



TRAVIS PERKINS PLC

Travis Perkins

The largest supplier of building materials in the UK

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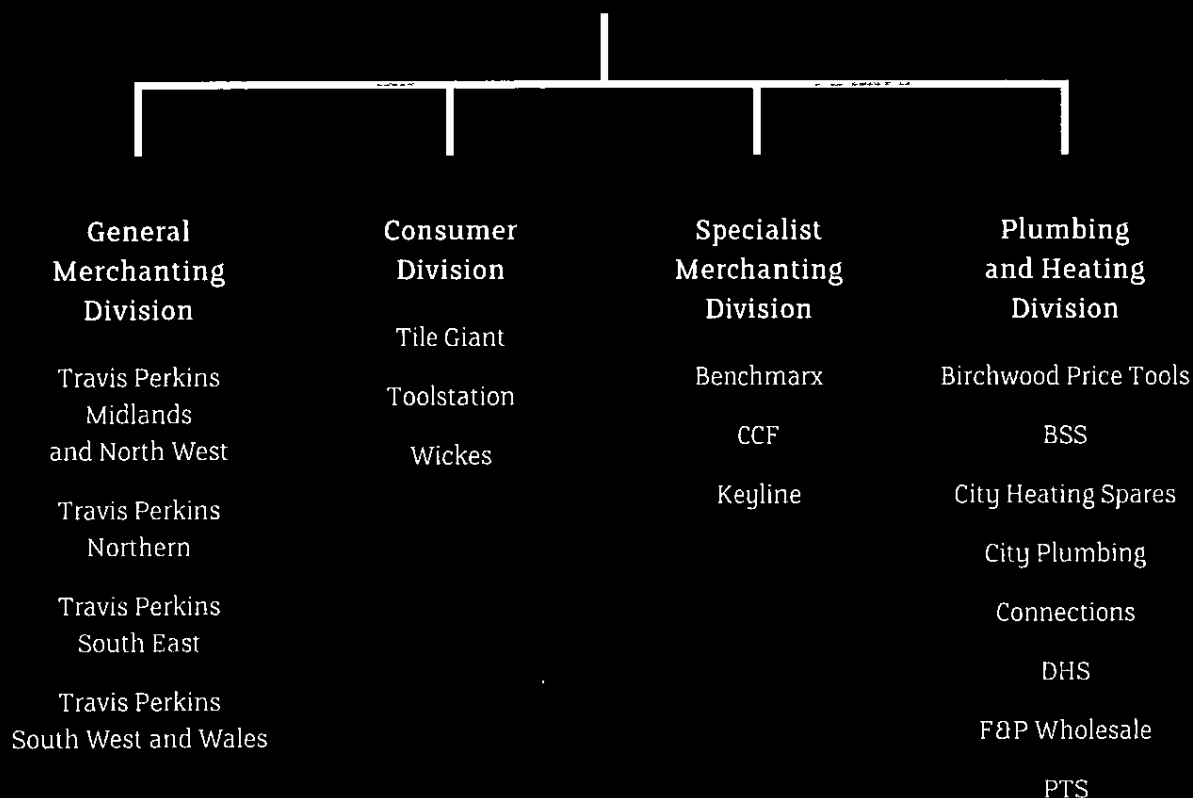
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ANNUAL REPORT AND ACCOUNTS 2012



TRAVIS PERKINS PLC



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 the annual report and accounts contains forward looking statements with respect to the financial condition, results operations and business of the Travis Perkins plc group. These statements and forecasts include risk and uncertainty because they relate to events and depend on circumstances that 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.

Financial Highlights

Operating Highlights

Group revenue up 1.4% at £4,845m, down 1.4% on a like-for-like basis

Adjusted operating profit, up 4.3% to £327m, adjusted PBT up 1.1% to £300m, and adjusted EPS up 2.1% to 95.1p

Sustained adjusted operating margin at 6.7%

Reported PBT after exceptional items up 16.2% to £313m

Free cash flow generated of £242m

Underlying £155m debt reduction, net debt down to £452m, and financing ratios further improved

Full year dividend of 25p per share up 25%, with adjusted dividend cover now 3.8 times

Increased BSS synergy target achieved and integration programme near completion

Toolstation network expansion to 123 branches and Toolstation Europe trial launched

Gross margin before synergies increased by 0.2%

Tight cost control, like-for-like overheads down 2.3%

Solfex systems acquired on 30 January 2013 for initial consideration of £8m

Financial Summary

		2012 £m	%	2011 £m
Revenue		4,844.9	1.4	4,779.1
Adjusted:	Note			
Operating profit	5a	326.6	4.3	313.2
Profit before taxation	5b	299.9	1.1	296.7
Profit after taxation	5b	226.8	3.6	219.0
Adjusted earnings per ordinary share (pence)	11b	95.1	2.1	93.1
Statutory:				
Operating profit		300.5	3.4	290.5
Profit before taxation		313.3	16.2	269.6
Profit after taxation		259.6	22.2	212.4
Basic earnings per ordinary share (pence)		108.9	20.6	90.3
Total dividend declared				
per ordinary share (pence)	12	25.0p	25.0	20.0p

* 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.



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

OVERVIEW

Travis Perkins 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

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 described in this section that we have prepared the Annual Report.

GENERAL MERCHANTING DIVISION

Our general merchanting division, trades nationally through the Travis Perkins brand and comprises four geographically organised individual businesses. It has 636 branches, supplying building materials to professional building companies, contractors and tradesmen throughout Great Britain.

Kevin Appleton, who joined the Group in 2011, leads the General Merchanting business in his role as Divisional Chairman. The Managing Directors of the four businesses are Kieran Griffin (Travis Perkins Midlands and the North West), Phil Gransden (Travis Perkins South East), 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.

SPECIALIST MERCHANTING DIVISION

The specialist merchanting business consists of three separate businesses trading from 203 branches under the following brands Keyline, CCF and Benchmarx. We also have an interest in an associate company Rinus Roofing Supplies which has 12 branches. 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.

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. We have 458 branches in the consumer division.

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 present 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 224 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 11 standalone specialist kitchen and bathroom stores.

In 2007, Travis Perkins acquired its seventh brand, Tile Giant. The brand is now trading from 106 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-Watts, with support from the Group, this multi-channel retailer of lightside products has rapidly expanded its trade counter network and now occupies 123 trade counters throughout Great Britain. It also operates a very successful catalogue based internet business.

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 were acquired on 14 December 2010. It is now the leading plumbing and heating business in the UK operating from 587 locations.

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 189 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 397 branches. 395 branches are located in the United Kingdom and two in the Republic of Ireland.

PTS operates from 314 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.

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.

Our Investment Case

Market prospects are good for the medium term

Prospects for growth in our markets in the medium term are strong. Construction activity is at unsustainably low levels when compared to long run trends. It is clear that there is a significant requirement for more housing across the UK to address household composition and for significant upgrading and repair of infrastructure, domestic and public buildings. Climate change concerns also indicate the value of the building materials market will increase significantly.

