exceptional items	**(17 8)**	(7 6)	**(5 4)**	(7 8)
Pension payments in excess of the charge to profits	**(20 1)**	(52 7)	**-**	-
Cash generated from operations	**345.1**	282 3	**302 0**	255 3
Interest paid	**(24 2)**	(25 4)	**(29 2)**	(27 5)
Income taxes paid	**(26 3)**	(42 4)	**-**	-
Net cash from operating activities	**294.6**	214 5	**272.8**	227 8
Cash flows from investing activities				
Interest received	**0.7**	9 4	**11.6**	8 0
Proceeds on disposal of property, plant, equipment and investments	**15 0**	17 2	**-**	0 1
Purchases of property, plant and equipment	**(109 2)**	(52 6)	**(0 1)**	(0 2)
Interest in associate	**(2.3)**	(12 5)	**(2 3)**	(12 5)
Disposal of business (note 29)	**26.9**	-	**-**	-
Provision of funding to subsidiary undertaking	**-**	-	**(168 2)**	-
Acquisition of businesses net of cash acquired (note 30)	**(9.9)**	(294 9)	**(1 6)**	(481 6)
Net cash used in investing activities	**(78 8)**	(333 4)	**(160 6)**	(486 2)
Financing activities				
Net proceeds from the issue of share capital	**10.6**	0 3	**10 6**	0 3
Bank facility fees paid	**(6.1)**	-	**(6 1)**	
Swap cancellation receipt	**-**	13 7	**-**	16 3
Payment of finance lease liabilities	**(1.6)**	(1 3)	**-**	-
Repayment of unsecured loan notes	**-**	(0 6)	**-**	(0 6)
Pension SPV	**-**	34 7	**-**	-
Decrease in bank loans	**(152.2)**	(214 1)	**(90 0)**	(50 0)
Dividends paid	**(38.8)**	(10 1)	**(38 8)**	(10 1)
Net cash from financing activities	**(188 1)**	(177 4)	**(124 3)**	(44 1)
Net increase / (decrease) in cash and cash equivalents	**27.7**	(296 3)	**(12 1)**	(302 5)
Cash and cash equivalents at beginning of year	**50.9**	347 2	**10.5**	313 0
Cash and cash equivalents at end of year (note 20)	**78 6**	50 9	**(1 6)**	10 5

Notes to the Financial Statements

For the year ended 31 December 2011

1. General Information

Overview

Travis Perkins plc is a company incorporated in the United Kingdom under the Companies Act 2006 The address of the registered office is given on page 130 The nature of the Group's operations and its principal activities are set out in the Chief Executive's review of the year, the Deputy Chief Executive's review of the year and the Finance Director's review of the year on pages 14 to 34

These financial statements are presented in pounds sterling the currency of the primary economic environment in which the Group operates

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board The financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulations

Basis of preparation

The financial statements have been prepared on the historic cost basis except that derivative financial instruments are stated at their fair value The consolidated financial statements include the accounts of the Company and all entities controlled by the Company (its subsidiaries) (together referred to as 'the Group') from the date control commences until the date that control ceases Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity to obtain benefits from its activities As such the results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition

In the current financial year the Group has adopted the following, which did not have a material impact

- IAS 24 Related Party Disclosures (2009)
- Amendments to various standards arising from annual improvements issued in 2010

At the date of authorisation of these financial statements the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue, but not yet effective

- IAS 28 Investments in Associates and Joint Ventures (2011)
- IFRS 9 Financial Instruments (2009)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements,
- IFRS 12 Disclosure of Interests in Other Entities,
- IFRS 13 Fair Value Measurement

The Directors anticipate that adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group

Management is currently of the opinion that the Group's forecasts and projections show that the Group should be able to operate within its current facilities and comply with its banking covenants The Group is however exposed to a number of significant risks and uncertainties, which could affect on the Group's ability to meet management's forecast and projections and hence its ability to meet its banking covenants

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 despite the current uncertain economic outlook and challenging macro economic conditions

A detailed consideration of going concern, risks and uncertainties is provided in the Finance Director's review of the year on page 34

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

2. Significant accounting policies

The principal accounting policies adopted in preparing the financial statements are set out below

Revenue recognition

Revenue is recognised when goods or services are received by the customer and the risks and rewards of ownership have passed to them Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of discounts and value added tax For the Parent Company, revenue comprises management charges receivable and dividend income received

Exceptional items

Exceptional items are those items of income and expenditure that by reference to the Group are material in size or unusual in nature or incidence that in the judgement of the Directors should be disclosed separately on the face of the financial statements (or in the notes in the case of a segment) to ensure both that the reader has a proper understanding of the Group's financial performance and that there is comparability of financial performance between periods

Items of income or expense that are considered by the Directors for designation as exceptional items include but are not limited to, significant restructurings, onerous contracts, write-downs or impairments of current and non current assets, the costs of acquiring and integrating businesses gains or losses on disposals of businesses and investments re-measurement gains or losses arising from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not achieved or is not effective and pension scheme curtailment gains

Business combinations and goodwill

All business combinations are accounted for using the purchase method The cost of an acquisition represents the cash value of the consideration and/or the fair value of the shares issued on the date the offer became unconditional The acquirees identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date except that

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively,
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's

share-based payment awards are measured in accordance with IFRS 2 Share-based Payment
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard

Goodwill arising on acquisition represents the excess of the cost of acquisition over the share of the aggregate fair value of identifiable net assets (including intangible assets) of a business or a subsidiary at the date of acquisition All material intangible fixed assets obtained on acquisition have been recognised separately in the financial statements Goodwill is initially recognised as an asset and allocated to cash generating units then at least annually is reviewed for impairment Any impairment is recognised immediately in the income statement and is not subsequently reversed, as such, goodwill is stated in the balance sheet at cost less any provisions for impairment in value

Goodwill arising on acquisitions before the date of transition to IFRS (1 January 2004) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal

Investments in associates

An associate is an entity over which the Group has significant influence, but not control or joint control through participation in the financial and operating policy decisions of the investee The results assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting Investments in associates are carried in the balance sheet at cost as adjusted by post acquisition changes in the group s share of the net assets of the associate less any impairment in the value of individual investments

Intangible assets

Intangible assets identified as part of the assets of an acquired business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition Intangible assets are amortised to the income statement on a straight-line basis over a maximum of 20 years except where they are considered to have an indefinite useful life In the latter instance they are reviewed annually for impairment

Investment properties

Investment properties, which are held to earn rental income or for capital appreciation or for both, are stated at deemed cost less depreciation Properties are depreciated to their estimated residual value on a straight-line basis over their estimated useful lives, up to a maximum of 50 years

Rental income from investment property is recognised in the income statement on a straigh - line basis over the term of the lease

Assets held for sale

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell Assets are held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition

Property, plant and equipment

Property plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value Assets are depreciated to their estimated residual value on a straight-line basis over their estimated useful lives as follows
- Buildings – 50 years or if lower, the estimated useful life of the building or the life of the lease,
- Plant and equipment – 4 to 10 years,
- Freehold land is not depreciated

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds net of expenses and the carrying amount of the asset in the balance sheet and is recognised in the income statement Where appropriate the attributable revaluation reserve remaining in respect of properties revalued prior to the adoption of IFRS is transferred directly to accumulated profits

Leases

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability Finance charges are charged directly against income Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases

Operating lease rental payments are recognised as an expense in the income statement on a straight-line basis over the lease term Reverse lease premia and other incentives receivable for entering into a lease agreement are recognised in the income statement over the life of the lease

Impairment of tangible and intangible assets excluding goodwill

The carrying amounts of the Group's tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment 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 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

For intangible assets that have an indefinite useful life the recoverable amount is estimated at each annual balance sheet date

Impairment losses recognised in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis

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

Financial instruments
Financial assets and liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument

Trade receivables
Trade receivables are measured at amortised cost, which is carrying amount less provision for irrecoverable amounts Allowances for the estimated irrecoverable amounts are made in the income statement when the receivable is considered to be uncollectable

Impairment of financial assets
Financial assets are treated as impaired when in the opinion of the Directors, the likelihood of full recovery is diminished either by events or change of circumstance

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less

Bank and other borrowings
Interest bearing bank loans and overdrafts loan notes and other loans are recognised in the balance sheet at amortised cost Finance charges associated with arranging a bank facility are recognised in the income statement over the life of the facility All other borrowing costs are recognised in the income statement in the period in which they are incurred

Trade payables
Trade payables are measured at amortised cost

Foreign currencies
Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction

At the consolidated balance sheet date, unhedged 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

Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from financing activities The Group does not enter into speculative financial instruments In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes

Derivative financial instruments are stated at fair value The fair value of derivative financial instruments is the estimated amount the Group would receive or pay to terminate the derivative at the balance sheet date taking into account current interest and exchange rates and the current creditworthiness of the counterparties

Changes in the fair value of derivative financial instruments, that are designated and effective as hedges of the future variability of cash flows, are recognised directly in equity and the ineffective portion is recognised immediately in the income statement

For an effective hedge of an exposure to changes in the fair value of a hedged item, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement

For derivatives that do not qualify for hedge accounting any gains or losses arising from changes in fair value are taken to the income statement as they arise

Derivatives embedded in commercial contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the underlying contracts, with unrealised gains or losses being reported in the income statement

The fair value of hedged derivatives is classified as a non-current asset or non-current liability if the remaining maturity of the hedge relationship is more than 12 months, otherwise they are classified as current

Foreign currency forward contracts are not designated effective hedges and so are marked to market at the balance sheet date, with any gains or losses being taken through the income statement

Financial assets and financial liabilities
Financial assets are classified into the following specified categories financial assets at 'fair value through profit or loss' ('FVTPL'), 'available-for-sale' ('AFS') financial assets and 'loans and receivables' The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities' and trade and other payables

The Group has defined the classes of financial assets to be other financial assets, cash and borrowings and derivative financial instruments

Financial assets and financial liabilities at FVTPL
Financial assets and financial liabilities are classified as at FVTPL where the financial asset or the financial liability is either held for trading or it is designated as FVTPL

A financial asset or financial liability is classified as held for trading if it

- Has been acquired principally for the purpose of selling or of disposal in the near future or
- Is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking or
- Is a derivative that is not designated and effective as a hedging instrument

Financial assets and financial liabilities at FVTPL are stated at fair value with any resultant gain or loss recognised in the income statement unless it is an effective cash flow relationship The net gain or loss recognised in the income statement incorporates any interest earned or paid on the financial asset and financial liability respectively

Loans and receivables
Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables Loans and receivables are measured at amortised cost using the effective interest method less any impairment Interest income is recognised by applying the effective interest rate except for short-term receivables, which applies to all amounts owed to the Group when the recognition of interest would be immaterial

Other financial liabilities
Other financial liabilities, including borrowings are initially measured at fair value net of transaction costs Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period The effective interest is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period

Derecognition of financial assets and financial liabilities
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received

The Group derecognises financial liabilities when and only when the Group's obligations are discharged, cancelled or they expire

Taxation
The tax expense represents the sum of the tax currently payable and the deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit This is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax 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 Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Pensions and other post-employment benefits
For defined benefit schemes, operating profit is charged with the cost of providing pension benefits earned by employees in the period The expected return on pension scheme assets less the interest on pension scheme liabilities is shown as finance income or as a finance cost within the income statement

Actuarial gains and losses arising in the period from the difference between actual and expected returns on pension scheme assets experience gains and losses on pension scheme liabilities and the effects of changes in demographics and financial assumptions are included in the statement of recognised income and expense

Recoverable pension scheme surpluses and pension scheme deficits and the associated deferred tax balances are recognised in full in the period in which they occur and are included in the balance sheet.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

Employee share incentive plans
The Group issues equity-settled share-based payments to certain employees (long term incentives, executive share options and Save As You Earn) These payments are measured at fair value at the date of grant by the use of the Black Scholes option-pricing model taking into account the terms and conditions upon which the options were granted The cost of equity-settled awards is recognised on a straight-line basis over the vesting period based on the Group's estimate of the number of shares that will eventually vest

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result 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 where the effect is material

Equity instruments and own shares
The Group has applied the requirements of IFRS 2 – Share Based Payments In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005

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

Consideration paid by the Group for its own shares is deducted from total shareholders' equity Where such shares vest to employees under the terms of the Group's share incentive schemes or the Group's share save schemes or are sold any consideration received is included in shareholders' equity

Dividends
Dividends proposed by the Board of Directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting

3. Critical judgements and key sources of estimation and uncertainty

These consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB The preparation of financial statements requires the Directors to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities Future events and their effects cannot be determined with absolute certainty Therefore the determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience current and expected economic conditions The Directors constantly re-evaluate these significant factors and make adjustments where facts and circumstances dictate The Directors believe that the following accounting policies are critical due to the degree of estimation required and / or the potential material impact they may have on the Group's financial position and performance

Income taxes

The Group is subject to the income tax laws of the United Kingdom These laws are complex and subject to different interpretations by taxpayers and tax authorities When establishing income tax provisions the Directors make a number of judgements and interpretations about the application and interaction of these laws Changes in these tax laws or in their interpretation could impact the Group's effective tax rate and the results of operations in a given period

Goodwill and intangible assets

In testing for impairment the Directors have made certain assumptions concerning discount rates and the future development of the business that are consistent with its annual budget and three-year plan Whilst the Directors consider these assumptions are realistic should these assumptions regarding the growth in profitability be unfounded then it is possible that the value of goodwill and intangible assets included in the balance sheet could be impaired Further details concerning the impairment of goodwill and intangible assets are given in note 14

Pension assumptions

The Group has chosen to adopt assumptions that the Directors believe are generally in line with the median for comparable companies If the future return on equities is lower than anticipated or if the difference between actual inflation and the actual increase in pensionable salaries is greater than that assumed or if long term interest rates were lower than assumed, or if the average life expectancy of pensioners increases then the pension deficit would be greater than currently stated in the balance sheet

Property leases

The Group is party to a number of leases on properties that are no longer required for trading Whilst every effort is made to profitably sub-let these properties, it is not always possible Where a lease is onerous to the Group, a provision is established for the difference between amounts contractually payable to the landlord and to local authorities and amounts contractually receivable from the tenant (if any) for the period up until the point it is judged that the lease will no longer be onerous

The Directors believe that their estimates which are based upon the current state of the UK property market are appropriate However, it is possible that it may take longer to dispose of leases than they anticipate As a result the provisions may be understated but in the opinion of the Directors this is unlikely to be material

Insurance provisions

The Group has been substantially self-insured since 2001 The nature of insurance claims is that they frequently take many years to fully crystalise therefore the Directors have to estimate the value of provisions to hold in the balance sheet in respect of historical claims Under the guidance of the Group's insurance advisors the value of incurred claims is estimated using the Generalised Cape Cod Method The provision is determined by deducting the value of claims settled to date from the estimated level of claims incurred Whilst the Generalised Cape Cod Method is an insurance industry standard methodology it relies on historical trends to determine the level of expected claims To the extent that the estimates are inaccurate the Group may be underprovided but in the opinion of the Directors any under-provision is unlikely to be material

4. Revenue

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Sale of goods	**4,779 1**	3 152 8	**-**	-
Management charges	**-**	-	**6 9**	6 9
Dividends from subsidiaries	**-**	-	**79 1**	40 3
	4,779 1	3,152 8	**86 0**	47 2
Other operating income	**20.5**	15 4	**-**	-
Finance income	**22 4**	17 5	**19.5**	15 5
	4,822 0	3 185 7	**105 5**	62 7

5. Profit

(a) Operating profit

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Revenue	**4,779 1**	3 152 8	**86 0**	47 2
Cost of sales	**(3,355 8)**	(2,081 5)	**-**	-
Gross profit	**1,423 3**	1 071 3	**86 0**	47 2
Selling and distribution costs	**(882 1)**	(675 8)	**-**	-
Administrative expenses	**(270 6)**	(189 0)	**(17 1)**	(28 8)
Other operating income	**20.5**	15 4	**-**	-
Share of results of associate	**(0 6)**	(2 1)	**-**	
Operating profit	**290 5**	219 8	**68 9**	18 4
Add back exceptional items	**9.8**	19 0	**-**	13 4
Add back amortisation of intangible assets	**12 9**	0 2	**-**	-
Adjusted operating profit	**313 2**	239 0	**68 9**	31 8

Exceptional items

2011

The Group incurred £9 8m of exceptional operating charges in 2011 (2010 £19 0m) as a result of integrating BSS into the Group The charges arose mainly as a result of the on-going programme to integrate BSS colleagues systems and processes into the Group, although there was a £2 2m charge due to the closure or disposal of businesses that were determined to be non-core to the Group's operations