UK market leadership allows economies of scale

Travis Perkins is the largest supplier of building materials in the UK, a position it has achieved through major acquisitions, the 'roll up' of smaller operators and the organic development of new branches. Our size allows us to benefit from economies of scale through both our centralised back office, business services and sourcing model. The Group has a history of producing like-for-like and total market share gains in competitive trade and consumer markets. It has achieved this by focussing its operating management on offering a compelling customer proposition in the market segments in which it trades.

On-going expansion

There is still significant scope to grow the existing branch network by extending our multi-channel and geographic coverage further in the UK. Our estimates suggest that sufficient opportunities exist for us to extend our operations to around 3,000 locations, backed up by an increasingly sophisticated national supply chain network. We have a significant and popular multi-channel capabilities across the Group, led by Wickes and Toolstation, with sales now growing at over 25% p.a.

Potential to enter new market adjacencies

There is large untapped potential in specialised building materials distribution market segments where the Group does not have a presence. The Group has successfully established itself in six specialist channels since 1999 with BSS, Toolstation and Tile Giant being the most recent examples.

**Strong customer proposition and brand identity
greater focus for each business**

Travis Perkins trades through sixteen national brands via a network of nearly 1,900 locations. Each brand has developed an overall proposition and customer experience, which recognises the requirements of its customers, and has defined a brand essence and values by which each business will operate. This approach has improved customer loyalty and its continued deployment is key to growing both our customer base and operating margin. All of our businesses are challenged to achieve a best in class rating by customers and a best in class operating margin ahead of any comparable business.

Best practice leading operational efficiency

We have a strong track record of improving our operational efficiency through the automation of systems and processes designed to increase productivity, improve availability, reduce the cost of buying and holding stock and manage our property portfolio to reduce costs and leverage value in our assets. Our objective is to ensure that each enhancement will deliver improved returns for shareholders going forward.

Attracting and retaining the best people at all levels

We have a high quality team, with huge experience of our industry that has consistently delivered a strong profit performance regardless of the economic climate it faces. We attract and retain the best people in our sector and operate at high levels of engagement having a culture of continuous improvement, which encourages colleagues to develop new skills that allow them to excel in their jobs.

Our Strategy

The statements of Mission, Vision, and Values on page 6 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 through innovation, organic self-help initiatives and targeted expansion. It 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,
- Cautiously, with a low-risk and low-capital approach that does not adversely affect profits and debt reduction, exploring the prospects for expansion in new markets

Management, at Executive Director, Executive Committee, Division and individual business levels are held to account on both current performance and the delivery of improved capabilities on each of these aspects of strategy via a balanced scorecard. This scorecard forms part of the metrics for incentives for Executive Directors and the Executive Committee. The balance of measures is designed to ensure that management are focussed on both current performance and the long-term improvement and quality of the Group.

Delivering our Strategy

The table below shows how we approach the various dimensions of our strategy, how we judge progress and how our strategy is integrated with our management of the principal risks faced by the Group, which are set out on pages 44 and 45

Successful execution of our strategy is dependent upon maintaining our IT capabilities, purchasing and

distributing goods effectively and recruiting and retaining the best people. We operate a strong and well-resourced shared 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

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 Coaching, guiding and holding people to account for their attitude as much as their performance Meeting our corporate social responsibilities in areas such as health and safety, environmental and community relations	Colleague retention Colleague engagement	Colleague 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 Gross margin gains from sourcing projects less margin investment in proposition Adjusted operating profit/margin	Competitive pressures Information technology failure Supplier dependency and direct sourcing operational difficulties
Cost control and asset management	Exploiting the economies of scale delivered by growth and centralisation to improve our operating margins. Centralising most support services Operating a well resourced and innovative property function to improve asset turn, lower property costs and realise surplus assets	Group overheads to sales ratio Colleague productivity ratio Adjusted ROCE	Information technology failure Defined benefit pension scheme funding
Expansion	Using our superior financial performance to expand our branch network so ensuring we penetrate all catchments in the UK 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	Shareholder Value created from expansion projects (at individual site and whole business level)	Information technology failure
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	Lease adjusted net debt to EBITDAR Free cash flow Adjusted ROCE Adjusted EPS Adjusted PBT Adjusted Dividend cover	Market conditions

Our Business Model

Travis Perkins is a multi-channel operator selling a wide range of building materials through four divisions to the trade and consumer primarily through a network of mainly UK branches

Source products from over 10,500 suppliers

Stock and then distribute goods from 1,890 branches and 24 warehouses using a fleet of over 2,300 vehicles

Sell goods and services to over 190,000 account and countless cash customers

OVERVIEW

Our business model is based upon

- Being the number one or number two distributor in the markets in which we operate,
- 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 to those colleagues close to our customers whilst providing 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...

Are committed to ensuring that we buy quality goods and materials from responsible and ethical sources, at prices that are fair to all

Purchase a broad range of over 100 000 products from UK and overseas manufacturers and distributors

Stock a wide range of own brand products, particularly in our consumer business, as well as branded goods supplied by market leading companies

Achieve economies of scale by focussing our purchases towards a limited number of key suppliers

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

Our products are distributed to the end user through a supply chain network which

Operates from 24 central warehouses enabling us to buy goods in bulk and distribute them to our branches in smaller quantities

Utilises a distribution fleet of 192 vehicles to transport product between warehouses and branches

Makes around 350,000 branch deliveries p a

Engages over 1 650 colleagues to ensure the efficient movement of stock throughout our organisation

Improves branch efficiency by ensuring we have an appropriate mix of suppliers delivering either direct to our branches or to our central warehouses

Gives customers the opportunity to transact with our multi-channel businesses through a nationwide branch network, via the telephone or over the internet

We strive to provide our customers with the highest levels of service possible by

Employing the best available people and investing in their training and development

Ensuring branches maintain high levels of stock availability in full project quantities

Offering advice and building related services that support our customer's needs

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.

Making credit available for approximately 80% of customer purchases in our merchanting businesses

Ensuring our prices reflect both the quality of the goods we sell and the service we provide, whilst remaining competitive

Chairman's Statement

FOR THE YEAR ENDED 31 DECEMBER 2012

Introduction

Travis Perkins is the UK's largest supplier of materials to the building and construction markets

We aim to grow the business by providing the widest possible range of products and materials, coupled with the highest levels of consumer service, and in so doing provide our shareholders with growing and sustainable returns, based on market leading margins and return on capital

We reacted quickly to the start of the downturn five years ago by managing costs and trading margins through the worst construction downturn in living memory. Since then we have transformed the Group, through acquisitions and strong organic growth, to become the leading player in the sector today. Our trading businesses have market leading propositions that provide a platform for further growth through network expansion, supported by value adding, shared central functions. In the past year, we have made good progress in strengthening our senior executive bench through recruitment and management development and are well positioned for the next phase in the Company's growth story.

2012 was a year of consolidation and steady progress for many of the Group's businesses and trading formats. Progress was achieved despite some very difficult trading conditions, particularly during the unusually wet summer months and the disruption and distraction caused by the London Olympics.

Despite this, we were pleased to complete the acquisition of Toolstation, adding further branches and taking initial steps to test the validity of the concept in

Holland. More recently, in January 2013, we acquired Solfex, an important and fast-growing distributor of environmental products and building materials. This will add significantly to the Group's eco-building range and environmental credentials. Good progress continued in integrating the former BSS businesses, and both cost synergies and progress on systems integration are ahead of our original targets. We also added additional branches across the rest of the Group's trading formats, bringing the total number of operating branches at the year end to 1,896.

Results

The markets that our businesses operate in remain very competitive, having contracted in volume terms for the fifth year running. Against that background, our revenue increased by 1.4% to £4.9bn (2011: £4.8bn) with adjusted pre-tax profits rising by 1% to £300m, adjusted earnings per share were up by 2.1% to 95.1 pence.

A continued focus on cash generation has reduced debt by a further £131m to £452m at 31 December 2012 after allowing for the £24m paid to acquire the 70% of Toolstation shares we did not already own.

Our integration of BSS has made good progress and our excellent work to realise synergies has resulted in £32m being recognised in 2012, £7m higher than our original expectation for 2013.

We are pleased with the performance of the Toolstation business in its first year of our ownership and have added a further 20 branches to its portfolio during 2012.

“Progress was achieved despite some very difficult trading conditions, particularly during the unusually wet summer months.”

Dividend

Supported by good operational delivery and having carefully considered the current condition of the market in which the Group operates the Board has decided it is appropriate to continue increasing dividends ahead of earnings growth reducing dividend cover towards its previously stated target range of 2.5 times to 3.5 times. The Board is pleased to recommend a final dividend of 17 pence per share, payable to shareholders on the register on 3 May 2013, which will give a total dividend for 2012 of 25 pence per share. With a proposed 25% increase in full year dividend, dividend cover for the year based on adjusted earnings per share is now 3.8x (2011 4.7x). The total cash outflow for dividends declared in 2012 will be £60m.

Board of directors

In September, we announced that Paul Hampden Smith, our Group Finance Director for the past 16 years, had decided to retire from the Board in March 2013. It is impossible to overestimate the contribution that Paul has made to the Group's success during his years as Finance Director and everyone in the Group will want to join me in wishing Paul every success for the future. In replacing Paul we have recruited Tony Buffin as Group Finance Director, who will join us on 8 April 2013. He was previously Group CFO for Coles, the substantial Australian supermarket chain and had previously worked for Groupe Aeroplan, Loyalty Management Group, and Alliance Boots.

In January 2013 John Coleman was appointed as our Senior Independent Director replacing Chris Bunker, who

had held that position for the previous four years. Chris has been Chairman of the Audit Committee since April 2004, and will step down from this role during 2013.

Employees

Difficult trading conditions always seem to bring the best out of our colleagues in the business. Once again, they have produced good results in the most difficult of circumstances. I would like to pass on my thanks on behalf of both the Board and our Shareholders.

Outlook

We anticipate difficult conditions in the first half year, but there are reasons to be more optimistic about the second half, when recent rises in mortgage and housing transactions should feed into improved volumes. We will continue to monitor these lead indicators and trends carefully, and expect that our next move will be to a more expansionary stance on volume, whilst continuing our restrained approach on costs, further benefitting from overhead gearing and improving operating margins.



Robert Walker
Chairman

Chief Executive's Review of the Year

FOR THE YEAR ENDED 31 DECEMBER 2012

Introduction

The Group made good progress in 2012, despite a challenging construction industry background resulting from a combination of continuing economic uncertainty, the wettest weather conditions in living memory and continued reductions in public sector activity and weak consumer confidence.

Action in both like-for-like (LFL) and expanded operations has enabled the Group to achieve increases in turnover, adjusted operating profits, profits before tax, earnings per share and to recommend a 25% increase in the full year dividend.

Construction activity in 2012 fell by about 9% whilst the materials distribution market fell in volume by about 4%.

We have continued to execute trading tactics finely tuned to the current environment with the aim of maximising operating profits and operating margin. This has meant that for most of our businesses and branches we have focussed on gross margin protection, which has caused us to turn away some unprofitable sales, balancing cost control with protecting service levels and carefully managing working capital.

By focussing more on gross margin we have de-emphasised our goal of out-performing markets on a LFL basis, reducing our previous rate of sales out-performance. For the year as a whole we have sustained our market share and a market position consistent with our objective of trading sensibly in a disappointing market.

Against contracting market volumes, our trading stance and our continued programme of self-help initiatives has increased profits by 4.5%, with the main

drivers of our improved financial performance coming from Toolstation, for which we acquired the remaining 70% of its share capital on 3 January 2012, the 13 new ex-Focus stores which were opened in the autumn of 2011, and our BSS synergy programme.

Having acquired Toolstation in 2012 and previously having acquired BSS, we chose to limit other network expansion to 'tidying up' the estate and a few high returning projects. However, the economic environment also presented us with a few other opportunities. In 2012 we saw a small but clearly discernible worsening in the outlook for a number of competitor companies in our sector. Our Specialist division benefited from the slow demise of the leading civils and heavyside distributor during the second half of the year and a number of company administrators and independent owners offered to sell us small businesses. In most cases we declined the opportunity, preferring to let the capacity fall out of the market, but we were able to agree terms to acquire the trade and assets for five businesses. Overall this expansion has increased our turnover by 2.8%.

On 1 January we established our new Plumbing and Heating division under the chairmanship of Paul Tallentire. He has been closely involved with our BSS integration programme which has seen a restructuring of the PTS management team, the roll out of a new point-of-sales system with enhanced functionality into PTS and the closure of several poorly performing branches. Further work remains in the BSS integration programme, however a significant value of synergies has been achieved, and many of the organisational and technology changes have been implemented.

The BSS synergy programme has continued to

“For the year as a whole we have sustained our market share and a market position consistent with our objective of trading sensibly in a disappointing market.”

exceed our expectations. Having beaten our original £8m synergy target for 2011 by £12m, we reset our 2012 target to £30m. Thanks to the excellent work of a large number of colleagues, synergies for 2012 have totalled £32m of which £6m related to overheads and £26m to buying gains. Despite this success, our work to maximise synergies is not yet fully complete. We have identified further opportunities of around £5m for 2013, but these will be more difficult to deliver as it will involve structural change to supply chain activities.

Markets and our response

According to the Consumer Products Association, construction output in 2012 fell by about 9% as a result of a significant reduction in public spending coupled with a slowdown in private sector investment caused by economic uncertainty. That reduction is the worst market performance since the depths of the recession back in 2009.

Despite a relatively strong start to 2012, we predicted, in early 2012, that volumes in our markets would fall for the year as a whole. In reality the performances of our end markets have been mixed. Volumes in the merchanting market actually reduced by around 2% whilst retail market volumes are down by around 7% year-on-year which has resulted in even greater competition for sales.

The majority of our business is related to RMI activities which have been a little more robust than the other parts of the market that we operate in.