2010

On 14 December 2010 the group acquired 100% of the issued share capital of The BSS Group plc ('BSS') for total consideration of £623 9m As required by IFRS 3 (2008) £13m of costs incurred in making the acquisition and £8 1m of non-fair value charges incurred in respect of assets written out of the opening BSS group balance sheet were charged to the income statement as exceptional items and included in administrative expenses Offset against the exceptional charge was the release of £2 1m of onerous lease provisions which were originally established in 2008 as exceptional charges to the income statement The net total of exceptional items was £19 0m

£13 4m of costs incurred in making the acquisition of BSS were charged to the Company's income statement in 2010 as an exceptional item and included in administrative expenses

To enable readers of the financial statements to obtain a clear understanding of underlying trading, the Directors have shown the exceptional items separately in the group income statement

5. Profit continued

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

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Movement of provisions against inventories	**(0 3)**	5 7	**-**	-
Cost of inventories recognised as an expense	**3,356 1**	2,075 8	**-**	-
Pension costs included in cost of sales	**0 5**	-	**-**	-
Pension costs in administration expenses	**1 4**	2 9	**0.4**	1 3
Pension costs in selling and distribution costs	**10 9**	6 4	**-**	-
Depreciation of property, plant and equipment	**63 9**	57 5	**-**	0 1
Staff costs (see note 7)	**579.7**	412 5	**12 4**	8 6
Gain on disposal of property plant and equipment	**(16 3)**	(11 3)	**-**	-
Rental income	**(4.2)**	(4 3)	**-**	-
Hire of vehicles, plant and machinery	**33 4**	16 7	**-**	-
Other leasing charges – property	**164 3**	140 8	**-**	-
Amortisation of intangible assets	**12 9**	0 2	**-**	
Auditor's remuneration for audit services	**0 4**	0 4	**0.1**	0 1

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

	THE GROUP	
	2011 £000	2010 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**104**	108
Fees payable to the Company's auditors for the audit of the Company's subsidiaries	**297**	256
Fees paid to the Company's auditors for other services		
Audit related assurance services	**107**	60
Other services relating to taxation - advisory	**192**	216
Corporate finance transactions acquisition of BSS	**-**	445
Other services	**-**	8
	700	1,093

Audit related assurance services includes £17,000 (2010 £10 000) which was paid to the auditors by the Travis Perkins Pension and Dependents Benefit Scheme

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 53 to 55 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors

(b) Adjusted profit before and after tax

	THE GROUP	
	2011 £m	2010 £m
Profit before tax	**269 6**	196 8
Exceptional items	**14.2**	19 7
Amortisation of intangible assets	**12 9**	0 2
Adjusted profit before tax	**296 7**	216 7

	THE GROUP	
	2011 £m	2010 £m
Profit after tax	**212.4**	141 3
Exceptional items	**14.2**	19 7
Amortisation of intangible assets	**12 9**	0 2
Tax on exceptional items and amortisation	**(7.9)**	(1 9)
Effect of reduction in corporation tax rate on deferred tax	**(12 6)**	(2 4)
Adjusted profit after tax	**219 0**	156 9

5. Profit continued

(c) Adjusted operating margin

	Merchanting		Retail		Group Pre-BSS		BSS		Eliminations		Group	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Revenue	**2,337 0**	2,106 5	**1,017 8**	1 002 9	**3,354 8**	3,109 4	**1,436 0**	43 4	**(11 7)**	-	**4,779 1**	3 152 8
Segment result	**195 8**	174 1	**45 3**	58 7	**241 1**	232 8	**50 0**	(10 9)	-		**291 1**	221 9
Share of associate losses	-		-	-	-	-	-	-	-		**(0 6)**	(2 1)
Amortisation of intangible assets	-		-	-	-	-	**12 9**	0 2	-		**12 9**	0 2
Exceptional items	**6 0**	10 3	-	0 6	**6 0**	10 9	**3 8**	8 1	-	-	**9.8**	19 0
Adjusted segment result	**201 8**	184 4	**45 3**	59 3	**247.1**	241 6	**66 7**	(2 6)	-	-	**313.2**	239 0
Adjusted operating margin	**8 6%**	8 8%	**4 5%**	5 9%	**7 4%**	7 8%	**4 6%**	(6 0)%	-		**6 6%**	7 6%

Segmental information is shown in note 6

6. Business and geographical segments

As required by IFRS 8 the operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to assess their performance For management purposes, during 2011 the Group was organised into three operating divisions – Merchanting Retailing and BSS which operate mainly in the United Kingdom It is on this basis that we report in the 2011 Annual Report and Accounts On 1 January 2012 the Group was reorganised into four divisions General Merchanting, Specialist Merchanting Consumer and Plumbing and Heating In 2012 we will report segmental information on the basis of the new divisional structure

Segment profit represents the profit earned by each segment without allocation of share of losses of associates finance income and costs and income tax expense Inter-segment sales are eliminated During 2011 and 2010 other than in respect of fair value adjustments and exceptional charges made in respect of BSS assets there were no impairment losses or reversals of impairment losses recognised in profit or loss or in equity in any of the reportable segments

	2011					
	Merchanting £m	Retail £m	BSS £m	Unallocated £m	Eliminations £m	**Consolidated £m**
Revenue	2,337 0	1 017 8	1 436 0	-	(11 7)	**4,779 1**
Result						
Segment result	195 8	45 3	50 0	-	-	**291 1**
Share of associate losses	-	-	-	(0 6)	-	**(0 6)**
Finance income	-	-	-	22 4	-	**22 4**
Finance costs	-	-	-	(43 3)	-	**(43 3)**
Profit before taxation	195 8	45 3	50 0	(21 5)	-	**269 6**
Taxation	-	-	-	(57 2)		**(57.2)**
Profit for the year	195 8	45 3	50 0	(78 7)	-	**212 4**
Segment assets	1,954 4	1 498 8	893 3	192 5	(347 8)	**4,191 2**
Segment liabilities	(791 1)	(343 7)	(390 2)	(906 2)	347 8	**2,083 4**
Consolidated net assets	1 163 3	1,155 1	503 1	(713 7)	-	**2,107 8**
Exceptional items	6 0	-	3 8	-	-	**9.8**
Capital expenditure	86 9	17 7	3 5	-	-	**108.1**
Amortisation	-	-	12 9	-	-	**12 9**
Depreciation	45 3	13 3	5 3		-	**63 9**

6. Business and geographical segments continued

	2010					
	Merchanting £m	Retail £m	BSS £m	Unallocated £m	Eliminations £m	Consolidated £m
Revenue	2,106 5	1,002 9	43 4	-	-	3 152 8
Result						
Segment result	174 1	58 7	(10 9)	-	-	221 9
Share of associate losses	-	-	-	(2 1)	-	(2 1)
Finance income	-	-	-	17 5	-	17 5
Finance costs	-	-	-	(40 5)	-	(40 5)
Profit before taxation	174 1	58 7	(10 9)	(25 1)	-	196 8
Taxation	-	-	-	(55 5)	-	(55 5)
Profit for the year	174 1	58 7	(10 9)	(80 6)	-	141 3
Segment assets	1 823 5	1 444 2	963 5	197 3	(331 6)	4 096 9
Segment liabilities	(738 9)	(367 3)	(317 6)	(1,052 9)	331 6	(2,145 1)
Consolidated net assets	1,084 6	1 076 9	645 9	(855 6)	-	1,951 8
Exceptional items	10 3	0 6	8 1	-	-	19 0
Capital expenditure	44 5	7 2	-	0 2	-	51 9
Amortisation	-	-	0 2	-	-	0 2
Depreciation	43 3	13 7	0 5	-	-	57 5

7. Staff costs

(a) The average monthly number of persons employed (including executive directors)

	THE GROUP		THE COMPANY	
	2011 No	2010 No	**2011 No**	2010 No
Sales	**15,923**	11,880	**-**	
Distribution	**3,240**	2 345	**-**	-
Administration	**2,260**	1,567	**42**	42
	21,423	15,792	**42**	42

(b) Aggregate remuneration

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Wages and salaries	**519 0**	368 6	**6 7**	5 5
Share based payments (note 9)	**13 9**	8 1	**5 1**	2 3
Social security costs	**46 8**	35 8	**0 6**	0 5
Other pension costs (note 8)	**12 8**	9 3	**0 4**	1 6
	592 5	421 8	**12 8**	9 9

8. Pension arrangements

Defined benefit schemes

Prior to the acquisition of The BSS Group plc, the Group operated one final salary scheme, the Travis Perkins Pensions and Dependants Benefit Scheme ('the TP scheme') which for the majority of members is a 1/60th scheme The TP scheme is funded by contributions from Group companies and employees Contributions are paid to the Trustees on the basis of advice from an independent professionally qualified actuary who carries out a valuation of the scheme every three years

Employees are entitled to start drawing a pension based on their membership of the scheme, on their normal retirement date If employees choose to retire early and draw their pension then the amount they receive is scaled down accordingly

A full actuarial valuation of the TP scheme was carried out on 30 September 2008 The full actuarial valuation as at 30 September 2011 is currently in progress The IAS 19 valuation has been based upon the results of the 30 September 2008 valuation, then updated to 31 December 2011 by a qualified actuary The present values of the defined obligations the related current service costs and the past service costs for the scheme were measured using the projected unit method

Following the acquisition of The BSS group plc the Group now operates three additional defined benefit pension schemes ('the BSS schemes') based on final pensionable salary The assets of the schemes are held separately from those of the Group in funds under the control of the schemes trustees All defined benefit schemes are closed to new members The most recent actuarial valuations of the scheme assets and the present value of the defined benefit obligation were carried out at 1 June 2009 for the main UK and Irish schemes and 31 December 2008 for the secondary UK scheme The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit method with a control period equal to the future working lifetime of the active members

In June 2010 an agreement was reached with the trustees of the Travis Perkins final salary pension scheme to fund £34 7m of the deficit using a group controlled special purpose vehicle The pension scheme will be entitled to receive the income of the SPV for a period of up to 20 years, subject to funding levels This income is backed by the security of 16 Travis Perkins freehold properties As the SPV is consolidated into the Travis Perkins plc group accounts advantage has been taken of Regulation 7 of The Partnership (Accounts) Regulations 2008 and accounts for the SPV will neither be audited or filed

(a) Major assumptions used by the actuary at the balance sheet date (in nominal terms)

	At 31 December 2011 TP Scheme	At 31 December 2010 TP Scheme	**At 31 December 2011 BSS Schemes**	At 31 December 2010 BSS Schemes
Rate of increase in pensionable salaries	**2 25%**	2 5%	**2 25%**	3 5%
Rate of increase of pensions in payment	**2 5%**	2 4%	**2 5%**	3 5%
Discount rate	**4 9%**	5 35%	**4 9%**	5 35%
Inflation assumption	**3 1%**	3 5%	**3 1%**	3 5%

In respect of longevity the valuation adopts the PMA/PFA92 tables with improvements in life expectancy to continue in the medium term with base year appropriate to the member's date of birth This results in the following life expectancies at illustrative ages

Weighted average life expectancy for mortality tables used to determine pension liability at 31 December 2011

	Male Years	Female Years
Member age 65 (current life expectancy) – TP Scheme	21 5	24 1
Member age 45 (life expectancy on reaching age 65) – TP Scheme	23 4	26 0
Member age 65 (current life expectancy) – BSS Schemes	21 7	24 3
Member age 45 (life expectancy on reaching age 65) – BSS Schemes	23 6	26 3

(b) Amounts recognised in income in respect of the defined benefit schemes

	TP Scheme £m	**BSS Schemes £m**	**2011 Group £m**	2010 Group £m
Current and past service costs charged to operating profit in the income statement	**3.5**	**3.6**	**7 1**	5 7
Interest cost	**32.5**	**12.2**	**44.7**	32 2
Expected return on scheme assets	**(43 4)**	**(13 1)**	**(56 5)**	(38 4)
Total pension costs	**(7 4)**	**2 7**	**(4 7)**	(0 5)

The total charge to the profit and loss account disclosed in note 7 of £12 8m (2010 £9 3m) comprises defined benefit scheme current and past service costs of £7 1m (2010 £5 7m) and £5 7m (2010 £3 6m) of contributions made to the defined contribution schemes

The directors have agreed with the Scheme Actuary and the Trustees to pay contributions of £20 0m in 2012 in excess of the forecast charge to the income statement to the TP scheme In addition, agreement has been made to pay £3m in respect of the BSS schemes

Note 5 shows where pension costs have been charged in the income statement Actuarial gains and losses have been included in the Statement of Comprehensive Income

8. Pension arrangements continued

(c) Assets and liabilities in the schemes and the expected rate of return (net of allowance for administration expenses)

TP Scheme	**At 31 December 2011**		At 31 December 2010	
	Expected return	**Fair value £m**	Expected return	Fair value £m
Equities	**8 0%**	**335.2**	8 25%	382 2
Bonds, gilts and cash	**3.95% – 4.2%**	**215 0**	4 50% – 5 70%	150 6
Pensions SPV	**7 0%**	**44 0**	5 0%	36 2
Property	**5 2%**	**58 0**	6 5%	74 4
Total fair value of assets		**652.2**		643 4
Actuarial value of liability		**(632 9)**		(611 7)
Surplus in scheme		**19 3**		31 7
Related deferred tax liability		**(4 9)**		(8 6)
Net pension asset		**14 4**		23 1

BSS Schemes	**At 31 December 2011**		At 31 December 2010	
	Expected return	**Fair value £m**	Expected return	Fair value £m
Equities	**8 0%**	**145 1**	8 25%	151 7
Bonds, gilts and cash	**3.95 – 4.2%**	**17 2**	4 50% – 5 70%	14 0
Property	**5 2%**	**4 1**	6 2%	3 8
Total fair value of assets		**166 4**		169 5
Actuarial value of liability		**(231 4)**		(229 1)
Deficit in schemes		**(65 0)**		(59 6)
Related deferred tax asset		**16 3**		16 4
Net pension liability		**(48 7)**		(43 2)

Actual return on scheme assets	**2011**		2010	
	£m	**%**	£m	%
TP Scheme	**5.0**	**0 8**	72 9	13 8
BSS Schemes	**(5.3)**	**(3 1)**	12 1	7 7

(d) The amount included in the balance sheet arising from the Group s obligations in respect of its defined benefit schemes and the movements during the year

	2011			2010		
	TP Scheme £m	**BSS Schemes £m**	**Group £m**	TP Scheme £m	BSS Schemes £m	Group £m
At 1 January	31 7	(59 6)	**(27 9)**	(43 0)	-	(43 0)
Liability at date of acquisition	-	-	**-**	-	(59 6)	(59 6)
Income / (expense) recognised in the income statement	7 4	(2 7)	**4.7**	0 5	-	0 5
Contributions received by the scheme	19 5	7 8	**27 3**	58 3	-	58 3
Actuarial (losses) / gains recognised in the statement of comprehensive income	(39 3)	(10 5)	**(49 8)**	15 9	-	15 9
At 31 December	**19.3**	**(65 0)**	**(45 7)**	31 7	(59 6)	(27 9)

8. Pension arrangements continued

(e) Movements in the present value of defined benefit obligations in the current period

	2011			2010		
	TP Scheme £m	**BSS Schemes £m**	**Group £m**	TP Scheme £m	BSS Schemes £m	Group £m
At 1 January	(611 7)	(229 1)	**(840 8)**	(571 1)	-	(571 1)
Liability at date of acquisition	-	-	**-**	-	(229 1)	(229 1)
Service cost	(3 5)	(3 6)	**(7 1)**	(5 7)	-	(5 7)
Interest cost	(32 5)	(12 2)	**(44 7)**	(32 2)	-	(32 2)
Contributions from scheme members	(5 2)	(0 1)	**(5 3)**	(5 5)	-	(5 5)
Actuarial (losses) / gain	(0 9)	7 9	**7 0**	(18 6)	-	(18 6)
Foreign exchange	-	0 2	**0 2**	-	-	-
Benefits paid	20 9	5 5	**26 4**	21 4	-	21 4
At 31 December	**(632 9)**	**(231 4)**	**(864 3)**	(611 7)	(229 1)	(840 8)

(f) Movements in the present value of fair value of scheme assets in the current period

	2011			2010		
	TP Scheme £m	**BSS Schemes £m**	**Group £m**	TP Scheme £m	BSS Schemes £m	Group £m
At 1 January	643 4	169 5	**812 9**	528 1	-	528 1
Scheme assets at date of acquisition	-		**-**		169 5	169 5
Expected return of scheme assets	43 4	13 1	**56 5**	38 4	-	38 4
Actuarial (losses) / gains	(38 4)	(18 4)	**(56 8)**	34 5	-	34 5
Contributions from sponsoring companies	19 5	7 8	**27 3**	58 3	-	58 3
Contributions from scheme members	5 2	0 1	**5 3**	5 5	-	5 5
Foreign exchange	-	(0 2)	**(0 2)**	-	-	-
Benefits paid	(20 9)	(5 5)	**(26 4)**	(21 4)	-	(21 4)
At 31 December	**652 2**	**166 4**	**818 6**	643 4	169 5	812 9

(g) Cumulative actuarial gains and losses recognised in equity

	TP Scheme		BSS Schemes	
	2011 £m	2010 £m	**2011 £m**	2010 £m
At 1 January	**(182 1)**	(198 0)	**-**	-
Net actuarial (losses) / gains recognised in the year	**(39 3)**	15 9	**(10 5)**	-
At 31 December	**(221 4)**	(182 1)	**(10.5)**	-

8. Pension arrangements continued

(h) History of experience gains and losses

TP Scheme	2011	2010	2009	2008	2007
Fair value of assets (£m)	**652 2**	643 4	528 1	420 7	533 9
Present value of obligations (£m)	**(632 9)**	(611 7)	(571 1)	(490 6)	(549 9)
Surplus / (deficit) in the scheme (£m)	**19 3**	31 7	(43 0)	(69 9)	(16 0)
Experience adjustments on scheme liabilities					
Amounts (£m)	-	-	-	13 4	-
Percentage of liabilities (%)	-	-	-	2 7%	-
Experience adjustments on scheme assets					
Amounts (£m)	**38 4**	34 5	62 3	(157 2)	(13 5)
Percentage of assets (%)	**6 0%**	5 4%	11 8%	(37 4%)	(2 5%)

BSS Schemes	2011	2010
Fair value of assets (£m)	**166 4**	169 5
Present value of obligations (£m)	**(231 4)**	(229 1)
Deficit in the schemes (£m)	**(65 0)**	(59 6)
Experience adjustments on scheme liabilities		
Amounts (£m)	**7.9**	39 4
Percentage of liabilities (%)	**3 4%**	17 2%
Experience adjustments on scheme assets		
Amounts (£m)	**(18 4)**	3 4
Percentage of assets (%)	**(11 1)%**	2 1%

(i) Sensitivities

The estimated effects of changing the key assumptions (discount rate, inflation and life expectancy) on the IAS19 balance sheet position as at 31 December 2011

Assumption	Change	TP Scheme effect on 2011 balance sheet position £m	BSS Schemes effect on 2011 balance sheet position £m
Discount rate	Increase of 1 0%	120 0	39 8
	Decrease of 1 0%	(150 0)	(53 4)
Inflation	Increase of 1 0%	(90 0)	(42 2)
	Decrease of 1 0%	55 0	39 9
Longevity	Increase of 1 year	(15 6)	(4 6)
	Decrease of 1 year	15 6	4 6

Defined contribution schemes

Prior to the acquisition of The BSS Group plc there were two defined contribution schemes in the Group The Group now operates a further three defined contribution schemes for all qualifying employees The pension cost, which represents contributions payable by the Group, amounted to £5 7m (2010 £3 6m)

9. Share-based payments

The following disclosures relate to share option and SAYE grants made after 7 November 2002

The Black-Scholes option-pricing model is used to calculate the fair value of the options and the amount to be expensed The probability of the performance conditions being achieved was included in the fair value calculations The inputs into the model for options granted in the year expressed as weighted averages are as follows

	2011		2010	
	SAYE	**Nil price options**	SAYE	Nil price options
Share price at grant date (pence) - Group	**833**	**975**	819	734
Option exercise price (pence) - Group	**657**	**-**	691	-
Share price at grant date (pence) - Company	**833**	**975**	819	734
Option exercise price (pence) - Company	**657**	**-**	691	-
Volatility (%) – Group and Company	**48 6%**	**61 4%**	59 5%	62 1%
Option life (years) – Group and Company	**3 5**	**3 0**	3 5	3 0
Risk-free interest rate (%) – Group and Company	**0 9%**	**1 7%**	1 6%	1 3%
Expected dividends as a dividend yield (%) - Group and Company	**1.8%**	**1 9%**	0 6%	0 6%

Volatility was based on historic share prices over a period of time 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 3 years 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

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 3 times

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

SAYE options were granted on 1 December 2011 The estimated fair value of the shares at that date was £10 4m for the Group and £0 1m for the Company

Shares were granted under the share-matching scheme on 15 March, 6 September and 7 December 2011 The estimated fair value of the shares at those dates was £4 2m for the Group and £2 1m for the Company

Shares were granted under the performance share plan on 4 March, 4 April 21 June and 19 August 2011 The estimated fair value of the shares at those dates was £7 0m for the Group and £4 6m for the Company

Shares were granted under the deferred share bonus plan on 2 March 2011 The estimated fair value of the shares at that date was £1 1m for the Group and £0 5m for the Company

The Group charged £13 9m (2010 £8 0m) and the Company charged £5 1m (2010 £2 3m) to the income statement in respect of equity-settled share-based payment transactions

The number and weighted average exercise price of share options is as follows

	THE GROUP					
	2011			2010		
	Weighted average exercise price	**Number of options**	**Number of nil price options**	Weighted average exercise price	Number of options	Number of nil price options
In thousands of options	**p**	**No**	**No**	p	No	No
Outstanding at the beginning of the period	**582**	**8,917**	**4,454**	680	9,624	2 959
Forfeited during the period	**778**	**(1,290)**	**(712)**	1,247	(1,580)	(2)
Exercised during the period	**392**	**(2,473)**	**(248)**	511	(19)	-
Granted during the period	**657**	**2,896**	**1,381**	691	892	1 497
Outstanding at the end of the period	**638**	**8,050**	**4,875**	582	8 917	4,454
Exercisable at the end of the period	**718**	**1,656**	**-**	1,116	1 004	-

Share options were exercised on a regular basis throughout the year The weighted average share price for options exercised during the year was 392 pence (2010 511 pence)

9. Share-based payments continued

Details of the options outstanding at 31 December 2011 were as follows

	THE GROUP					
	2011			2010		
	Executive options	**SAYE**	**Nil price options**	Executive options	SAYE	Nil price options
Range of exercise prices (pence)	**201 – 1,611**	**442 – 1,114**	**-**	201 – 1,611	442 – 1,114	-
Weighted average exercise price (pence)	**733**	**604**	**-**	667	532	-
Number of shares (thousands)	**1,992**	**6,058**	**4,874**	3,302	5 615	4 454
Weighted average expected remaining life (years)	**0.7**	**2.6**	**1 2**	1 4	2 1	1 5
Weighted average contractual remaining life (years)	**5 3**	**3.1**	**8.2**	6 7	2 6	8 5

The number and weighted average exercise price of share options is as follows

	THE COMPANY					
	2011			2010		
In thousands of options	**Weighted average exercise price p**	**Number of options No.**	**Number of nil price options No**	Weighted average exercise price p	Number of options No	Number of nil price options No
Outstanding at the beginning of the period	**698**	**473**	**2,166**	980	701	1,480
Forfeited during the period	**382**	**(55)**	**(361)**	1 550	(232)	-
Exercised during the period	**952**	**(318)**	**(168)**			
Transferred from other group companies	**-**	**-**	**-**	596	1	-
Granted during the period	**657**	**11**	**560**	691	3	686
Outstanding at the end of the period	**606**	**111**	**2,197**	698	473	2,166
Exercisable at the end of the period	**713**	**33**	**-**	1 018	239	-

Share options were exercised on a regular basis throughout the year The weighted average share price for options exercised during the year was 952 pence (2010 511 pence)

Details of the options outstanding at 31 December 2011 were as follows

	THE COMPANY					
	2011			2010		
	Executive options	**SAYE**	**Nil price options**	Executive options	SAYE	Nil price options
Range of exercise prices (pence)	**201 – 1,611**	**442 – 1,114**	**-**	201 – 1,611	442 – 1 114	-
Weighted average exercise price (pence)	**700**	**516**	**-**	727	479	-
Number of shares (thousands)	**54**	**56**	**2,196**	418	55	2 166
Weighted average expected remaining life (years)	**1 0**	**2.2**	**1 1**	0 8	2 5	1 5
Weighted average contractual remaining life (years)	**6 0**	**2 7**	**8 1**	5 1	3 0	8 5

10. Net finance costs

	THE GROUP				THE COMPANY	
	2011 Pre-exceptional items £m	2011 Exceptional items £m	**2011 Total £m**	2010 £m	**2011 £m**	2010 £m
Interest on bank loans and overdrafts*	(26 6)	-	**(26 6)**	(28 5)	**(26 4)**	(31 5)
Interest payable to group companies	-	-	-	-	**(8 4)**	(3 5)
Interest on obligations under finance leases	(1 2)	-	**(1.2)**	(1 2)	-	-
Unwinding of discounts	(5 7)	-	**(5 7)**	(4 2)	-	-
Amortisation of cancellation payment for swaps accounted for as cash flow hedges	(4 2)	-	**(4 2)**	(4 9)	**(4 2)**	(4 9)
Other interest	(1 2)	-	**(1.2)**	(0 2)	**(1.2)**	(0 2)
Net loss on settlement of private placement	-	(4 4)	**(4 4)**	-	-	-
Net loss on re-measurement of derivatives at fair value	-	-	-	(1 5)	**(1 6)**	(2 0)
Finance costs	**(38 9)**	**(4 4)**	**(43 3)**	(40 5)	**(39 8)**	(42 1)
Other finance income - pension scheme	11 8	-	**11 8**	6 2	-	-
Amortisation of cancellation receipt for swap accounted for as fair value hedge	1 1	-	**1 1**	0 9	**1 1**	3 6
Net gain on re-measurement of derivatives at fair value	5 1	-	**5 1**	-	**5.1**	-
Interest receivable	4 4	-	**4 4**	10 4	**13 3**	11 9
Finance income	**22 4**	-	**22 4**	17 5	**19 5**	15 5
Net finance costs	**(16 5)**	**(4 4)**	**(20 9)**	(23 0)	**(20 3)**	(26 6)
Adjusted interest cover			**15 4x**	18 9x		

*Includes £3 1m (2010 £5 7m) of amortised bank finance charges

Adjusted interest cover is calculated by dividing, adjusted operating profit of £313 2m (2010 £239 0m) less £1 5m (2010 £1 2m) of specifically excluded IFRS adjustments, by the combined value of interest on bank loans and overdrafts (excluding amortised bank finance charges), other interest payable and interest receivable, which total £20 3m (2010 £12 6m)

The unwinding of the discounts charge arises principally from the property provisions created in 2008 and the pensions SPV

During 2011 the Group repaid $125m of the BSS unsecured senior notes and terminated the associated derivatives This resulted in a net loss of £4 4m, which is shown as exceptional

Included within finance costs in 2010 is an exceptional charge of £0 7m due to writing off unamortised bank fees in respect of the BSS loan facility which was repaid following the acquisition

11. Tax

	THE GROUP						THE COMPANY	
	2011 Pre-exceptional items £m	2011 Exceptional items £m	**2011 Total £m**	2010 Pre-exceptional items £m	2010 Exceptional items £m	2010 Total £m	**2011 £m**	2010 £m
Current tax								
UK corporation tax								
current year	72 5	(3 3)	**69.2**	51 0	0 4	51 4	**(8 1)**	(8 5)
prior year	(1 1)	(1 4)	**(2.5)**	(1 2)	-	(1 2)	**(1 4)**	
Total current tax	**71 4**	**(4 7)**	**66 7**	49 8	0 4	50 2	**(9.5)**	(8 5)
Deferred tax								
current year	2 8	(12 6)	**(9.8)**	10 1	(4 7)	5 4	**(0 6)**	(1 9)
prior year	0 3	-	**0.3**	(0 1)	-	(0 1)	-	-
Total deferred tax	**3 1**	**(12 6)**	**(9 5)**	10 0	(4 7)	5 3	**(0 6)**	(1 9)
Total tax charge	**74.5**	**(17 3)**	**57.2**	59 8	(4 3)	55 5	**(10 1)**	(10 4)

11. Tax continued

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	THE GROUP			
	2011		2010	
	£m	%	£m	%
Profit before tax	269 6		196 8	
Tax at the UK corporation tax rate	71 4	26 5	55 1	28 0
Tax effect of expenses / credits that are not deductible / taxable in determining taxable profit	1 9	0.7	2 1	1 0
Depreciation of non-qualifying property	2 3	0 8	1 5	0 8
Exceptional costs not allowable for tax purposes	0 5	0.2	3 6	1 8
Deferred tax rate change	(12 6)	(4 7)	(2 4)	(1 2)
Property sales	(4 1)	(1 5)	(3 2)	(1 6)
Exceptional prior period adjustment	(1 4)	(0 5)	-	-
Prior period adjustment	(0 8)	(0 3)	(1 2)	(0 6)
Tax expense and effective tax rate for the year	57 2	21.2	55 5	28 2

The tax rate for the year of 26 5% is a blended rate of 28% up to 1 April 2011 and 26% thereafter The tax charge for 2011 includes an exceptional credit of £12 6m arising from the reduction in the rate of UK corporation tax from 27% to 25% on 1 April 2012 Future changes reducing the corporation tax rate by 1% per annum to 23% by 1 April 2014 have been announced but not substantively enacted and therefore have not been taken into account

	THE COMPANY			
	2011		20 0	
	£m	%	£m	%
Profit / (loss) before tax	48 6		(8 2)	
Intercompany dividends	(79.1)		(40 3)	
Loss before tax and dividends received	(30.5)		(48 5)	
Tax at the UK corporation tax rate	(8 1)	(26.5)	(13 6)	(28 0)
Tax effect of expenses / credits that are not deductible / taxable in determining taxable profit	(1 5)	(5 0)	(1 7)	(3 5)
Prior year	(1 4)	(4 6)	-	-
Deferred tax rate change	0.6	2 0	-	-
Exceptional costs not allowable for tax purposes	-	-	3 6	7 4
Receipts in subsidiary taxable in company	0 3	1.0	1 3	2 7
Tax expense and effective tax rate for the year	(10 1)	(33 1)	(10 4)	(21 4)

12. Earnings per share

(a) Basic and diluted earnings per share

Earnings	2011 £m	2010 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	**212 4**	41 3

Number of shares	No	No
Weighted average number of shares for the purposes of basic earnings per share pre BSS acquisition share issue	**235,113,837**	201,682 453
Issued in connection with the BSS acquisition	**37,267**	1,444 926
Weighted average number of shares for the purposes of basic earnings per share	**235,151,104**	203,127 379
Dilutive effect of share options on potential ordinary shares	**8,057,058**	7,099 195
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**243,208,162**	210 226 574

At 31 December 2011 796,390 (2010 2 450 045) share options had an exercise price in excess of the market value of the shares on that day As a result these share options are excluded from the calculation of diluted earnings per share

(b) Adjusted earnings per share

Adjusted earnings per share are calculated by excluding the effect of the exceptional items and amortisation from earnings

	2011 £m	2010 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	**212 4**	141 3
Exceptional items	**14.2**	19 7
Amortisation of intangible assets	**12 9**	0 2
Tax on amortisation	**(3 2)**	-
Tax on exceptional items	**(4 7)**	(1 9)
Effect of reduction in corporation tax rate on deferred tax	**(12 6)**	(2 4)
Adjusted earnings	**219 0**	156 9
Adjusted earnings per share	**93 1p**	77 2p

(c) Adjusted pro-forma earnings per share

	2010 £m
Weighted average number of shares for the purposes of basic earnings per share pre BSS acquisition share issue	201 682,453
Issued in connection with the BSS acquisition assumed 1 January 2010	33,068,032
Weighted average number of shares for the purposes of proforma earnings per share	234 750 485

	2010 £m
Earnings for adjusted earnings per share	156 9
BSS post tax pre acquisition earnings	40 6
Adjusted proforma earnings	197 5
Adjusted proforma earnings per share	84 1p

13. Dividends

Amounts were recognised in the financial statements as distributions to equity shareholders as follows

	2011 £m	2010 £m
Final dividend for the year ended 31 December 2010 of 10p (2009 nil) per ordinary share	**23 5**	-
Interim dividend for the year ended 31 December 2011 of 6 5p (2010 5p) per ordinary share	**15 3**	10 1
Total dividend recognised during the year	**38.8**	10 1

The Company is proposing a final dividend of 13 5p in respect of the year ended 31 December 2011

Adjusted dividend cover of 4 7x (2010 5 1x) is calculated by dividing adjusted earnings per share (note 12) of 93 1 pence (2010 77 2 pence) by the total dividend for the year of 20 0 pence (2010 15 0 pence)

There are no income tax consequences in respect of the dividends declared but not recognised in the financial statements