In the private sector new build has been relatively flat for most of the year although we have seen some gentle expansion towards the end of the year. Latent demand

for new housing has increased, but low consumer confidence and restricted funding availability has caused subdued numbers of mortgage approvals and housing transactions which remain at half the level they were in 2006. The Government's action to encourage first time buyers through Funding for Lending, Firstbuy and the Newbuy guarantee scheme are to be welcomed, but the overall housing market remains in desperate need of a kick start.

Public sector spend on construction has contracted sharply, particularly in new build as the government cuts have taken effect, but opportunities remain in some segments such as rail and utilities.

The economic uncertainty continues to impact consumers, with confidence levels little higher than in December 2011. Consumers remain cautious because wage awards are once again below the rate of inflation, and until recently money has been hard to come by. This has adversely impacted the consumers' desire to make big money purchases.

Financial performance

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 items are given in the Finance Director's review of the year on page 39.

A combination of the economy and the extreme weather conditions had a significant impact on construction activity and constrained the performance of our heavy-side businesses.

Total revenue is 1.4% higher than for 2011 at £4,845m (2011: £4,779m), driven by the Toolstation acquisition and the 13 ex-Focus stores opened during the autumn of 2011.

We have modified our group trading stance to reflect the more competitive environment we have experienced during 2012 with the result that we have traded some volume to protect margin. Even so, by concentrating on our customer propositions we have sustained our performance relative to the market, which together with our ability to pass through the bulk of cost inflation from suppliers has restricted the like-for-like sales volume reduction to 2.4% in markets that we estimate fell by around 4%.

The pricing environment has weakened as the year has progressed with full year price inflation of 1% rather than a more normal 3%. By quarter 4 month-on-month sales price inflation for the Group was virtually zero, with merchandising slightly positive, consumer flat and plumbing and heating negative due to the impact of reducing basic commodity pricing.

With the exception of the plumbing and heating division, like-for-like volumes improved in the second half of the year when compared with the first half, particularly in our Specialist division where Keyline benefited from the failure of a major competitor.

Sales expansion arose primarily from the Toolstation

acquisition and our subsequent investment in opening a further 20 new branches and the full year effect of the 13 new Wickes stores opened in 2011. In our plumbing and heating division 2012 total sales show a reduction compared with 2011 principally because of the sale of Buck and Hickman during September 2011.

With a competitive market we concentrated on carefully managing our overhead base with the result that each of our businesses showed an improvement in operating margin, or at worst a very slight decline when compared with 2011. Group operating margin has improved by 0.1% to 6.7% due to an improvement in overall gross margins for the Group and the additional benefits from our synergy programme. Whilst the overhead to sales ratio has increased by 0.3%, this was principally a mix effect of Toolstation being consolidated for the first time.

Adjusted operating profit increased by £14m to £327m (2011: £313m) which resulted in an adjusted group operating margin of 6.7%, a 0.1% improvement over 2011. Even though the effect of currency fluctuations on our portfolio of derivatives increased financing costs by 62% to £27m (2011: £17m) the Group still improved adjusted pre-tax profits by £3m (1%) to £300m (2011: £297m).

Adjusted earnings per share increased by 2.1% to 95.1 pence (2011: 93.1 pence).

Revenue	General Merchandising %	Specialist Merchandising %	Consumer %	Plumbing & Heating %	Total %
Volume	(1.5)	(0.2)	(6.6)	(1.6)	(2.4)
Price	1.5	2.5	1.0	-	1.0
Like-for-like per day	-	2.3	*(5.6)	(1.6)	(1.4)*
Trading day impact	-	-	0.3	-	-
Expansion / disposals	0.9	1.3	18.5	(4.4)	2.8
Total revenue change	0.9	3.6	13.2	(6.0)	1.4

Including Toolstation on a proforma basis would result in like-for-like sales for Consumer being -3.1% and for the Group being -0.8%.

Adjusted operating margin	General Merchandising %	Specialist Merchandising %	Consumer %	Plumbing & Heating %	Total %
2011 operating margin	11.8	4.5	4.5	4.6	6.6
Gross margin	(0.9)	-	0.4	(0.6)	0.2
Synergies	0.2	0.1	0.1	0.7	0.2
Overheads	0.6	0.5	0.6	(0.2)	(0.3)
2012 property differential	(0.2)	0.1	-	-	-
2012 operating margin	11.5	5.2	5.6*	4.5	6.7

*Excluding Toolstation, gross margin improved by 1.1%, overheads to sales rose by 0.1% and property profits to sales rose by 0.1% giving a year-on-year divisional operating margin increase of 1.2%.

Divisions**General Merchandising**

	2012 £m	2011 £m	Change %
Turnover	1 457	1,443	0.9%
Adjusted segment profit	167	170	-1.9%

The growth in sales in our General Merchandising division has arisen from the limited expansion we have undertaken during the year – LFL sales growth was zero. Volumes were only 1.5% lower than 2011, whilst sales prices rose by an average of 1.5% over the course of the year.

Gross margin declined by 0.9% due to reduced product inflation (0.5%), customer mix changes arising from the better performance of large contractors compared to their smaller competitors (0.2%), and more competitive market conditions as construction activity fell (0.2%). In a stable, or even a rising market, we would expect each of these drivers to reverse.

The tough gross margin conditions were balanced by management in the division exercising tight cost control and the overhead to sales ratio improved by 0.6%. Divisional operating margin was only 0.1% below 2011, adjusting for the change in property profits.

Kevin Appleton, the divisional chairman, and his team have implemented a number of initiatives to drive profitability. On a selective basis low margin business is being turned away and customer and product profitability is being closely monitored to manage mix. Marketing initiatives are in place to target profitable segments, and the overall customer service is being enhanced through the development of dedicated customer contact centres.

Further opportunities to improve efficiency have been identified via selective actions aimed at employee and vehicle productivity.

Specialist Merchandising

	2012 £m	2011 £m	Change %
Turnover	604	582	3.6%
Adjusted segment profit	32	26	20.2%

Under the guidance of Arthur Davidson, the Specialist division recorded a strong performance driven by Keyline, our heavy-side civils and drainage business. The division gained further market share and reported a 2.3% like-for-like sales growth on the back of above average price inflation. The team did well to protect gross margin recording a flat year-on-year performance in increasingly competitive markets.

The failure of the largest civils merchant brought some short-term benefit to Keyline as both customers

and suppliers sought to put more business our way. Even though many of the closed branches have now been sold and re-opened, the Keyline team is working hard to retain the new business they have won. New opportunities in rail and utilities are being pursued by dedicated teams established during the year.

Net margin progress in Keyline was good and according to our key suppliers our business growth with them outperformed their respective markets. Having suffered from the lack of buying gains in the first half, we created opportunities which crystallised in the second half without a rise in stock levels.

CCF faced intensified competition during the year as its markets have been particularly difficult. The commercial market is affected by both lower commercial construction activity and reduced new public sector spending in buildings such as hospitals and schools, which has all but dried up.