The dividends declared for 2011 at 31 December 2011 and for 2010 at 31 December 2010 were as follows

	2011 Pence	2010 Pence
Interim paid	**6.5**	5 0
Final proposed	**13 5**	10 0
Total dividend for the year	**20 0**	15 0

14. Goodwill

	THE GROUP			
	BSS £m	Retail £m	Merchanting £m	Total £m
Cost				
At 1 January 2010	-	719 9	632 9	1,352 8
Recognised on acquisitions during the year (note 30)	191 8	-	153 2	345 0
At 1 January 2011	191 8	719 9	786 1	1 697 8
Recognised on acquisitions during the year	-	8 4	-	8 4
At 31 December 2011	**191 8**	**728 3**	**786 1**	**1,706.2**

The following is an analysis of goodwill by CGU ('Cash Generating Unit')

Name of CGU	Amount of Goodwill £m
CCF	43 6
City Plumbing Supplies	175 4
Keyline	101 5
Travis Perkins	465 6
Tile Giant	26 8
Wickes	701 5
PTS	133 7
BSS Industrial	27 8
F&P	30 3
	1,706 2

On the acquisition of the BSS Group £153 2m of goodwill, which represented synergies derived principally from cost savings arising from the acquisition was allocated to the City Plumbing Supplies (£101 2m), Travis Perkins (£29 5m) and Keyline (£22 5m) CGU's

14. Goodwill continued

The Group tests goodwill and other non monetary assets for impairment annually or more frequently if there are indications that goodwill might be impaired The recoverable amounts of the CGUs are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and forecast cash flows during the period Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs

The turnover growth rates in each CGU are based on the Directors' forecasts for the next 1 to 4 years Changes in selling prices and direct costs used in the calculations are based on past practices and expectations of future changes in the market

At the beginning and end of the financial period the fair value of goodwill and intangible assets in all segments was in excess of their book value The Directors' calculations have shown that no impairments have occurred The key assumptions applied in the value in use calculations were

- Cash flow forecasts which were derived from the most recent financial budgets and plans which were approved by the directors Cash flows for the following year are extrapolated from cash flows produced for the budget period using similar assumptions to those applied to the final year of the budget,
- The weighted average cost of capital ('WACC') of the Group which is used as the discount rate is 6 9% which is not significantly different for any individual CGU
- Long-term forecast growth rates of 2 5% in line with the average long-term GDP growth trend applied from 2017 onwards

Whilst management believe the assumptions are realistic it is possible that an impairment would be identified if any of the above key assumptions were changed significantly For instance factors which could cause an impairment are

- Significant underperformance relative to the forecast results
- Changes to the way the assets are used or changes to the strategy for the business,
- A deterioration in the industry or in the economy

The impairment review calculations are based upon anticipated discounted future cash flows These calculations are sensitive to changes in future cash flows the discount rate applied and the terminal growth rate The Directors believe the assumptions used are appropriate, but have conducted a sensitivity analysis to determine the assumptions all other assumptions remaining the same that would result in an impairment to goodwill and intangibles of £1m and these are as follows

Name of CGU	Discount rate	Long term growth rate
CCF	27 5%	(18 0%)
City Plumbing Supplies	13 5%	(4 1%)
Keyline	10 3%	(0 9%)
Tile Giant	13 3%	(6 4%)
Travis Perkins	19 1%	(9 7%)
Wickes	8 7%	0 3%
PTS	12 1%	(2 8%)
BSS Industrial	24 2%	(14 8%)
F&P	18 1%	(8 7%)

The Company has no goodwill

15. Other intangible assets

	THE GROUP			
Cost or valuation	Brand £m	Computer software £m	Customer relationships £m	Total £m
At 1 January 2010	162 5	-	-	162 5
On acquisition of subsidiary	112 8	9 9	135 0	257 7
At 31 December 2010	275 3	9 9	135 0	420 2
Disposals	(6 6)	(1 5)	(2 5)	(10 6)
At 31 December 2011	**268 7**	**8 4**	**132.5**	**409 6**
Amortisation				
At 1 January 2010	-	-	-	-
Charged to operating profit in the year	-	-	0 2	0 2
Charged to exceptional item	-	8 1	-	8 1
At 31 December 2010	-	8 1	0 2	8 3
Charged to operating profit in the year	0 3	0 4	12 2	12 9
Disposals	-	(0 4)	(0 1)	(0 5)
At 31 December 2011	**0 3**	**8 1**	**12 3**	**20 7**
Net book value				
At 31 December 2011	**268 4**	**0 3**	**120 2**	**388.9**
At 31 December 2010	275 3	1 8	134 8	411 9

On the acquisition of The BSS Group plc the following brands were recognised

- PTS £40 9m,
- BSS Industrial £49 3m,
- F&P £8 5m,
- Others £14 1m

These brands together with the Wickes brand of £162 5m are all considered to be leading brands in their sectors with significant growth prospects They are considered therefore, to have an indefinite useful life and are reviewed annually for impairment Acquired customer relationships are amortised over their estimated useful lives which range from 5 to 15 years

Details of impairment testing are given in note 14 No impairments were identified in either year

The Company has no intangible assets

16. Property, plant and equipment

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant & equipment £m	Total £m	Plant & equipment £m
Cost or valuation						
At 1 January 2010	258 1	25 0	113 8	411 2	808 1	0 5
Additions	10 8	2 7	2 1	36 3	51 9	0 2
Additions from acquired businesses	7 1	1 0	6 1	23 4	37 6	-
Reclassifications to current assets	(0 3)	(1 0)	-	-	(1 3)	-
Disposals	(1 1)	-	(1 0)	(13 6)	(15 7)	(0 1)
At 1 January 2011	274 6	27 7	121 0	457 3	880 6	0 6
Additions	28 2	1 3	9 4	69 2	108 1	0 1
Reclassifications	1 5	(0 9)	9 5	(10 1)	-	-
Disposals	(3 1)		(5 4)	(29 6)	(38 1)	-
At 31 December 2011	**301.2**	**28 1**	**134 5**	**486 8**	**950 6**	**0 7**
Accumulated depreciation						
At 1 January 2010	31 6	4 3	35 1	238 1	309 1	0 4
Charged this year	4 0	0 6	7 0	45 9	57 5	0 1
Reclassifications to current assets	(0 1)	(0 3)	-	-	(0 4)	-
Disposals	(0 4)	-	(0 4)	(11 9)	(12 7)	-
At 1 January 2011	35 1	4 6	41 7	272 1	353 5	0 5
Charged this year	4 5	0 6	10 1	48 7	63 9	-
Disposals	(0 7)	0 2	(3 1)	(25 8)	(29 4)	-
At 31 December 2011	**38 9**	**5 4**	**48 7**	**295 0**	**388 0**	**0 5**
Net book value						
At 31 December 2011	**262 3**	**22 7**	**85.8**	**191 8**	**562 6**	**0.2**
At 31 December 2010	239 5	23 1	79 3	185 2	527 1	0 1

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

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant and equipment £m	**Total £m**	**Total £m**
At valuation	65 7	6 1	1 9		**73 7**	**-**
At cost	235 5	22 0	132 6	486 8	**876 9**	**0.7**
	301.2	**28.1**	**134.5**	**486 8**	**950 6**	**0 7**

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 £115 0m (2010 £98 0m) which is not depreciated

16. Property, plant and equipment continued

The carrying amount of assets held under finance leases is analysed as follows

	THE GROUP				THE COMPANY
	Long leases £m	Short leases £m	Plant & equipment £m	**Total £m**	**Total £m**
2011	0 8	10 7	-	**11.5**	-
2010	0 8	11 9	1 3	14 0	-

Comparable amounts determined according to the historical cost convention

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant & equipment £m	**Total £m**	**Total £m**
Cost	297 0	26 8	143 1	486 8	**953 7**	**0.7**
Accumulated depreciation	(55 2)	(6 6)	(54 5)	(295 C)	**(411 3)**	**(0 5)**
Net book value						
At 31 December 2011	**241.8**	**20.2**	**88 6**	**191 8**	**542 4**	**0.2**
At 31 December 2010	217 7	20 6	82 2	184 2	504 7	**0 1**

17. Investment property

	THE GROUP
	£m
Cost	
At 1 January 2010	3 9
Disposals	(3 4)
Cost at 31 December 2010 and 31 December 2011	0 5
Accumulated depreciation	
At 1 January 2010	0 6
Provided in 2010	(0 5)
At 31 December 2010 and 31 December 2011	**0.1**
Net book value	
At 31 December 2010 and 31 December 2011	**0 4**

Investment property rental income totalled £nil (2010 £nil) The Group also receives income from subletting all or part of 100 ex-trading and trading properties the amount of which is not material

No external valuation has been performed and therefore the Directors have estimated that the fair value of investment property equates to its carrying value

The Company has no investment property

18. Investments

(a) Interest in associates and joint ventures

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Equity investment	**18.0**	17 5	**17 9**	17 4
Loan facility	**30 3**	28 5	**30 3**	28 5
Interest on loan facility	**10.3**	6 4	**10.3**	6 4
Share of losses	**(7 3)**	(6 7)	**-**	-
	51 3	45 7	**58 5**	52 3

On 4 April 2008 Travis Perkins plc acquired a 30% investment in Toolstation Limited for a total consideration of £5 2m with a further £12 0m paid in 2010 In addition Travis Perkins plc has provided a non-revolving loan facility totalling £27 8m In the year to 31 December 2011 Toolstation recognised total revenues of £103 8m and a loss before tax of £2 2m At 31 December 2011, total aggregate assets were £34 3m and total aggregate liabilities (including the loan facility provided by Travis Perkins plc) were £63 2m On 3 January 2012 Travis Perkins plc acquired the remaining 70% of the issued share capital for a consideration of £24 2m (note 30) Travis Perkins plc holds a 49% investment in The Mosaic Tile Company Limited and in 2011 acquired a 25% investment in Rinus Roofing Limited

(b) Shares in group undertakings

	THE COMPANY	
	2011 £m	2010 £m
Cost at 1 January	**2,714 8**	1 912 1
Reclassification of loans and receivables (note 25)	**173 8**	-
Additions	**1.2**	802 7
Cost at 31 December	**2,889 8**	2,714 8
Provision for impairment	**(17 0)**	(17 0)
Net book value at 31 December	**2,872.8**	2,697 8

The principal operating companies of the Group at 31 December 2011 are as follows

Travis Perkins Trading Company Limited*	(Builders merchants)
Keyline Builders Merchants Limited*	(Builders merchants)
Wickes Building Supplies Limited	(DIY retailers)
City Plumbing Supplies Holdings Limited	(Plumbers merchants)
CCF Limited*	(Ceiling & dry lining distribution)
Travis Perkins (Properties) Limited*	(Property management company)
Benchmarx Kitchens and Joinery Limited	(Specialist distribution)
Tile Giant Limited	(Ceramic tile merchants)
PTS Group Limited	(Plumbing and Heating Merchants)

*Direct subsidiary of Travis Perkins plc

The registered office for all the subsidiaries listed above is Lodge Way House, Harlestone Road, Northampton NN5 7UG, except for Keyline Builders Merchants Limited, for which the registered office is Suite S3, 8 Strathkelvin Place, Kirkintilloch, Glasgow G66 1XT

The Directors have applied s409 to s410 of the Companies Act 2006 and therefore list only significant subsidiary companies

All subsidiaries are 100% owned Each company is registered and incorporated in England and Wales other than Keyline Builders Merchants Limited and eight dormant companies, which are registered and incorporated in Scotland City Investments Limited, which is registered and incorporated in Jersey and two dormant companies registered and incorporated in Northern Ireland

18. Investments continued

(c) Available-for-sale investments

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Fair value investment	**1.5**	1.5	**-**	-

The investment represents a minority holding in a unit trust that acquired properties from the Group in 2006. The investment presents the Group with an opportunity to generate returns through both income and capital gains. The Directors consider that the carrying amount of this investment approximates its fair value.

19. Trade and other receivables

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Trade receivables	**585.7**	575.4	**-**	
Allowance for doubtful debts	**(54.5)**	(44.4)	**-**	-
	531.2	531.0	**-**	-
Amounts owed by subsidiaries	**-**	-	**208.1**	205.5
Other receivables, prepayments and accrued income	**211.8**	156.2	**6.0**	2.9
Trade and other receivables	**743.0**	687.2	**214.1**	208.4

The Group's trade and other receivables at the balance sheet date comprise principally of amounts receivable from the sale of goods together with amounts due in respect of rebates and sundry prepayments. The Directors consider the only class of asset containing significant credit risk is trade receivables. The average credit term taken for sales of goods is 55 days (2010: 55 days).

The amounts presented in the balance sheet are net of allowances for doubtful debts of £54.5m (2010: £44.4m) estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Directors consider the carrying amount of trade and other receivables approximates their fair values.

No interest is charged on the trade receivable from the date of the invoice until the date the invoice is classified as overdue according to the trading terms agreed between the Group and the customer. Thereafter, the Group retains the right to charge interest between 2% to 4% above the clearing bank base rate per annum on the outstanding balance. The business has provided fully for all receivables outstanding for more than 90 days beyond agreed terms. Trade receivables not receivable for up to 90 days are specifically provided for based on estimated irrecoverable amounts.

Movement in the allowance for doubtful debts

	THE GROUP	
	2011 £m	2010 £m
At 1 January	**44.4**	34.5
Arising on acquisition	**-**	5.2
Amounts written off during the year	**(10.2)**	(5.3)
Increase in allowance recognised in the income statement	**20.3**	10.0
At 31 December	**54.5**	44.4

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable that may have occurred between the date credit was initially granted and the reporting date. The concentration of credit risk is limited due to the customer base being large. Accordingly the Directors believe that no further credit provision is required in excess of the allowance for doubtful debts.

Included in the Group's trade receivable balance are unprovided against debtors with a carrying amount of £65.9m (2010: £70.4m) which are past due at the reporting date for which the Group has not identified a significant change in credit quality and as such the Group considers that the amounts are still recoverable. Except for some instances of personal guarantees the Group does not hold any collateral over these balances.

19. Trade and other receivables continued

Ageing of past due but not impaired receivables

Days overdue

	THE GROUP	
	2011 £m	2010 £m
0 – 30 days	**53 0**	54 7
31 – 60 days	**9.2**	9 4
61 – 90 days	**3 7**	6 3
	65 9	70 4

Included in the allowance for doubtful debts are specific trade receivables with a balance of £30 7m (2010 £24 0m) which have been placed into liquidation The impairment represents the difference between the carrying amount of the specific trade receivable and the amount it is anticipated will be recovered

None of the Company's debts are overdue The directors do not consider there to be any significant credit risk as the majority of the debt is due from subsidiaries

20. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and Company net of overdrafts The carrying amount of these assets approximates their fair value

21 Share capital

	THE GROUP AND THE COMPANY	
	Issued and fully paid	
Ordinary shares of 10p	No	£m
At 1 January 2010	208 631 466	20 9
Allotted on acquisition of BSS	33 000 681	3 3
Allotted under share option schemes	69,770	-
At 1 January 2011	241 701 917	24 2
Allotted in respect of acquisition of BSS	67 351	-
Allotted under share option schemes	2 047 265	0 2
At 31 December 2011	**243,816,533**	**24.4**

The Company has one class of ordinary share that carries no right to fixed income The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company All shares rank equally with regard to the Company's residual assets

22. Own shares

	THE GROUP AND THE COMPANY	
	2011 No	2010 No
At 1 January	**6,961,930**	7,000 690
Re-issued during the year	**(656,563)**	(38,760)
At 31 December	**6,305,367**	6,961 930
Allocated to grants of executive options	**289,142**	289 142
Not allocated to grants of executive options	**6,016,225**	6,672 788
	6,305,367	6 961,930

The own shares are stated at cost and held by the Employee Share Ownership Trust to satisfy options under the Group's share option schemes All rights attaching to own shares are suspended until the shares are re-issued

23. Reserves

Details of all movements in reserves for both the Group and Company are shown in the Statement of Changes in Equity A description of the nature and purpose of each reserve is given below

- The revaluation reserve represents the revaluation surplus that has arisen from property revaluations in 1999 and prior years,
- The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have yet to occur,
- The own shares reserve represents the cost of shares purchased in the market and held by the Employee Share Ownership Trust to satisfy options under the Group's share option schemes,
- The merger reserve represents the premium on equity instruments issued as consideration for the acquisition of BSS

The cumulative total of goodwill written off directly to reserves for acquisitions from December 1989 to December 1998 is £40 1m The aggregate information for the accounting periods prior to this period is not available

24. Borrowings

A summary of the Group policies and strategies with regard to financial instruments can be found in the Finance Director's review of the year on pages 30 to 34 At 31 December 2011 all borrowings were made in Sterling except for the unsecured senior notes (note 25 (i))

(a) Summary

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Unsecured senior notes	**279 3**	366 0	**279 3**	286 4
Liability to pension SPV (note 8)	**37 2**	36 1	**-**	-
Bank loans (note 24c)*	**323.2**	401 9	**385 0**	475 0
Bank overdraft*	**-**	12 0	**1 6**	1 9
Finance leases (note 24d)	**20 3**	21 8	**-**	-
Loan notes (note 24e)	**3 3**	3 3	**3 3**	3 3
Finance charges netted off bank debt*	**(1 5)**	(4 6)	**(1.5)**	(4 6)
	661 8	836 5	**667 7**	762 0
Current liabilities	**63 6**	75 6	**74 9**	75 2
Non current liabilities	**598 2**	760 9	**592 8**	686 8
	661 8	836 5	**667 7**	762 0

*These balances together total the amounts shown as bank loans in note 24(b)

(b) Analysis of borrowings

	THE GROUP			
	Bank loans and overdrafts		Other borrowings	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Borrowings repayable				
On demand or within one year	**58.8**	70 8	**4.8**	4 8
More than one year but not more than two years	**262 9**	58 8	**138.5**	1 5
More than two years but not more than five years	**-**	279 7	**147 2**	187 8
More than five years	**-**	-	**49 6**	233 1
	321 7	409 3	**340.1**	427 2

24. Borrowings continued

	THE COMPANY			
	Bank loans and overdrafts		Other borrowings	
	2011	2010	**2011**	2010
	£m	£m	**£m**	£m
Borrowings repayable				
On demand or within one year	**71 6**	71 9	**3 3**	3 3
More than one year but not more than two years	**313 5**	70 0	**138 9**	142 2
More than two years, but not more than five years	**-**	330 4	**142 4**	-
More than five years	**-**	-	**-**	144 2
	385 1	472 3	**282 6**	289 7

(c) Facilities

At 31 December 2011, the Group had the following bank facilities available

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	£m	£m	**£m**	£m
Drawn facilities				
5 year term loan	**323 2**	382 0	**385 0**	455 0
5 year revolving credit facility	**-**	20 0	**-**	20 0
Unsecured senior notes	**279 3**	366 0	**279 3**	286 4
Bank overdrafts	**-**	12 0	**1 6**	1 9
	602 5	780 0	**665 9**	763 3
Undrawn facilities				
5 year revolving credit facility	**475 0**	455 0	**475 0**	455 0
Bank overdrafts	**40 0**	38 4	**38 4**	38 1
	515 0	493 4	**513 4**	493 1

The disclosures in note 24(c) do not include finance leases, loan notes, or the effect of finance charges netted off bank debt

(d) Obligations under finance leases

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	£m	£m	**£m**	£m
Amounts payable under finance leases				
Within one year	**2 7**	2 7	**1.5**	1 5
In the second to fifth years inclusive	**10 0**	10 3	**6 4**	6 3
After five years	**21.3**	23 6	**12 4**	14 0
	34 0	36 6	**20 3**	21 8
Less future finance charges	**(13 7)**	(14 8)	**-**	-
Present value of lease obligations	**20 3**	21 8	**20 3**	21 8
Less Amount due for settlement within 1 year (shown under current liabilities)			**(1.5)**	(1 5)
Amount due for settlement after 1 year			**18 8**	20 3

The Group considers certain properties to be subject to finance leases Excluding 999-year leases, the average loan term for these properties is 49 years and the average borrowing rate has been determined at the inception of the lease to be 9 0% Interest rates are fixed at the contract date All lease obligations, which are denominated in Sterling, are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments

24. Borrowings continued

(e) Loan notes

Included in borrowings due within one year are £3 3m (2010 £3 3m) in respect of loan notes issued as consideration for the acquisition of Broombys Limited in 1999 They are redeemable on 30 June and 31 December each year until the final redemption date of 30 June 2015

(f) Interest

The weighted average interest rates paid were as follows

	2011 %	2010 %
Unsecured senior notes	**5 8**	5 8
Bank loans and overdraft	**1.8**	1 8
Other borrowings	**6 0**	6 0

Bank term loans and revolving credit facilities of £798m (2010 £857m) were arranged at variable interest rates The $400m unsecured Travis Perkins senior notes were issued at fixed rates of interest and swapped into variable rates This exposes the Group to fair value interest rate risk As detailed in note 25 to manage the risk the Group enters into interest rate derivatives arrangements which for 2011, fixed interest rates on an average of £335m of borrowing For the year to 31 December 2011 this had the effect of increasing the weighted average interest rates paid by 1 4%

In respect of income earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice

	THE GROUP			
	2011		2010	
	Effective interest rate	**6 months or less Total £m**	Effective interest rate	6 months or less Total £m
Unsecured senior notes	**5 8%**	**279 3**	5 8%	366 0
Unsecured variable rate bank facilities	**2.3%**	**323.2**	1 8%	401 9
Loan notes	**6.0%**	**3 3**	6 0%	3 3
Bank overdraft	-	-	2 3%	12 0
		605 8		783 2

	THE COMPANY			
	2011		2010	
	Effective interest rate	**6 months or less Total £m**	Effective interest rate	6 months or less Total £m
Unsecured senior notes	**5.8%**	**279.3**	5 8%	286 4
Unsecured variable rate bank facilities	**2.3%**	**385.0**	1 8%	475 0
Loan notes	**6.0%**	**3 3**	6 0%	3 3
Bank overdraft	**2 3%**	**1 6**	2 3%	1 9
		669.2		766 6

(g) Fair values

For both the Group and the Company the fair values of financial assets and liabilities have been calculated by discounting expected cash flows at prevailing rates at 31 December There were no significant differences between book and fair values on this basis and therefore no further information is disclosed

Details of the fair values of derivatives are given in note 25

(h) Guarantees and security

There are cross guarantees on the overdrafts between group companies

The companies listed in note 18 with the exception of Benchmarx Kitchens and Joinery Limited, Tile Giant Limited and The BSS Group Limited together with Wickes Limited are guarantors of the following facilities advanced to Travis Perkins plc

- £323m term loan,
- £475m revolving credit facility,
- $400m unsecured senior notes (note 24(i)),
- interest rate and currency derivatives (note 25)

The group companies have entered into other guarantee and counter indemnity arrangements in respect of guarantees issued in favour of group companies by the clearing banks amounting to approximately £16 1m (2010 £21 1m)

24. Borrowings continued

(i) Unsecured senior notes

The US private placement carries fixed rate coupons of between 130 bps and 140 bps over US treasuries As described in note 25, to protect itself from currency movements and bring interest rate exposures back into line with the Group's desired risk profile the Group entered into four cross currency swaps

(j) Forward start facility

On 14 December 2011 The Group signed a new £550m forward start banking agreement with a syndicate of banks The £550m revolving credit facility which runs until December 2016 can be drawn from April 2013, the expiry date of the Group's existing £800m facility agreement

25. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements

(b) The carrying value of categories of financial instruments

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Financial assets				
Designated as fair value through profit and loss (FVTPL)	**3.1**	0 1	**3 1**	0 1
Derivative instruments in designated hedge accounting relationships	**40.3**	56 9	**40 3**	0 3
Loans and receivables (including cash and cash equivalents)	**753 5**	679 9	**214 1**	395 2
Available-for-sale	**1 5**	1 5	**-**	-
	798 4	738 4	**257.5**	395 6
Financial liabilities				
Designated as fair value through profit and loss (FVTPL)	**3.3**	4 1	**3 3**	124 7
Derivative instruments in designated hedge accounting relationships	**2 6**	2 6	**2 6**	2 6
Borrowings (note 24a)	**661 8**	836 5	**667 7**	762 0
Trade and other payables at amortised cost (note 28)	**872 7**	833 6	**19 0**	26 7
	1,540 4	1 678 8	**692.6**	916 0

Loans and receivables exclude prepayments of £68 1m (2010 £70 2m) Trade and other payables exclude taxation and social security and accruals and deferred income totalling £215 6m (2010 £168 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

(c) Fair value of financial instruments

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

- Foreign currency forward contracts are measured using quoted forward exchange rates,
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value grouped into Levels 1 to 3 based on the degree to which the fair value is observable

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i e as prices) or indirectly (i e derived from prices) and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There were no transfers between levels during the year

25. Financial instruments continued

Included in assets

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Level 2				
Foreign currency forward contracts at fair value through profit and loss	**3 1**	0 1	**3.1**	0 1
Foreign currency forward contracts designated and effective as hedging instruments carried at fair value	**0 1**	0 3	**0.1**	0 3
Cross currency interest rate swaps designated and effective as hedging instruments carried at fair value	**40.2**	54 1	**40.2**	
Cross currency interest rate swaps designated and effective as cash hedging instruments	**-**	2 5	**-**	
	43 4	57 0	**43 4**	0 4
Current assets	**3 1**	0 1	**3 1**	0 1
Non-current assets	**40 3**	56 9	**40 3**	0 3
	43 4	57 0	**43 4**	0 4

Included in liabilities

Level 2				
Foreign currency forward contracts at fair value through profit and loss	**-**	1 0	**-**	1 0
Interest rate swaps at fair value through profit and loss	**3 3**	4 1	**3 3**	4 1
Interest rate swaps designated and effective as cash hedging instruments	**2 6**	1 6	**2 6**	1 6
Cross currency interest rate swaps designated and effective as hedging instruments carried at fair value	**-**		**-**	120 5
	5 9	6 7	**5 9**	127 2
Current liabilities	**-**	2 5	**-**	2 5
Non-current liabilities	**5 9**	4 2	**5 9**	124 7
	5 9	6 7	**5 9**	127 2

(d) Interest risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

Interest rate swaps

The Group accepts a policy of ensuring that its exposure to changes in interest rates on borrowings either is on a fixed rate basis or is subject to movements within pre-defined limits. To achieve its desired interest rate profile the Group uses interest rate swaps.

As part of their interest rate management processes, in respect of the facilities described in note 24, the Group and the Company at the commencement of the year were parties to four amortising swaps each with an initial notional value of £100m, two amortising swaps with an initial notional value of £50m and two non amortising swaps each with a notional value of £50m, all expiring on 11 May 2011. On the 11 May 2011, the Group and the Company entered into five amortising swaps each with an initial notional value of £45m. Contracts with notional values of £200m are designated as cash flow hedges with fixed interest payments at an average rate of 1.71% for periods up until May 2014 and have floating interest receipts equal to 1 month LIBOR. The non-amortising interest rate swap with a call option has a notional value of £50m with fixed interest payments at a rate of 4.595% for periods up until October 2013 and has floating interest payments equal to 6 month LIBOR.

At 31 December 2011 the fair value of interest rate derivatives, all of which terminate before three years from the balance sheet date, to which the Group and the Company were parties was estimated at £5.9m (2010: £5.7m). This amount is based on market values of equivalent instruments at the balance sheet date. Interest rate swaps excluding those with a call option are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. A credit of £0.9m (2010: charge £0.7m) in respect of the fair value movement on interest rate swaps with a call option has been taken to the income statement through net finance charges as the Group has not applied hedge accounting.

25. Financial instruments continued

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts as at the reporting date.

Cash flow hedges – outstanding receive floating pay fixed contracts

	Average contract fixed interest rate		Notional principle amount		Fair value	
	2011	2010	**2011**	2010	**2011**	2010
	%	%	**£m**	£m	**£m**	£m
Less than 1 year	**-**	1.52%	**-**	400.0	**-**	(1.6)
2 to 5 years	**1.17%**		**200.0**	-	**(2.6)**	-
Greater than 5 years	**-**	5.40%	**-**	29.0	**-**	2.5
			200.0	429.0	**(2.6)**	0.9

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is 1 month LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest rate payments on the loan occur simultaneously and the amount deferred in equity is recognised in the income statement over the period that the floating rate interest payments on debt affect profit or loss.

(e) Currency swaps and currency forward contracts

In order to eliminate the currency risk associated with the $400m unsecured senior notes described in note 24(i) the Group and Company has four cross currency swaps in varying amounts between £23m and £58m to fix the exchange rate at £1 equal to $1.73 for the entire lives of $290m of the unsecured loan notes. The forward options fixed the notional amount receivable and payable in respect of the unsecured senior notes to £168m as well as fixing the exchange rate applicable to future coupon payments.

The Group and the Company has three forward contracts with a notional value of $30m each and one with a notional value of £20m to hedge $110m of unsecured senior notes. These contracts have a maturity date of January 2016. At 31 December 2011 the fair value of these forward contracts was estimated at £0.1m (2010: £0.3m).

The interest rate swaps settle on a half-yearly basis. The floating rate on the interest rate swaps is 6 months LIBOR. The Group will settle the difference between the fixed and floating interest on a net basis.

The currency swaps manage the Group's and the Company's exposure to the fixed interest rate on the US dollar denominated borrowing arising out of a private placement on 26 January 2006. There are two interest rate swaps of £58m that convert the borrowing rate on $200m of debt from 5.77% to a variable rate on 6 month LIBOR plus a weighted average basis point increment of 81.9. At 26 January 2006 the variable rates were both at 5.43%. A further two interest rate swaps of £29m and £23m convert the borrowing rates on US$50m, US$40m of debt from 5.89% to a variable rate based on six month LIBOR plus basis point increment of 86.5 and 86.7 respectively. At 26 January 2006 the variable rates were at weighted average 5.47%.

In order to eliminate the currency risk associated with the BSS private placement of $125m the BSS Group plc entered into three cross currency interest rate swaps to fix the exchange rate at £1 equal to $1.73 for the entire duration of the private placement. The private placement was repaid in June and July 2011 and consequently all three cross currency swaps were settled. The aggregate net loss from these transactions was £4.4m, which is shown as an exceptional item.

During 2010 the Group and Company novated one cross currency interest rate swap with a notional value of $110m and a sterling equivalent of £63m for total proceeds of £13.7m in the Group and £16.3m in the Company. The proceeds are being amortised to the income statement over the remaining life of the unsecured senior notes.

Fair value hedges – outstanding receive fixed pay floating contracts

	Average contract floating interest rate		Notional principle amount		Fair value	
	2011	2010	**2011**	2010	**2011**	2010
	%	%	**£m**	£m	**£m**	£m
1 to 2 years	**1.9%**	-	**115.6**	-	**23.5**	-
2 to 5 years	**1.9%**	1.8%	**52.0**	158.6	**16.7**	38.7
Greater than 5 years	**-**	1.8%	**-**	52.0	**-**	15.4
			167.6	210.6	**40.2**	54.1

25. Financial Instruments continued

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates. During the period, the hedge was 100% effective in hedging the fair value exposure to interest movements and as a result, the carrying amount of the loan was adjusted by £36.9m (2010: £38.4m), which was included in the income statement at the same time that the fair value of the interest rate swap was included in the income statement.

The Group acquires goods for sale from overseas which when not denominated in Sterling are paid for principally in US dollars. The Group has entered into forward foreign exchange contracts (all of which are less than one year in duration) to buy US dollars to hedge the exchange 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$120.3m (2010: US$93.6m). The fair value of these derivatives is £3.1m (2010: [£0.9m]). These contracts have not been designated as hedges and accordingly the fair value movement has been reflected in the income statement.