Benchmark has seen another improvement in its performance with sales growing by nearly 20%. LFL sales growth was close to double digits and at the same time gross margin advanced. The business has been targeting the contracts market and the investment made is now starting to pay off.

As with our other divisions, the Specialist businesses paid close attention to managing the overhead base with the result that the ratio of overheads to sales fell by 0.5% equivalent to savings of approximately £3m.

Consumer

	2012 £m	2011 £m	Change %
Turnover	1,152	1,018	13.2%
Adjusted segment profit	65	46	40.7%

Our Consumer Division, led by Jeremy Bird, has significantly outperformed in 2012, with the Wickes Tile Giant and Toolstation businesses all producing excellent results. The consumer division markets were the hardest hit of any that our divisions operate in, so that makes the result achieved in 2012 even more remarkable. A combination of careful margin management, strong overhead control and targeted investment resulted in profits rising by 40.7% whilst turnover on a reported basis was up only 13.2%. If Toolstation is excluded from the 2012 result, divisional turnover was flat year-on-year, whilst profits increased by 26.5%.

Wickes has made further market share gains for the sixth year in a row. Both the Trade and Kitchen and Bathroom offerings have done well, but our performance in the DIY segment has been less strong as discretionary spend has been under pressure.

Our trading tactics continue to deliver both higher gross margins and sustained market share through careful management of promotions, range developments and working with suppliers to reduce supply chain costs.

Research continues to indicate the clarity and simplicity of the Wickes and Tile Giant propositions are compelling for many customers

Toolstation performed strongly as those stores opened with our support pre-acquisition moved further towards maturity. Like-for-like sales are up 21%, significantly ahead of other multi-channel operators, profits are approximately 280% higher and the estate has grown by 20 branches during the year

Overheads were well controlled throughout the division with the ratio of overheads to sales for Wickes and Tile Giant increasing by only 0.1% despite turnover remaining flat. Wickes like-for-like costs fell as a result of changing the store colleague structure late in 2011 and from re-targeting their marketing spend

Plumbing and Heating

	2012 £m	2011 £m	Change %
Gross turnover	1,632	1,736	-6.0%
Adjusted segment profit	73	80	-8.7%

If the results of Buck and Hickman and 17 P&H branches divested in 2011 are excluded from the 2011 comparative, turnover has decreased by £21m (1.2%), whilst net profit fell by £5m (6.3%)

Throughout 2012, trading in both the commercial and domestic markets has been difficult. The domestic heating market was subdued all year with the markets for the key product groups of boilers and radiators 2% and 10% down year-on-year respectively. The ending of the last phase of government subsidies impacted demand and new initiatives such as Green Deal, Renewable Heat Incentive and the energy company ECO commitments did not have any real impact during the year.

In a low demand market, competition remained intense and throughout the year decisions were taken to improve pricing and monitor customer profitability. In PTS several long standing supply relationships were re-negotiated or terminated altogether.

The Group has a good record of pre-price increase stock buying. With sales price deflation in our plumbing market those opportunities to bolster margins through buying gains have been considerably more limited.

The industrial businesses of BSS were the strongest performer in a weakening plumbing market. Some major contract wins helped protect sales with margins slightly above last year's levels due to a number of self-help measures improving product mix. Good overhead control resulted in an improvement in overall operating margin.

The domestic business, which includes PTS and F&P, our wholesale distribution business supplying second tier merchants, has suffered as a result of a sharp contraction in the boiler and radiator markets and low product inflation. Tight competitive conditions have resulted in a reduction in margins, and management

have taken action to cut costs by restructuring the network, closing nine branches.

City Plumbing performed well and whilst its like-for-like turnover is slightly down it has improved its gross margin compared with 2011. Our 'Endeavour' new showroom concept has continued to outperform the rest of the estate and so we will extend their presence throughout the estate during 2013.

P&H divisional overheads were tightly controlled with some additional costs being incurred by PTS for the full year administration of the solus British Gas contract to whom we are proud to provide an industry leading service.

Overseas expansion

During the year we have taken our first tentative step into international markets. In conjunction with the founder of Toolstation, we have made a small investment of less than €2m in five Toolstation branches located in the Netherlands that were previously franchised to an independent operator. The initial focus has been on expanding the product range and improving marketing, but much work still needs to be done. Whilst we anticipate making further small investments in 2013 and 2014, it will be some time before we are able to determine whether the venture will be successful.

Investors and lenders

Holders of the Company's equity are concentrated primarily in the UK and North America, with North American investors now holding 26% of the Company's shares. We are committed to frequent and open dialogue with our shareholders and we take a pro-active stance to ensure we meet with as many of them as possible.

During the year a combination of me, Paul Hampden Smith and John Carter met with 44 investors holding 55% of our shares at least once. We also met with a significant number of non-holders as we sought to widen our investor base.

We find that both investors, members of the analyst community and our lenders benefit from seeing our operations first hand. It provides them with an opportunity to see our sites and talk with the hard working colleagues who make Travis Perkins such a strong company. During 2012 we undertook 3 store, warehouse and branch visits and we intend to continue this in 2013. In the autumn, once we have completed our annual strategy review, we expect to combine a site tour with a strategic update for both investors and analysts.

I reported last year that in difficult markets for raising finance we had secured a £550m revolving credit facility that is available to draw down from April 2013. As with our investors, we think it is important to build relationships with our banks and other lenders and so we maintain regular contact throughout the year. I am pleased to report that the confidence the banks showed in the Group last year has continued. Following

discussions with several banks who were interested in making further funds available to the Group at improved rates, we have secured a £50m of medium term committed funding by way of a bilateral loan

Executive committee

If we are to maintain our position as the UK's leading supplier of building materials we need to invest in our executive team to ensure we have the best talent available to develop and deliver our strategy. During 2012 there have been two significant changes to our Executive Committee.

After 40 years of service with the Group, Joe Mescall retired on 31 December 2012. Whilst the phrase 'can never be replaced' is over-used and is rarely true, it should be applied to unique people and Joe is definitely one of these. He has a great blend of long and varied experience, well honed leadership skills and first class trading 'nous' which is admired by everyone who has had the privilege to work with him.

Joe's position has been taken by Kevin Appleton. Kevin joined us from the Lavendon Group where he held the position of CEO for 10 years. He brings a lot of relevant experience from the customer-focused delivery services and logistics sectors having previously held managing director roles for a division of FedEx and the Dexion group. I am confident that the new experiences Kevin brings will build on the achievements of Joe and the TP team to ensure that we continue to stay ahead of our competitors.

Our second key appointment was Jean-Jacques (JJ) Van Oosten to the position of Chief Information Officer. This position is critical to the Group's continued development so it was important that we employed a person with a proven track record of determining IT strategy, leading large teams and delivering complex IT projects in a multichannel environment.

JJ was previously at Tesco plc where he held the role of CIO and Market place Director both reporting to the CEO of Tesco.com. He led and delivered critical programmes which established Tesco's multi-channel IT capability. Prior to that he was the Group CIO for Kingfisher plc, where he established and led a shared service centre for IT that combined twelve technology teams across multiple geographies. He was also responsible for delivering systems for B&Q Trade counter and leading the multi-channel agenda.