(f) Liquidity analysis

The following table details the Group's liquidity analysis for its derivative financial instruments and other financial liabilities. The table has been drawn up based on the undiscounted net cash inflows / (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

	2011				
	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	**Total £m**
Gross settled					
Interest rate swaps – receipts	10.9	139.3	63.0	-	**213.2**
Interest rate swaps – payments	(3.3)	(118.9)	(53.8)	-	**(176.0)**
	7.6	20.4	9.2	-	**37.2**
Foreign exchange forward contracts	(77.3)	-	(0.1)	-	**(77.4)**
Total gross settled	(69.7)	20.4	9.1	-	**(40.2)**
Net settled					
Interest rate swaps	(1.4)	(0.6)	-	-	**(2.0)**
Total derivative financial instruments	(71.1)	19.8	9.1	-	**(42.2)**
Borrowings	(77.0)	(407.3)	(157.4)	(37.2)	**(678.9)**
Other financial liabilities (note 28)	(872.7)	-	-	-	**(872.7)**
Finance leases (note 24d)	(2.7)	(2.7)	(7.3)	(21.3)	**(34.0)**
Total financial instruments	(1,023.5)	(390.2)	(155.6)	(58.5)	**(1,627.8)**

	2010				
	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
Gross settled					
Interest rate swaps – receipts	10.8	10.8	141.7	59.2	222.5
Interest rate swaps – payments	(2.9)	(3.6)	(122.0)	(52.6)	(181.1)
	7.9	7.2	19.7	6.6	41.4
Foreign exchange forward contracts	(57.4)	-	-	(0.4)	(57.8)
Total gross settled	(49.5)	7.2	19.7	6.2	(16.4)
Net settled					
Interest rate swaps	(0.8)	(0.9)	1.1	0.1	(0.5)
Total derivative financial instruments	(50.3)	6.3	20.8	6.3	(16.9)
Borrowings	(93.7)	(78.5)	(508.2)	(211.3)	(891.7)
Other financial liabilities (note 28)	(831.0)	-	-	-	(831.0)
Finance leases (note 24d)	(2.7)	(2.7)	(7.6)	(23.6)	(36.6)
Total financial instruments	(977.7)	(74.9)	(495.0)	(228.6)	(1,776.2)

25. Financial instruments continued

(g) Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative financial instruments at the balance sheet date For floating rate liabilities the analysis is prepared assuming that the amount of liability outstanding at the balance sheet date was outstanding for the whole year A 1 0% increase or decrease is used when reporting interest rate risk internally to key management personnel If interest rates had been 1 0% higher / lower and all other variables were held constant the Group's

- Profit before taxation for the year ended 31 December 2011 would have decreased / increased by £2 1m (2010 increased / decreased by £0 2m) including £0 7m (2010 £1m) of movement on interest rate swaps with options
- Net equity would have increased / decreased by £0 6m (2010 increased / decreased by £0 2m) mainly because of the changes in the fair value of interest rate derivatives

The Group's sensitivity to interest rates has decreased during the current period mainly due to the increase in the nominal value of interest rate derivatives

(h) The Company

On 15th October 2010 as part of financing arrangements in relation to the proposed reorganisation and integration of the Group's plumbing and heating businesses, the Company agreed to pay amounts equal to a proportion of future US$ receipts under certain cross currency interest rate swaps to a subsidiary as part of a contribution agreement entered into with it and a further subsidiary of the Company The maximum amounts payable under the contribution agreement would have been US$273m This transaction resulted in the derecognition of the fair value of these future US$ receipts from the balance sheet of the company

On 8th December 2011 it was agreed by all relevant parties to terminate this contribution agreement early As a result of this early termination the Company has made a payment to its subsidiary of £168 2m in full and final settlement of the contribution agreement

As a result of this early termination the Company has re-recognised the fair value of the US$ amounts receivable on the $273m cross currency interest rate swaps in its balance sheet from the date of termination, and has designated the swaps as a fair value hedge of the relevant proportion of the Company's US$ private placement debt

Also on 8 December 2011 the Company agreed with another of its subsidiaries to redenominate an investment by the company in US$ preference shares with a value of $273m to their sterling equivalent As well as this redenomination, the preference shares were converted to ordinary shares ranking equally with its existing investment in the ordinary shares of the subsidiary Up to the date of redenomination and conversion the Company received accrued preference dividends of £9 2m and made a retranslation loss of £0 6m, both of which have been recognised in the Company's income statement

26. Provisions

	THE GROUP			
	Property £m	Insurance £m	Other £m	Total £m
At 1 January 2010	58 3	28 8	2 2	89 3
Arising on acquisition	5 1	2 0	-	7 1
Additional provision in the year	0 2	2 6	0 8	3 6
Exceptional provision release	(2 1)		-	(2 1)
Utilisation of provision	(8 0)	(1 9)	-	(9 9)
Unwinding of discount	2 8	-	-	2 8
At 31 December 2010	56 3	31 5	3 0	90 8
Additional provision in the year	1 8	8 8	-	10 6
Utilisation of provision	(10 4)	(4 8)	(0 1)	(15 3)
Unwinding of discount	3 0	-	-	3 0
At 31 December 2011	**50 7**	**35.5**	**2 9**	**89 1**
Included in current liabilities	21 8	35 5	2 9	60 2
Included in non-current liabilities	28 9	-	-	28 9
	50 7	**35 5**	**2 9**	**89 1**

The Group has a number of vacant and partly sub-let leasehold properties Where necessary provision has been made for the residual lease commitments after taking into account existing and anticipated sub-tenant arrangements

26. Provisions continued

It is Group policy to substantially self insure itself 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 insurance claims where the final settlement date is uncertain The following table details the Group's liquidity analysis of its provisions The table has been drawn up based on the undiscounted net cash outflows

2011	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	**Total £m**
Property	16 1	7 5	15 4	21 4	**60 4**
Insurance	35 5	-	-	-	**35 5**
Other	2 9	-	-	-	**2 9**
	54 5	7 5	15 4	21 4	**98.8**
2010					
Property	17 0	8 7	18 1	28 5	72 3
Insurance	31 5	-	-	-	31 5
Other	3 0	-	-	-	3 0
	51 5	8 7	18 1	28 5	106 8

The Company has no provisions

27. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods

	THE GROUP							
Provided	At 1 Jan 2010 £m	Aquired in year £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2010 £m	Recognised in income £m	Recognised in equity £m	**At 31 Dec 2011 £m**
Capital allowances	11 6	(0 3)	(4 7)	-	6 6	(0 4)	-	**6 2**
Revaluation	12 1	0 3	-	(0 4)	12 0	-	(0 9)	**11 1**
Share based payments	(3 8)	(0 1)	(1 8)	(5 9)	(11 6)	(0 7)	4 2	**(8 1)**
Provisions	(10 7)	(0 1)	(1 1)	-	(11 9)	0 5	-	**(11 4)**
Derivatives	(4 6)	0 6	-	2 1	(1 9)	-	0 7	**(1 2)**
Business combinations	12 7	5 4	(1 4)	-	16 7	(2 3)	-	**14 4**
Brand	45 5	64 5	(1 6)	-	108 4	(10 6)	-	**97 8**
Pension scheme surplus		-	3 9	4 7	8 6	2 9	(6 6)	**4 9**
Pension scheme liability	(12 0)	(16 4)	12 0	-	(16 4)	1 1	(1 0)	**(16 3)**
Deferred tax	50 8	53 9	5 3	0 5	110 5	(9 5)	(3 6)	**97 4**

At the balance sheet date the Group had unused capital losses of £56 0m (2010 £59 3m) available for offset against future capital profits No deferred tax asset has been recognised because it is not probable that future taxable profits will be available against which the Group can utilise the losses

Other than disclosed above no deferred tax assets and liabilities have been offset

	THE COMPANY						
Provided	At 1 Jan 2010 £m	Recognised in equity £m	Recognised in income £m	At 31 Dec 2010 £m	Recognised in income £m	Recognised in equity £m	**At 31 Dec 2011 £m**
Share based payments	(3 8)	(5 9)	(1 8)	(11 5)	(0 7)	4 1	**(8.1)**
Derivatives	(4 6)	2 1		(2 5)	-	1 3	**(1.2)**
Provisions	(0 6)	-	(0 1)	(0 7)	0 1	-	**(0 6)**
	(9 0)	(3 8)	(1 9)	(14 7)	(0 6)	5 4	**(9 9)**

28. Other financial liabilities

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Trade payables	**740 7**	684 7	**-**	-
Other taxation and social security	**78.2**	50 1	**-**	-
Other payables	**132 0**	150 9	**19 0**	26 7
Accruals and deferred income	**139 4**	118 8	**-**	-
Trade and other payables	**1,088 3**	1 004 5	**19 0**	26 7

The Group

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 57 days (2010 55 days) The Directors consider that the carrying amount of trade payables approximates to their fair value The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe

The Company

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 30 days (2010 30 days) The Directors consider that the carrying amount of trade payables approximates to their fair value

29. Disposal of businesses

On the 2 September 2011 the Group disposed of its interest in the Buck and Hickman business Shown below are the assets and liabilities disposed of and the resulting loss on disposal

	2011 £m
Assets and liabilities	
Property, plant and equipment	**2 9**
Identifiable intangible assets	**10 3**
Inventories	**12 0**
Trade and other receivables	**23 8**
Trade and other payables	**(21 4)**
Net assets	**27 6**
Loss on disposal	**(0 7)**
Total consideration	**26 9**
Satisfied by cash	**26 9**

30. Acquisition of businesses

(a) The BSS Group plc

On the 14 December 2010 the Group acquired the entire issued share capital of The BSS Group plc The acquisition was accounted for using the purchase method of accounting The acquisition has created the leading plumbing and heating distribution business in the UK Provisional fair values ascribed to identifiable assets as at 31 December 2010 have been adjusted during 2011 and the final fair values acquired are shown in the table on page 117 The 2010 balance sheet has been amended to show the final fair values acquired

30. Acquisition of businesses continued

	2011 Fair value acquired
Net assets acquired	**£m**
Property, plant and equipment	**37 6**
Identifiable intangible assets	**257 7**
Derivative financial instruments	**14 9**
Investments	**0 1**
Inventories	**199 4**
Trade and other receivables	**311 7**
Retirement benefit obligations	**(59 6)**
Trade and other payables	**(246 3)**
Provisions	**(7 1)**
Deferred tax liabilities	**(53 9)**
Current tax liabilities	**(0 8)**
Bank overdrafts and loans	**(174 6)**
	279 3
Goodwill	**345 0**
Amount payable	**624 3**
Satisfied by	
Cash	**294 5**
Equity instruments (closing price on 14 December 2010)	**329 8**
	624 3

Fair value adjustments

The Directors have finalised the fair value exercise in respect of assets and liabilities of The BSS Group plc As the exercise is now complete further adjustments have been made to the 2010 opening balance sheet in respect of the acquisition accounting There are no impacts on the balance sheet at 31 December 2009

(b) Toolstation Limited

On the 3 January 2012, the Group acquired the remaining 70% of the issued share capital of Toolstation Limited for further consideration of £24m The Group had previously acquired 30% in April 2008 which included an option to buy the remaining 70% The aggregate consideration following the payment on 3 January is now £41m Future consideration dependent upon future performance and expansion of the business over the period to December 2013 is estimated to be £75 3m Toolstation net liabilities (including the £27 8m loan repayable to Travis Perkins plc) were £28 9m at 31 December 2011 The net liabilities quoted are provisional as the fair value exercise has not been started due to the proximity of the acquisition to the 21 February 2012 It will be completed by the end of the year

31. Operating lease arrangements

The Group leases a number of trading properties under operating leases The leases at inception are typically 25 years in duration, although some have lessee only break clauses of between 10 and 15 years Lease payments are reviewed every five years and increases applied in line with market rates The Group also leases certain items of plant and equipment The Company has no operating lease arrangements

(a) The Group as lessee

	2011 £m	2010 £m
Minimum lease payments under operating leases recognised in income for the year	**176 0**	143 4

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows

	2011 £m	2010 £m
Within one year	**173 3**	167 4
In the second to fifth years inclusive	**599 9**	576 7
After five years	**1,194 4**	1,153 9
	1,967 6	1 898 0

31. Operating lease arrangements continued

(b) The Group as lessor

The Group sublets a number of ex-trading properties to third parties Property rental income earned during the year in respect of these properties was £4 1m (2010 £4 0m)

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

	2011 £m	2010 £m
Within one year	**3 6**	3 6
In the second to fifth years inclusive	**12 6**	11 1
After five years	**17 3**	14 1
	33.5	28 8

32. Capital commitments

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Contracted for but not provided in the accounts	**15 6**	16 1	**-**	-

33. Related party transactions

The Group has a related party relationship with its subsidiaries and with its directors Transactions between group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note Transactions between the Company and its subsidiaries are disclosed below In addition the remuneration, and the details of interests in the share capital of the Company, of the Directors, are provided in the audited part of the remuneration report on pages 56 to 66

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures

	2011 £m	2010 £m
Short term employee benefits	**7 3**	8 0
Share based payments	**4.9**	3 0
	12.2	11 0

The Company undertakes the following transactions with its active subsidiaries

- Providing day-to-day funding from its UK banking facilities
- Paying interest to members of the Group totalling £6 4m (2010 £3 5m)
- Levying an annual management charge to cover services provided to members of the Group of £6 9m (2010 £6 9m),
- Receiving preference dividends totalling £9 2m (2010 £2 1m)
- Receiving annual dividends totalling £79 1m (2010 £40 3m)

Details of balances outstanding with subsidiary companies are shown in note 19 and on the Balance Sheet on page 77

There have been no material related party transactions with directors

Details of transactions with Toolstation are shown in note 18 The Group advanced a total of £2 3m to all the group's associate companies in 2011 Operating transactions with all three associates during the year were not significant

34. Net debt reconciliation

	THE GROUP		THE COMPANY	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Net debt at 1 January	**(773 6)**	(467 2)	**(749 6)**	(477 9)
Increase / (decrease) in cash and cash equivalents	**27 7**	(296 3)	**(12 1)**	(302 5)
Net debt arising on acquisition	**-**	(174 6)	**-**	-
Cash flows from debt	**153 8**	167 6	**90 0**	34 3
Decrease / (increase) in fair value of debt	**1 0**	3 1	**6 0**	(2 1)
Fair value of BSS cash notes repaid	**12.4**	-	**-**	-
Finance charges netted off bank debt	**(3 1)**	(5 7)	**(3 1)**	(5 0)
Amortisation of swap cancellation receipt	**1 1**	1 0	**1.1**	3 6
Discount unwind on pension SPV	**(2 5)**	(1 5)	**-**	-
Net debt at 31 December	**(583 2)**	(773 6)	**(667 7)**	(749 6)

35. Gearing

	THE GROUP	
	2011 £m	2010 £m
Net debt under IFRS	**(583.2)**	(773 6)
IAS 17 finance leases	**20 3**	21 9
Unamortised swap cancellation receipt	**4.0**	5 1
Pension SPV	**37 2**	-
Fair value on debt acquired	**-**	12 4
Fair value adjustment to debt	**36 6**	37 4
Finance charges netted off bank debt	**(1 5)**	(4 6)
Net debt under covenant calculations	**(486 6)**	(701 4)
Total equity	**2,107 8**	1,951 8
Gearing	**23 1%**	36 0%

36. Free cash flow

	THE GROUP	
	2011 £m	2010 £m
Net debt at 1 January	**(773 6)**	(467 2)
Net debt at 31 December	**(583 2)**	(773 6)
Decrease / (increase) in net debt	**190 4**	(306 4)
Dividends paid	**38 8**	10 1
Net cash outflow for expansion capital expenditure	**54 4**	29 0
Net cash outflow for acquisitions	**9.9**	294 9
Disposal of business	**(28 9)**	-
Bank fees paid	**6.1**	-
Amortisation of swap cancellation receipt	**(1 1)**	(0 9)
Discount unwind on SPV	**2 5**	1 5
Cash impact of exceptional items	**17 8**	7 6
Interest in associate	**2 3**	12 5
Shares issued and sale of own shares	**(10 6)**	(0 3)
Decrease in fair value of debt	**(13.3)**	(3 1)
Movement in finance charges netted off bank debt	**3.1**	5 7
Net debt arising on BSS on acquisition	**-**	174 6
Special pension contributions	**20 1**	52 6
Free cash flow	**293 5**	277 8

37. Adjusted ratio of net debt to earnings before interest, tax and depreciation

Adjusted ratio of net debt to earnings before interest, tax and depreciation ('EBITDA') is derived as follows

	THE GROUP	
	2011 £m	2010 £m
Profit before tax	**269 6**	196 8
Net finance costs	**20 9**	23 0
Depreciation and amortisation	**76 7**	57 7
EBITDA under IFRS	**367 2**	277 5
Exceptional operating items	**9 8**	19 0
BSS 2010 pre-acquisition EBITDA	**-**	71 3
IFRS adjustments not included in covenant calculations	**(2 7)**	(2 6)
Adjusted EBITDA under covenant calculations	**374 3**	365 2
Net debt under covenant calculations	**486 6**	701 4
Adjusted net debt to EBITDA	**1 3x**	1 9x

38. Adjusted return on equity and adjusted return on capital

Adjusted return on equity

	THE GROUP	
	2011 £m	2010 £m
Profit before tax	**269 6**	196 8
Amortisation of intangible assets	**12 9**	0 2
Exceptional items	**14.2**	19 7
BSS post acquisition loss before tax	**-**	2 8
Adjusted profit before tax	**296 7**	219 5
Opening equity	**1,951 8**	1 460 4
Net pension deficit	**20 1**	31 0
Goodwill written off	**92 7**	92 7
Opening net assets	**2,064 6**	1 584 1
Closing equity	**2,107.8**	1,951 8
BSS post acquisition loss after tax	**-**	2 8
Shares issued in respect of the BSS acquisition	**-**	(329 2)
Net pension deficit / (surplus)*	**34 3**	(23 1)
Goodwill written off	**92 7**	92 7
Closing net assets	**2,234.8**	1,695 0
Average net assets	**2,149 7**	1,640 0
Adjusted return on equity	**13 8%**	13 4%

38. Adjusted return on equity and adjusted return on capital continued

Adjusted return on capital

	THE GROUP	
	2011 £m	2010 £m
Operating profit	**290 5**	219 8
Amortisation of intangible assets	**12 9**	0 2
Exceptional items	**9 8**	19 0
BSS post acquisition operating losses (excluding exceptional items)	**-**	2 6
Adjusted operating profit	**313 2**	241 6
Opening net assets	**1,951 8**	1,460 4
Net pension deficit	**20 1**	31 0
Goodwill written off	**92 7**	92 7
Net borrowings	**773 6**	467 2
Exchange adjustment	**(52.2)**	(40 5)
Opening capital employed	**2,786 0**	2,010 8
Closing net assets	**2,107 8**	1,951 8
BSS post acquisition loss before tax	**-**	2 8
Shares issued in respect of the BSS acquisition	**-**	(329 2)
Net pension deficit / (surplus)*	**34.3**	(23 1)
Goodwill written off	**92 7**	92 7
Net borrowings	**583 2**	773 6
Borrowings arising from the BSS acquisition	**-**	(469 3)
Exchange adjustment	**(36 6)**	(37 4)
Closing capital employed	**2,781 4**	1,961 9
Average capital employed	**2,783 7**	1 986 4
Adjusted return on capital	**11 3%**	12 2%

* 2010 was adjusted only for the surplus in the Travis Perkins defined benefit scheme

Five Year Record

Consolidated income statement	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Revenue	**4,779 1**	3 152 8	2 930 9	3,178 6	3 186 7
Operating profit before amortisation and exceptional items	**313 2**	239 0	224 6	271 5	319 9
Amortisation	**(12 9)**	(0 2)	-		-
Exceptional items	**(9 8)**	(19 0)	32 7	(56 2)	-
Operating profit	**290 5**	219 8	257 3	215 3	319 9
Net finance costs	**(20 9)**	(23 0)	(44 6)	(69 0)	(58 5)
Profit before tax	**269 6**	196 8	212 7	146 3	261 4
Income tax expense	**(57 2)**	(55 5)	(55 3)	(44 4)	(76 1)
Net profit	**212 4**	141 3	157 4	101 9	185 3
Adjusted return on capital	**11.3%**	12 2%	10 9%	12 9%	15 9%
Adjusted return on equity	**13 8%**	13 4%	13 1%	17 6%	23 6%
Basic earnings per share	**90 3p**	69 6p	88 4p	68 6p	120 8p
Adjusted earnings per share	**93 1p**	77 2p	75 2p	96 9p	118 1p
Dividend declared per ordinary share (pence)	**20 0p**	15 0p	-	14 3p	44 9p
Branches at 31 December (No)	**1,868**	1 813	1,238	1 223	1 125
Average number of employees (No)	**21,423**	15 792	14 528	15 414	14 580

Basic and adjusted earnings per share for 2007 and 2008 have been restated for the impact of the rights issue

Consolidated cash flow statement	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Cash generated from operations	**345.1**	282 3	319 8	337 6	303 9
Net interest paid	**(23 5)**	(16 0)	(29 0)	(63 0)	(72 5)
Swap cancellation receipt / (payment)	**-**	13 7	(28 7)	-	-
Income taxes paid	**(26 3)**	(42 4)	(27 3)	(66 0)	(74 5)
Net purchases of investments property and plant	**(94 2)**	(35 4)	(7 8)	(82 4)	(118 9)
Interest in associates	**(2.3)**	(12 5)	(12 9)	(20 7)	-
Disposal of businesses	**26 9**	-	-	-	-
Acquisition of businesses net of cash acquired	**(9 9)**	(294 9)	(1 0)	(22 5)	(47 2)
Proceeds from issuance of share capital	**10 6**	0 3	300 3	0 6	6 8
Dividends paid	**(38 8)**	(10 1)	-	(52 5)	(48 1)
Bank facility finance charges	**(8 1)**	-	-	(14 7)	-
Own shares acquired	**-**	-	-	-	(76 0)
Payment of finance lease liabilities	**(1 8)**	(1 3)	(1 5)	(2 1)	(1 9)
Repayment of unsecured loan notes	**-**	(0 6)	(0 1)	(11 5)	(0 2)
Pension SPV	**-**	34 7	-	-	-
(Decrease) / increase in bank loans	**(152 2)**	(214 1)	(160 0)	(33 7)	98 6
Net increase / (decrease) in cash and cash equivalents	**27 7**	(296 3)	351 8	(30 9)	(30 0)
Net debt at 1 January	**(773 6)**	(467 2)	(1 017 4)	(941 0)	(804 4)
Non cash adjustment	**8 9**	(3 1)	36 8	(92 8)	(2 4)
Loan notes issued	**-**	-	-	-	(7 7)
Cash flow from debt and debt acquired	**153 8**	(7 0)	161 6	47 3	(96 5)
Net debt at 31 December	**(583 2)**	(773 6)	(467 2)	(1 017 4)	(941 0)
Free Cash Flow	**293 5**	277 8	294 4	185 3	157 8

Consolidated balance sheet	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Assets					
Non-current assets					
Property, plant and equipment	**562 6**	527 1	499 0	534 5	505 0
Goodwill and other intangible assets	**2,095 1**	2,109 7	1,515 3	1 513 9	1 492 2
Derivative financial instruments	**40 3**	57 0	44 7	80 3	3 0
Interest in associates	**51 3**	45 7	31 7	19 6	-
Retirement benefit assets	**19 3**	31 7	-	-	-
Investment property and other investments	**1 9**	1 9	4 8	5 4	5 5
Deferred tax asset	**-**	-	12 0	19 5	4 5
Current assets					
Inventories	**596 0**	571 4	312 7	321 9	330 2
Trade and other receivables	**746 1**	687 2	375 4	388 6	422 6
Assets held for resale	**-**	2 3	-	-	-
Cash and cash equivalents	**78 6**	62 9	347 2	7 7	26 3
Total assets	**4,191.2**	4,096 9	3,142 8	2,891 4	2 789 3
Issued capital	**24 4**	24 2	20 9	12 3	12 3
Share premium account	**480 8**	471 5	471 2	179 5	178 9
Merger reserve	**326 5**	325 9	-		-
Own shares	**(75.2)**	(83 4)	(83 7)	(83 7)	(83 9)
Other reserves	**15 7**	14 4	9 2	6 0	27 1
Accumulated profits	**1,335 6**	1 199 2	1 042 8	904 1	902 5
Total equity	**2,107 8**	1 951 8	1 460 4	1 018 2	1 036 9
Non-current liabilities					
Interest bearing loans and borrowings	**598 2**	760 9	739 1	1,007 3	863 9
Derivative financial instruments	**5 9**	4 2	6 1	25 8	29 8
Retirement benefit obligations	**65 0**	59 6	43 0	69 9	16 0
Long term provisions	**28 9**	36 0	43 7	47 8	13 7
Deferred tax liabilities	**97.4**	110 5	62 8	74 7	75 3
Current liabilities					
Interest bearing loans and borrowings	**63 6**	75 6	75 3	17 8	103 4
Derivative financial instruments	**-**	2 5	-	-	
Trade and other payables	**1,088 3**	1 004 5	638 7	582 2	585 0
Tax liabilities	**75 9**	36 5	28 1	9 1	32 3
Short term provisions	**60.2**	54 8	45 6	38 6	33 0
Total liabilities	**2,083 4**	2,145 1	1,682 4	1,873 2	1,752 4
Total equity and liabilities	**4,191 2**	4 096 9	3,142 8	2,891 4	2 789 3

Notice of Annual General Meeting

Notice is hereby given that the forty-eighth Annual General Meeting of Travis Perkins plc will be held at Northampton Rugby Football Club, Franklin's Gardens, Weedon Road, Northampton, NN5 5BG on Tuesday 22 May 2012 at 11.45 am

The Resolutions

Resolutions 1 to 16 (inclusive) will be proposed as ordinary resolutions. Resolutions 17 to 19 (inclusive) will be proposed as special resolutions.

1 To receive the Company's annual accounts for the financial year ended 31 December 2011 together with the directors' report, the directors' remuneration report and the auditors' report on those accounts and on the auditable part of the directors' remuneration report.

2 To declare a final dividend for the financial year ended 31 December 2011 of 13.5 pence per ordinary share, payable to shareholders on the register at the close of business on 4 May 2012.

3 To appoint Ruth Anderson as a non-executive director of the Company. Biographical details of Ruth Anderson appear on page 47.

4 To re-appoint Robert Walker as a director of the Company. Biographical details of Robert Walker appear on page 46.

5 To re-appoint Chris Bunker as a non-executive director of the Company. Biographical details of Chris Bunker appear on page 47.

6 To re-appoint John Coleman as a non-executive director of the Company. Biographical details of John Coleman appear on page 47.

7 To re-appoint Philip Jansen as a non-executive director of the Company. Biographical details of Philip Jansen appear on page 47.

8 To re-appoint Andrew Simon as a non-executive director of the Company. Biographical details of Andrew Simon appear on page 47.

9 To re-appoint Geoff Cooper as a director of the Company. Biographical details of Geoff Cooper appear on page 46.

10 To re-appoint Paul Hampden Smith as a director of the Company. Biographical details of Paul Hampden Smith appear on page 46.

11 To re-appoint John Carter as a director of the Company. Biographical details of John Carter appear on page 46.

12 To re-appoint Deloitte LLP, Chartered Accountants, as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid.

13 To authorise the Directors to fix the remuneration of Deloitte LLP.

14 That the directors' remuneration report for the financial year ended 31 December 2011 set out on pages 56 to 66 be approved.

15 That the rules of the Travis Perkins Sharesave Scheme 2012 (the 'Scheme') produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to

a Make such modifications to the Scheme as they may consider appropriate to take account of the requirements of HMRC and for the implementation of the Scheme and to adopt the Scheme as so modified and to do all such other acts and things as they may consider appropriate to implement the Scheme, and

b Establish further schemes based on the Scheme but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further schemes are treated as counting against the limits on individual or overall participation in the Scheme.

16 That, in substitution for all existing authorities, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot

(a) shares (as defined in section 540 of the Companies Act 2006) or grant rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of £8,132,018, and

(b) equity securities (as such phrase is to be interpreted in accordance with section 560 of the Companies Act 2006) up to an aggregate nominal amount of £16,264,037 (such amount to be reduced by the aggregate nominal amount of shares allotted or rights to subscribe for or to convert any security into shares in the Company granted under paragraph (a) of this resolution 16) in connection with an offer by way of a rights issue

i to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings, and

ii to holders of other equity securities (as defined in section 560(1) of the Companies Act 2006) as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter

such authorities to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 30 June 2013) but in each case, so that the Company may make offers and enter into agreements before the authority expires which would, or

might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority expires and the Directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired

17 That, in substitution for all existing powers and subject to the passing of resolution 16, the Directors be generally empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as such phrase is to be interpreted in section 560 of the Companies Act 2006) for cash pursuant to the authority granted by resolution 16 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act 2006, in each case free of the restriction in section 561 of the Companies Act 2006, such power to be limited

(a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted by paragraph (b) of resolution 16, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only)

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings, and

(ii) to holders of other equity securities (as defined in section 560(1) of the Companies Act 2006), as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, and

(b) to the allotment of equity securities pursuant to the authority granted by paragraph (a) of resolution 16 and/or an allotment which constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act 2006 (in each case otherwise than in the circumstances set out in paragraph (a) of this resolution 17) up to a nominal amount of £1,219,802 calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, ordinary shares (as defined in section 560(1) of the Companies Act 2006) by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights, such power to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 30 June 2013), but so that the Company may make offers and enter into agreements before the power expires which would, or might, require equity securities to be allotted after the power expires and the Directors may allot equity securities under any such offer or agreement as if the power had not expired

18 That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice

19 That the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 10 pence each in the capital of the Company ('ordinary shares'), provided that

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 24,396,055 (representing 10% of the issued share capital of the Company as at 21 February 2012),

(b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is its nominal value of 10 pence,

(c) the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased,

(d) this authority expires at the conclusion of the next Annual General Meeting of the Company or 30 June 2013, whichever is the earlier, and

(e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares pursuant to any such contract



By order of the Board
Andrew Pike
Company Secretary
Lodge Way House, Harlestone Road,
Northampton NN5 7UG
21 February 2012
Registered in England No 824821

Directions to Northampton Rugby Football Club can be found on page 129

Appendix to Notice of Annual General Meeting

Summary of principal terms of the Travis Perkins Sharesave Scheme 2012 (the 'Scheme')

Operation
The operation of the Scheme will be supervised by the board of directors of the Company (the 'Board'). It will be approved by HM Revenue & Customs ('HMRC') in order to provide UK tax-advantaged options to UK employees.

Eligibility
Employees and full time directors of the Company and any designated participating subsidiary who are UK resident taxpayers are eligible to participate. The Board may require employees to have completed a qualifying period of employment of up to five years before the grant of options. The Board may also allow other employees to participate.

Grant of options
Options can only be granted to employees who enter into HMRC approved savings contracts, under which monthly savings are normally made over a period of three or five years. Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the option price is set. The number of Shares over which an option is granted will be such that the total option price payable for those Shares will correspond to the proceeds on maturity of the related savings contract.

An option may not be granted more than 10 years after shareholder approval of the Scheme. Options are not transferable, except on death. Options are not pensionable.

Individual participation
Monthly savings by an employee under all savings contracts linked to options granted under any sharesave scheme may not exceed the statutory maximum (currently £250). The Board may set a lower limit in relation to any particular grant.

Option price
The price per Share payable upon the exercise of an option will not be less than the higher of (i) 80 per cent. of the average middle-market quotation of a Share on the London Stock Exchange on the three days preceding a date specified in an invitation to participate in the Scheme (or such other day or days as may be agreed with HMRC), and (ii) if the option relates only to new issue Shares, the nominal value of a Share.

The option price will be determined by reference to dealing days which fall within six weeks of the announcement by the Company of its results for any period or at any other time when the Board considers there to be exceptional circumstances which justify offering options under the Scheme.

Exercise of options
Options will normally be exercisable for a six month period from the third, fifth or seventh anniversary of the commencement of the related savings contracts. Earlier exercise is permitted, however, in the following circumstances:

- following cessation of employment by reason of death, injury, disability, redundancy, retirement on reaching age 60 (or any other age at which the employee is bound to retire under his terms of employment) or the business or company that the employee works for ceasing to be part of the Company's group,
- when an employee reaches 60,
- where employment ceases more than three years from grant for any reason other than dismissal for misconduct, and
- in the event of a takeover, amalgamation, reconstruction or winding-up of the Company, except in the case of an internal corporate re-organisation when the Board may decide to exchange existing options for equivalent new options over shares in a new holding company.

Except where stated above, options will lapse on cessation of employment or directorship with the Company's group.

Shares will be allotted or transferred to participants within 30 days of exercise.

Overall scheme limits
The Scheme may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10 per cent of the issued ordinary share capital of the Company under the Scheme and any other employee share Scheme adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits unless the institutional investors decide that they need not count.

Variation of capital
If there is a variation in the Company's share capital then the Board may, subject to HMRC approval, make such adjustment as it considers appropriate to the number of Shares under option and the option price.

Rights attaching to shares
Any Shares allotted when an option is exercised under the Scheme will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Alterations to the scheme
The Board may amend the provisions of the Scheme in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares to be acquired and the adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group.

Overseas schemes
The shareholder resolution to approve the Scheme will allow the Board, without further shareholder approval, to establish further schemes for overseas territories, any such scheme to be similar to the Scheme, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further schemes are treated as counting against the limits on individual and overall participation in the Scheme.