Charitable and community activities

We are passionate about the charitable work we undertake, and we continue to have strong and extremely valuable partnerships with a number of British charities. The enthusiasm and commitment shown by our colleagues as they fundraise is something we are enormously proud of. We are also delighted by

the support frequently provided by our customers and our suppliers.

Each of our 16 businesses supports their preferred charity, selected by employees, and throughout 2012 they pursued a range of activities to raise funds. An army of employees across the Group grew dubious moustaches in support of Movember and Prostate Cancer UK, the charity partner of our Keyline business, while Tim Parsons and Paul Widger from our PTS business braved sweltering heat to cycle 500 kilometres from Ho Chi Minh City in Vietnam to Angkor Wat in Cambodia, raising over £14,400 for Cancer Research UK.

The Travis Perkins business was awarded 'Business of the Year' at the 2012 Business Charity Awards sponsored by the Charities Aid Foundation (CAF), for its outstanding partnership with Breast Cancer Campaign and Together for Short Lives over the last three years.

As the driving force behind a number of charitable initiatives, including painting a number of Travis Perkins delivery trucks pink, Ian Church was awarded 'Business Charity Champion 2012'. Ian, formerly Managing Director of Travis Perkins in the Midlands and now Managing Director of our PTS business, understands the power of charitable activity as a way of driving the engagement of employees and customers.

Internally, our employees can support additional charitable activity through payroll-giving and a 'Colleague Lottery', and the popularity of these schemes remains undiminished.

Thanks to wonderful activities like these, we are pleased to have donated more than £2.1m (2011: £1.9m) through group activities, including £165,716 (2011: £146,217) directly from the Group, to worthwhile causes in the fields of cancer research, support for children and young people, and the hospice movement, to name a few.

We encourage our colleagues and businesses to support community activities in the areas they live, work and operate. During the year many opportunities arose where we were able to help; here are just a few examples.

BSS Industrial donated sleeping bags to charities across various locations in December, giving a small helping hand to the homeless over the harsh winter. Travis Perkins supported the next generation of builders by donating materials to Live Train, a London-based training scheme which equips unemployed people with the skills and experience to start a sustainable career in the construction industry.

CCF and Travis Perkins branches in Reading teamed up to fit new flooring for West Street, a house for severely disabled children in Henley on Thames, whilst colleagues from Travis Perkins Hyde helped create a memorial garden in memory of PCs Fiona Bone and Nicola Hughes, the two Greater Manchester Police officers who were tragically killed in September.

Post year end acquisition

We expect the renewables market for construction materials to show growth ahead of market averages for some time, as consumers become better informed and invest to reduce their energy costs whilst improving carbon generated

On 30 January we acquired the renewable energy distribution specialists, Solfex Energy Systems ('Solfex'), a company that in December 2012 was listed as the UK's fifth fastest growing private company in the Sunday Times Virgin Fast Track 100

Solfex uses its distribution platform to integrate and supply components to the UK's renewable companies and provides a value-added service to customers through comprehensive technical and customer support. It is a valuable addition to the Plumbing and Heating Division of our Group

Our strategy of offering our customers an integrated approach to energy efficient building will be greatly enhanced by the market leading proposition created by the Solfex team

2013 performance

It is difficult to draw any conclusions from the first few weeks of trading because the January 2012 comparator was quite strong whilst 2013 has seen a continuation of the poor weather conditions experienced in 2012. Overall group LFL sales, on a delivered basis, for the first seven weeks were down 5.1%

General Merchandising %	Specialist Merchandising %	Consumer %	Plumbing & Heating %	Total %
(4.5)	2.0	(7.6)	(5.4)	(5.1)

We view underlying like-for-like sales in February as broadly flat

Outlook

Our like-for-like sales in quarter 4 of 2012 showed an improving trend on the two previous quarters in most of our businesses making it difficult to read for signals of underlying activity. Accordingly, we look to medium term indicators to plan our resource levels for 2013 and beyond

In the short term trends will be volatile, we currently anticipate that our markets will be stronger in the second quarter, mainly due to a relatively weak comparator in 2012 and potential recovery from low activity levels expected in first three months of this year

Whilst this suggests difficult conditions will remain in the first half year there are reasons to be more

optimistic about the second half. The recent rise in mortgage and housing transaction activity should feed into improved volumes in the market by the second half of the year. In the public sector market, the huge potential spending on various infrastructure programmes announced by the government should begin to gradually show in real activity on (and in) the ground

Overall we believe that market volumes for 2013 are likely to be lower than 2012, but the rate of decrease will be smaller than last year at around 1% to 2%. Inflation is likely to stay low with early indications suggesting it will be around 1% to 2% for the second year running

Since the financial crisis in 2008, the term 'roller coaster' could fairly be applied to the gradient of annual and monthly change in our markets. Five years later, we have yet to experience a flatter track, and we wait for evidence of a steady recovery from the current unsustainably low levels of activity

We have an excellent track-record of matching our margin and costs to the prevailing market conditions and we judge our cautious stance to be appropriate. However, we shall be monitoring lead indicators carefully and expect that our next change will be to a more expansionary stance in volume. We plan to combine this with a restrained approach to costs, so as to benefit from overhead gearing and further improve operating margins. We anticipate increasing expenditure only for unavoidable inflation and pension increases and subject to satisfactory trading continuing, we plan to invest further in pursuing our multichannel strategy

Whilst, for most of our businesses our operating margins remain ahead of our competitors, the 'trough' levels of market activity are consistent with, against recent history, operating margins which we regard as unsatisfactory for three of our four divisions. For Specialist, P&H and Consumer divisions a combination of self help initiatives and a recovering market should deliver steady growth in operating margins. For Travis Perkins, investments in improvements to the proposition will be applied to increasing market share on a LFL basis, whilst sustaining operating margins

So in summary, we think the performance of our markets in 2013 may begin to turn, but it will be mainly through our own endeavours to outperform our competition and manage our operating margin that the Group will be driven forward



Geoff Cooper
Chief Executive

Deputy Chief Executive's Review of the Year

FOR THE YEAR ENDED 31 DECEMBER 2012

Introduction

After planning our new divisional structure during 2011 and ensuring that we had the right people in place with the right blend of skills to take our business forward, 2012 has been a year where our efforts have been directed towards consolidating our previous achievements whilst managing in a commercially challenging environment

Early in the year we changed slightly our approach to generating sales. We retreated from our previous stance where we had sought to outperform the market and took a more long term view of accepting slightly lower, but more sustainable growth in order to protect our gross margins from significant erosion.

Improving the overall operating margin of the Group remains a priority and that has required us to maintain our focus on costs. Mindful that we do not want to

damage the Group's ability to take advantage of the market once it starts to improve we have proactively managed each business to achieve a gentle reduction of costs rather than undertaking wholesale cost cutting. Our priority has been to review all businesses to ensure they have the right cost structure for the business they are currently handling.

Business model

Our strategy is set out on page 14. The business model we deploy to execute that strategy is shown in the table on page 17.