Notes to the Notice of Annual General Meeting

1 A form of proxy is enclosed and instructions for its use are shown on the form The appointment of a proxy will not prevent a member from subsequently attending, voting and speaking at the Meeting in person, in which case any votes of the proxy will be superseded

2 A member of the Company is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and vote at a general meeting of the Company A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attaching to different shares A proxy need not be a member

3 To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars or you may photocopy the form Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy Please also indicate by ticking the box provided If the proxy instruction is one of multiple instructions being given All forms must be signed and should be returned together in the same envelope

4 The right to appoint a proxy under note 1 and 2 above does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the Companies Act 2006 ('nominated persons') Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights

5 To be effective, the instrument appointing a proxy and any authority under which it is signed (or a notarially certified copy of such authority) for the Annual General Meeting to be held at Northampton Rugby Football Club, Franklins Gardens, Weedon Road, Northampton, NN5 5BQ at 11 45 am on Tuesday 22 May 2012 and any adjournment(s) thereof must be returned to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by 11 45 am on 18 May 2012 Alternatively you may submit your proxy form online by accessing the Shareholder portal at www capitaregistrars com, logging in and selecting the 'Proxy Voting' link. If you have not previously registered for electronic communications, you will first be asked to register as a new user, for which you will require your investor code (which can be found on the enclosed proxy form, your share certificate or dividend tax voucher), family name and post code (if resident in the UK)

6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do by using the procedures described in the CREST Manual

CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments (11 45 am on 18 May 2012) For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means

CREST members and, where applicable, their CREST sponsors and voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings The CREST Manual can be reviewed at www euroclear com/CREST

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

In each case the proxy appointments must be received by the Company not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof

7 Only those members entered on the register of members of the Company as at 6 00 pm on 18 May 2012 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting

8 Reference to the register means the issuer register of members and the Operator register of members maintained in accordance with Regulation 20 of the Uncertificated Securities Regulations 2001

Notes to the Notice of Annual General Meeting

9 The following documents will be available for inspection at the Registered Office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice to the date of the meeting and at Northampton Rugby Football Club from 11.15 am on the day of the meeting until the conclusion of the meeting

- Copies of contracts of service of directors and non-executive directors' letters of appointment with the Company, or with any of its subsidiary companies
- The register of directors' interests kept by the Company
- A copy of the Company's Articles of Association
- A statement giving particulars of directors' relevant transactions
- A copy of the draft rules of the Travis Perkins Sharesave Scheme 2012. Copies will also be available for inspection at the offices of New Bridge Street, 10 Devonshire Square, London, EC2M 4YP during usual business hours on any weekday (Saturdays and English public holidays excepted) from the date of this notice until the conclusion of the meeting

10 At 21 February 2012 (being the latest practicable date before publication of this notice) the issued share capital of the Company consisted of 243,960,557 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 21 February 2012 was 243,960,557

11 A person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights

12 The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 to 6 above does not apply to a Nominated Person. The rights described in these paragraphs can only be exercised by registered members of the Company

13 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member

14 Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website

15 Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the company: (i) to give, to members of the company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the company not later than 9 April 2012, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request

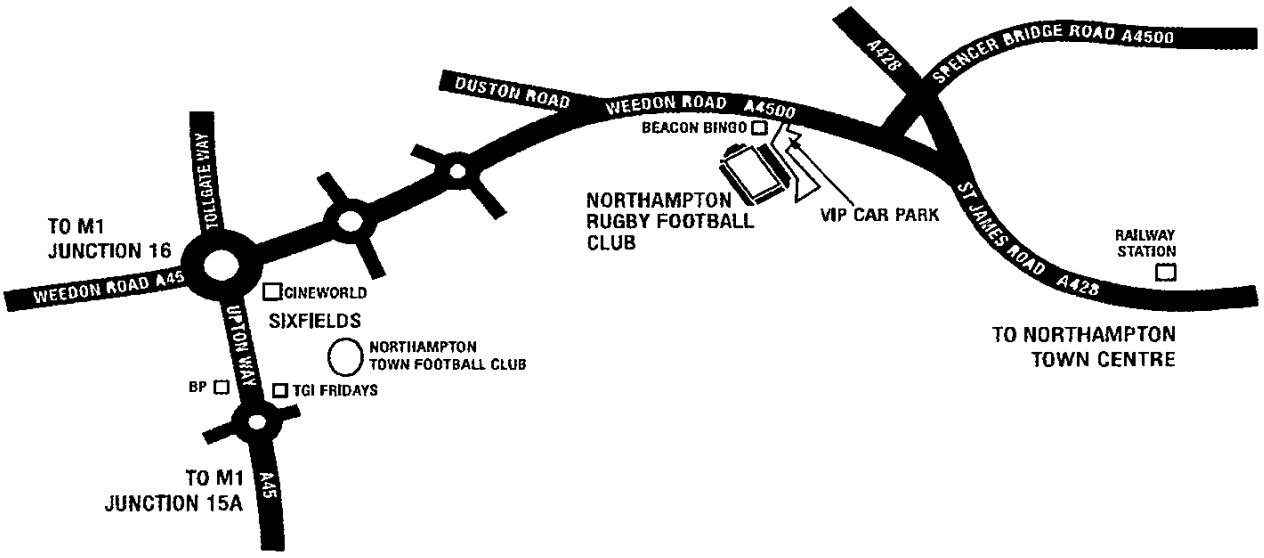
16 Shareholders and their proxies will have the opportunity to ask questions at the Meeting. When invited by the Chairman, if you wish to ask a question, please wait for a Company representative to bring you a microphone. It would be helpful if you could state your name before you ask your question. Questions may not be answered at the Meeting if they are deemed not to be in the interests of the Company, or the good order of the Meeting, would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information, or if the answer has already been given on a website. The Chairman may also nominate a Company representative to answer a specific question after the Meeting or refer the response to the Company's website

17 A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found in the Investor Centre at www.travisperkinsplc.com

Directions to the Annual General Meeting

The Travis Perkins Annual General Meeting is to be held in The Captains Lounge and The Rodber Suite, Northampton Rugby Football Club, Franklin's Gardens, Weedon Road, Northampton NN5 5BG

Parking is directly outside in the VIP Car Park (follow VIP Car Park signs off Weedon Road)



Directions

From the south (via the M1)
Exit off motorway at junction 15A and follow the signs towards Sixfields At roundabout with TGI Fridays on the right and a BP petrol station on the left carry straight on up the hill At Cineworld roundabout turn right towards the Town Centre Go straight over the next roundabout (Sainsbury's is on the left before the roundabout and Wickes on the right after the roundabout) and set of traffic lights Continue on that road (Weedon Road) The entrance to the Saints is on the right immediately after Beacon Bingo Follow signs for VIP car park off Weedon Road

From the north (via the M1)
Exit off motorway at junction 16 and follow the A45 to Northampton At Cineworld roundabout continue straight on and follow directions from the South

From the east, Peterborough, Cambridge, Wellingborough
Follow A45 to M1 junction 15 Head north to junction 15A then follow directions from the South

From Welford, Market Harborough
Aim towards the Kingsthorpe area of Northampton Turn right at the major set of traffic lights (the Cock Hotel is on the corner), signposted Sixfields Continue on this road until you get to Cineworld roundabout (approx 3 miles) then continue as from the South

From the railway station
Turn right out of the station Continue past Thomas A Becket pub, Church and Co factory and bus station At fork in road bear left and Franklin s Gardens is on your left Walk takes approx 15 minutes

Nearest airports
London Luton and Nottingham East Midlands

Further information
For detailed directions you might want to try the following websites
Multimap (www multimap com),
The AA (www theaa com),
The RAC (www rac co uk)
For further details about the venue
www northamptonsaints co uk

Other Shareholder Information

Shareholder enquiries

Shareholder enquiries should be directed to the Company Secretary at the Company s registered office
Lodge Way House, Lodge Way, Harlestone Road, Northampton NN5 7UG
(telephone 01604 752424,
email cosec@travisperkins co uk)
or to the Company's registrars,
Capita Registrars,
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
(telephone 0871 664 0300 – calls cost 10p per minute plus network extras, lines are open 8 30am to 5 30pm, Monday – Friday,
email ssd@capitaregistrars com)

Should your query relate to a pensions matter please email pens ons@travisperkins co uk or if your query relates to a marketing matter please ema l marketing@travisperkins co uk.

Financial diary

Announcement of 2011 annual results	22 February 2012
Ex-dividend date	2 May 2012
Record date	4 May 2012
Annual General Meeting	22 May 2012
Payment of final dividend	31 May 2012
Announcement of 2012 interim results	July 2012
Announcement of 2012 annual results	February 2013

Annual general meeting – catering arrangements

It has always been the Company's custom to provide a light luncheon for shareholders following the AGM and a buffet luncheon will be available (You need not notify the company in advance if you would like lunch)

Internet

There are sites on the internet that carry a range of information about the Group and its principal brands, products and services at the following addresses
www ccfltd co uk *
www 4tradeproducts co uk
www benchmarxkitchens co uk
www benchmarxshowroom co uk (end user site)
www birchwoodpricetools com
www bmpublicsector co uk
www bssgroup com
www bssindustrial co uk
www buytiles co uk
www cityheatingspares co uk
www cityplumbing co uk*
www defenderpower com
www dhsspares co uk
www fponlineordering co uk
www fpwholesale co uk
www fressshbathrooms co uk
www havelockcontrols co uk
www hire travisperkins co uk/hire *
www iflo co uk
www insulationgiant co uk – going live in March
www keyline co uk*
www keyline co uk/hire/*
www mlspares com
www mywickescard co uk
www premiumstone co uk
www pro-heat co uk
www ptsonlineordering co uk
www ptsplumbing c o uk
www ptsrenewables co uk
www scruffs com
www selfbuildgroup co uk
www southern-darwent co uk
www sustainablebuildingsolutions co uk
www tilegiant co uk *
www tilehq co uk
www tilemagic co uk
www timberdirect co uk
www toolstation co uk*
www tpcareers co uk
www tpmanagedservices co uk
www trademate co uk *
www travisperkins co uk*
www travisperkinsplc com (investor relat ons site)
www vanvault co uk
www wickes co uk*
www wickescareers co uk
www wickeskitchens co uk

* These sites allow credit account holders to order on-line through Trademate, w th the exception of the Wickes, Tile Giant and Toolstation sites which allow on-line ordering by secure card transaction

Most of the sites provide information about branch locations and allow access to prices and the product range available Customers are also able to construct their own price quotation that includes any special price arrangements that have been negotiated with the Group

Electronic communication

In accordance with the Companies Act 2006 and the Company s Articles of Association the company is allowed to use its website to publish statutory documents and communications to shareholders, such as the Annual Report and Accounts and the Notice of the AGM You can therefore view or download a copy of the Annual Report and Accounts and the Notice of the AGM by going to our website at www travisperkinsplc com (see section called 'Investor Centre') If you received a hard copy of this report in the post then you will not have consented to this method of publication Should you now wish to consent to this method of publication, you should contact Capita Registrars, Freepost RLYX-G7TJ KRRG, SAS, The Registry, 34 Beckenham Road, Beckenham, BR3 9ZA By reducing the number of communications sent by post, it will not only result in cost savings to the Company but also reduce the impact that the unnecessary printing and distribution of reports has on the environment Please note that if you consent to website publication, you will continue to be notified each time that the Company places a statutory communication on the website This notification will be sent to you by post However, you may also choose to receive notifications by e-mail and we would encourage you to do so If you wish to receive these notifications by e-mail, you should register at www capitashareportal com, and follow the instructions (see Registrar's On-l ine Service below)

Please telephone Capita Registrars on 0871 664 0391 (within the UK, calls cost 10p per minute plus network extras, lines are open 9 00am to 5 30pm, Monday – Friday or +44 20 8639 3367 (Non-UK) if you have any queries

Notes

1 Before consenting to receive documents and communications via the website, shareholders should ensure that they have a computer with internet access and the Adobe Acrobat reader facility The Adobe Acrobat reader software may be obtained via the website free of charge

2 If you elect to receive notifications of the publication of the documents and communications on the website electronically it will be your responsibility to notify our registrars, Capita, of any subsequent change in your e-mail address or other contact details
3 If you are not resident in the United Kingdom, it is your responsibility to ensure that you may validly receive documents and communications electronically (either generally or in relation to any particular document or communication) without the Company being required to comply with any governmental or regulatory procedures or any similar formalities The Company may deny electronic access to documents and communications relating to certain corporate actions in respect of those shareholders who it believes are resident in jurisdictions where it is advised that to provide such access would or may be a breach of any legal or regulatory requirements
4 The Company's obligation to provide shareholder documents to you is satisfied when it transmits an electronic message The Company is not responsible for any failure in transmission for reasons beyond its control any more than it is for postal failures In the event of the Company becoming aware that an electronic communication to you has not been successfully transmitted, a further two attempts will be made If the transmission is still unsuccessful, a hard copy of the relevant notification will be posted to your registered address
5 Your registration to receive electronic communications and your relevant contact address details will stand until such time as the Company receives alternative instructions from you by e-mail or in writing
6 The Company takes all reasonable precautions to ensure no computer viruses are present in any electronic communication it transmits, but the Company shall not be responsible for any loss or damage arising from the opening or use of any e-mail or attachments sent by the Company or on its behalf The Company recommends that shareholders subject all messages to computer virus checking procedures Any electronic communication received by or on behalf of the Company, including the lodgement of an electronic proxy form that is found to contain any computer virus will not be accepted
7 The Company reserves the right irrespective of your election, to revert to sending hard copy documentation by post whenever it considers it necessary or desirable to do so

Capita registrars

The Company's registrars, Capita Registrars ('Capita'), provide a number of services that, as a shareholder, might be useful to you

Registrar's on-line service

By logging onto www capitashareportal com and following the prompts, shareholders can view and amend various details on their account Please note that you will need to register to use this service for which purpose you will require your unique Investor code, which can be found on your share certificate, proxy card or dividend tax voucher

Dividend Re-Investment Plan ('DRIP')

This is a scheme which allows you to use your dividends to buy further shares in Travis Perkins For any shareholders who wish to re invest dividend payments in the Company, a facility is provided by Capita IRG Trustees Ltd in conjunction with Capita Registrars Under this facility, cash dividends are used to purchase additional shares Shares are bought on the dividend payment date at the then current market price Any cash left over which is insufficient to purchase a whole share will be carried forward and held without interest, in a Client Money bank account Any shareholder requiring further information should contact Capita on 0871 664 0381 (Calls cost 10p per minute plus any network extras from within the UK, lines are open from 9 00 am to 5 30 pm Monday - Friday) If Non-UK +44 0208 639 3402 Fax 0208 639 1023 E-mail shares@capitaregistrars com or visit www capitaregistrars com

Duplicate share register accounts

If you are receiving more than one copy of our report, it may be that your shares are registered in two or more accounts on our register of members If that was not your intention you might consider merging them into one single entry Please contact Capita who will be pleased to carry out your instructions

Overseas shareholders

Capita are able to provide you with a service that will convert your sterling dividends into your local currency at a competitive rate You can choose to receive payment directly into your bank account, or you can be sent a draft in your local currency Further details are available from Capita Registrars, Freepost PLYX-GZTU-KRRG, SAS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 9ZA, telephone UK 0871 664 0385 (Calls cost 10 pence per minute plus network extras, lines are open to 9 00am to 5 30pm, Monday – Friday) or +44 208 639 3405 (Non UK) or by logging on to www capitaregistrars com/international

Share dealing services

There are two share dealing services that you may wish to use to buy or sell shares in Travis Perkins (but alternatively there are many other options that you could use)

1 Capita offers an on-line and telephone share dealing service which is available by logging on to www capitadeal com or telephoning 0871 664 0346 (calls cost 10p per minute plus network extras, lines are open 8 00am to 4 30pm , Monday – Friday) For the on-line service Capita's commission rates are 1% of the value of the deal (minimum £20, maximum £75) and for the telephone service, Capita's commission rates are 1 50% of the value of the deal (minimum £25, maximum £102 50)
2 Stocktrade offer a telephone share dealing service which is available by telephoning 0845 6010 995 (non-UK +4413 240 0414) and quoting reference 'Low cost 335 Stock trades commission will be 0 5%, to £10,000 and 0 2% on the excess thereafter subject to minimum of £17 50 Please note that UK share purchases will be subject to 0 5% stamp duty There will also be a PTM ('Panel for Takeovers and Mergers') levy of £1 for single trades in excess of £10,000 When buying shares you will be required to pay for your transaction at the time of the deal by debit card, and you should ensure that you have sufficient cleared funds available in your debit card account to pay for the shares in full

Warning Regarding Unsolicited Calls and Mail

We have been made aware that several of our shareholders have received unsolicited calls or mail regarding their shareholding in Travis Perkins, and offering to buy shares at an attractive price Typically these approaches come from overseas companies

Such approaches are invariably 'scams and usually the people involved will ask you to provide them with your bank details, or send them money (often referred to as a 'bond'), and send them your share certificate No reputable company would behave in this way and so, if you do receive an approach, we would suggest that you ignore it or treat it with caution – if it sounds too good to be true, it probably is! Further details of these so called boiler room' scams can be found on our website www travisperkinsplc com

Shareholder Notes

Printed on

Revive 50 Silk, a recycled paper containing 50% recycled waste and 50% virgin fibre and manufactured at a mill certified with ISO 14001 environmental management standard. The pulp used in the product is bleached using an Elemental Chlorine Free process (ECF) and

Taurt Offset, made from virgin wood fibre sourced mainly from sustainable forests in the EC. It is bleached using a Totally Chlorine Free (TCF) process.
This material can be disposed of by recycling, incineration for energy and composting.

Designed by RMH Design Consultants, Photography by Charles Wardl
Printed by Jones and Palmer



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