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

	2012	2011
Like-for-like revenue change – General Merchanting	0.0%	9.3%
Like-for-like revenue change – Specialist Merchanting	2.3%	11.5%
Like-for-like revenue change – Consumer	(5.6)%	(1.3)%
Like-for-like revenue change – P&H	(1.6)%	3.4%
Like-for-like revenue outperformance	1.4%	5.0%
Colleague retention	84.0%	87.0%
Revenue from expansion	2.8%	2.0%

Health and safety – see separate report on pages 50 to 52. Environment – see separate report on pages 46 to 49.

“Improving the overall operating margin of the Group remains a priority and that has required us to maintain our focus on costs.”

2012 has not been a year for making large investments in new initiatives. We started the year determined to continue with a number of operational initiatives where we had already achieved improvements and could envisage further progress. We also wanted to ensure that any new investments either resulted in a rapid payback or were necessary to maintain progress toward our longer term strategies. As a result the main areas of focus have been

- Continuing our drive to eliminate accidents and injuries from the Group,
- Investigating and further improving our customer proposition,
- Reducing the administrative burden on branch colleagues so they can spend more time with customers,
- Generating additional purchasing and overhead synergies from the BSS acquisition and continuing with the integration of that business into the Group,
- Leveraging our investment in our direct sourcing operations
- Dealing with the opportunities for improvement identified by our bi-ennial colleague engagement survey

Stay Safe

Following the reorganisation of the group health and safety team in 2012, which enables us to manage safety in a different way we have invested a lot of energy and resource into Stay Safe during the year. Full details are

given on pages 50 to 52, but in summary we are intent on eliminating accidents and injuries and making everyone associated with our group fully understand the role that we all play, and the responsibilities we all have, in maintaining a safety culture across all our locations.

The training and culture journey for managers and colleagues is the most critical part of winning hearts and minds to keep colleagues safe, and great progress has been made in engagement and in improving the communication process across the network.

Sales and margin management

We are set up to be the best whatever the market circumstances – in good times we take advantage to grow, in bad times we undertake the careful management of costs. In the current markets the approach our operators must take is to

- Focus on customers – manage our resources so we get the most out of what we have,
- Concentrate on the quality of trading – review our trading stance to drive profit and ensure we are not letting the competition take our business,
- Trust our central resources to deliver the right improvements that will enable branches to improve profitability

We pride ourselves on the service we provide to our customers, but we are not complacent and we recognise the need to continually improve. Our customer proposition team under the leadership of Norman Bell is working on a major project to look at how we

can streamline our processes and make it easier for customers to deal with us. We are reviewing all aspects of our customer touch points from ease of opening a new trading account through to the simplification of our invoices and statements.

We know that regular targeted communication with our customers helps build a relationship based on trust and can stimulate sales. We are looking at ways of improving our customer segmentation and from that how we can better inform our customers of our capabilities and then help them transact with the Group.

The quality of our customer proposition is partly dependent upon product range availability and the services we provide. Our supply chain team's mission is to make building materials supply 'Easy' for both branches and customers, their 'Easy Supply of Products' (ESP) programme being a key pillar of the Group's plans for growth and the continued development of its multichannel offer.

Our new Chief Information Officer, JJ Van Oosten joined us mid year and undertook a fundamental review of our IT strategy and capability. Our strategically important multi-channel project is focussing on using alternative technology, with the result that our website redesign project continued, albeit at a slower pace during 2012. In 2013 the pace of multichannel developments will accelerate and the new site which will allow customers to trade on-line, will be introduced into Wickes initially before being rolled out to our merchanting businesses.

We are challenging the way building materials have traditionally been supplied to our businesses through collaborating with our suppliers. For example, we now have 12 colleagues from key suppliers implanted within the Group working with us to create the best route to market for their products. As a result, our availability and service offer with these suppliers continues to improve with customers more likely to source these suppliers' products through our branches.

With the Group providing access to over 100,000 products sourced from over 10,500 suppliers, it is essential that the distribution infrastructure and systems can support our branches and customers to complete their transactions and projects as quickly as possible, making them and the Group more profitable.

The integration of BSS continues to progress well and in most cases well ahead of expectations. The synergy program delivered a net £32m benefit versus the initial projection of £25m announced at the point of acquisition and the forecast of £30m at the end of last year.

The implementation of the new PTS point of sale computer system (POS) has progressed very well during 2012 with over 120 PTS branches, representing more than 50% of revenue, now being on the system. This will be a landmark in PTS' history as it will be the first time that each branch manager will have an unequivocal view

of daily performance in real time. We plan to complete the PTS roll out by mid 2013 before transferring both BSS Industrial and F&P Wholesale to a version of the same system.

The General Merchanting division has been targeting branches to improve the quality of orders taken and the mix of products sold. It is currently piloting four regional customer centres designed to improve account management for our smaller customers and engineer opportunities to upsell.

In August an improved search capability was launched on the General Merchanting website allowing customers to search and request quotes for over 9,000 products on line. This is the start of a journey to improve our multi-channel offering, but it is already generating a good level of sales.

Both Wickes and Tile Giant have improved their performance in 2012. Despite tough competition, both have increased their gross margins and overall profitability. Dropping Mycard in June allowed the Wickes team to invest some of the subsequent savings into selectively reducing prices.

A lot of work has been undertaken to complete the integration of ten UGS branches into Keyline. We have invested in infrastructure, systems and stock availability to bring them up to the standard we expect of our branches and given our colleagues the tools they need to maximise their effectiveness.

Our work on leveraging the strength of our own brand products has continued. The popular Scruffs safety-wear range, supplied by Birchwood Price Tools, has replaced ranges previously stocked in Wickes and Travis Perkins, sales have exceeded our expectations.

We have also invested in our geotechnics expertise having previously had a limited capability. On 3 October a new team joined us from a competitor and we look forward to expanding our presence in this increasingly important market.

Tight cost control and asset management

Group scale means we are able to develop solutions that can often be shared across multiple businesses and markets, improving services, return on investment and lowering cost. We undertake a large number of projects during the course of a year, each of which contributes to improving our operating margin. It is not possible to discuss all of them, but the following paragraphs set out details of some of the more significant changes we have made.

In 2012 Keyline transferred responsibility for much branch administration to a central team based in Northampton. This freed up branch colleague time to enable them to focus on customers whilst improving the efficiency with which we deal with suppliers and customers. In 2013 we will be taking a similar step in our General Merchanting division.

Our property department under the direction of Martin Meech is an important profit generating centre, but it also has an important part to play in controlling our cost base. Where possible we will look to exit leases if a branch is performing poorly and we can integrate the branch activity into a nearby branch. There are a number of opportunities in PTS and we believe that opportunities exist in respect of a number of Wickes properties as we target smaller 20,000 sq ft footprint stores to lower property costs. This will also allow us to open in previously unattractive locations that could not support larger stores.

Supply chain continues to leverage our group distribution infrastructure. During the year we have transferred the

- Wickes bathroom home delivery operation in-house, without increasing our space footprint, which has improved service at the same time as reducing costs,
- Moved our PTS radiator supply to an in-house solution, improving service and margins,
- Provided our biggest customer, British Gas, with a supply chain for its insulation installation business.

By selectively investing in GPS in our distribution vehicles to get a return we have been able to strengthen the management of our vehicle costs whilst also reducing our environmental impact.

Our IT department is being restructured and re-focused so we can reduce the costs of 'keeping the lights on' and divert more resource towards developing the IT infrastructure that will support the business on its strategic journey. One of the first changes will be moving from Microsoft to Google Enterprise allowing us to use new technologies to improve utilisation and efficiency.

Improve return on capital

We spend a considerable amount of time finding ways to improve our management of working capital. A lot of colleagues are involved in ensuring that we receive prompt payments from our customers. In 2012 we have piloted giving CCF drivers PDF devices that allow them to electronically process proof of delivery documents at the time of making the delivery. We are also developing our central cash allocation systems to reduce the time we spend dealing with receipts and to make it easier for our customers to manage their accounts.

Achieving the balance between maintaining stock availability in nearly 2,000 outlets and controlling the value of stock in our balance sheet requires a great deal of skill. We continue to manage our branch mandated stock and are currently considering making it more branch specific to reduce the level of slow moving stock that can accumulate from a one-size fits all approach. We are also seeking to improve the co-ordination of inventory reduction across the Group by sharing knowledge and best practice.

We have developed and implemented i-Replen, a

new automated stock ordering system for Wickes stores that improves availability, reduces stock and frees up management time. We believe that in due course this will help reduce Wickes stock without impacting availability.

Our distribution infrastructure has been developed with a flexible approach and low levels of automation, to ensure that we can respond quickly to the rapidly changing service demands of the market, driven in part by the growth of multichannel business. The success of the model in improving sales, profitability and service means the business will open a further 650,000 sq ft, warehouse in Warrington in 2015 to support the Group's growth and multichannel ambitions. This investment will see the Group take a further step in improving service by providing access to more centralised products and reducing delivery lead times.

External expansion

With our aim of increasing our return on capital, we have been more selective when making investments to improve our proposition. At 31 December 2012 we, and our associate companies, operated from 1,896 branches (including 12 Rinus Roofing and 5 Toolstation Netherlands sites) a net increase of 28 during the year.

We opened 48 new sites, 20 of which were for Toolstation where new branches rapidly achieve profitability and have an above group average return on incremental capital employed. We also closed 17 under-performing sites, 9 of which were in our plumbing and heating division and sold 3 others.

We now have tool-hire operations situated on 200 sites including 8 new implants for the commercial contract market in BSS Industrial branches. The dedicated teams installed in each of the BSS locations have delivered excellent service and sales and the number of customers using the service is ahead of projections. In 2013 further roll out of the offering is planned.

Our managed services offering goes from strength to strength and we opened another 8 sites in 2012. Our record of winning more than our expected share of these opportunities continues as those tendering the contracts recognise the skills that we possess and the opportunities that will give them to improve their own profitability.

Sales of spares grew by 11% year-on-year due to the good like-for-like performance from the existing plumbing and heating locations and the opening of new sites. We now operate from over 200 sites across the Group.

We opened 39 new bathroom showrooms, 13 of which were in Travis Perkins General merchant sites and now have 51 showrooms in the Group with plans to continue the roll out in 2013. The new showroom concept, which has received excellent feedback from both trade customers and the retail customers of the

“Developing highly skilled colleagues who can progress as our business grows is of paramount importance to us.”

tradesmen, has resulted in significant sales growth and improvements in product mix have been seen across the new network.

People

Our vision is to create a great place to work, one that is safe, rewarding and empowering and so we were pleased that for the third year running we were independently assessed to be one of Britain's top employers

We employ over 23,400 people. Our customer insight work indicates that high levels of colleague engagement have a very positive impact on customer experience, both in terms of satisfaction and ratings of customer service. Therefore, seeking feedback from those colleagues is vital, especially when we face a challenging trading environment.

In 2012 we undertook our biennial 'You Talk We Listen' employee survey in our head office locations, and our General and Specialist Merchandising and our Consumer divisions. 79% (2011: 63%) of colleagues responded with overall engagement scores increasing when compared with 2011. 84% of colleagues were proud to work in their location. Teams across the Group reviewed the results, then identified and implemented actions to address any issues.

Developing highly skilled colleagues who can progress as our business grows is of paramount importance to us, so we work hard to support them throughout their career. In 2012 51% (2011: 44%) of management appointments were filled by internal candidates.

Dunng 2012

- In partnership with Ashridge business school we delivered the 'Horizons' business leadership programme to 60 directors. It focused on leadership behaviours, business strategy and fostering collaboration across the Group.
 - Our branch managers were able to attend the 6 day 'Evolve' management development programme which delivers leadership, sales and commercial modules.
- We provide a diverse range of development opportunities for all our colleagues ranging from practical job skills and product knowledge through to management and leadership development. We also invest in training technology and during the year we launched iLearn.

It is a platform, which enhances the online learning options available to all colleagues, whilst also providing technology to manage and record colleagues' learning and development activity.

Our commitment to apprenticeships continued with high levels of activity throughout the year. This commitment was supported by the development of our apprenticeship website, designed to attract young people into our business.

The Travis Perkins Group Building People' Apprenticeship scheme (which replaced our management trainee scheme in 2011) is aimed at attracting and developing the skills and knowledge of young people within our branch operations and management roles. We hope that this new scheme will develop the same high quality future leaders and managers that we see in our business today. There are two parts to the scheme:

- The branch scheme is aimed at attracting those who are new to merchandising, with many joining as their first job.
 - The management apprenticeship scheme is focused on attracting talent from other merchandising branch networks, with apprentices' development being accelerated through completion of the scheme.
- Over 30 apprentices graduated with a nationally-recognised qualification during the year and a second tranche of 30 high calibre 'Building People' apprentices joined us during the autumn. We also have 500 apprentices enrolled onto the Wickes Level Two Retail Apprenticeship Scheme.

Sharing knowledge with our people is key to engagement so they can see, where we are going as a business, the part each of us plays in that journey and that we listen to what they are saying.

Many of our brands produce internal magazines and newsletters, so that everyone can see and better understand what is happening across the Group. However, we have reviewed our internal and external communications activity this year and realised there is more we can do to raise awareness of the Travis Perkins Group as a whole.

We have also appointed a Head of Corporate Communications to support the internal and employee

“In 2013, we will continue to take a balanced view when managing sales, seeking to protect margin where necessary, but all the time ensuring that our costs are well controlled.”

communications work already underway in our businesses. She will also identify areas to improve communication with new and existing audiences, and so build our brand reputation and influence opinion in our sector.

Our Save as You Earn (SAYE) scheme is a real success with 1,200 or 19% more colleagues joining in 2012. It's really encouraging that 7,500 (2011: 6,300) of our colleagues are keen to share in the success of the Group through the SAYE scheme, even when there are so many other demands on their money.

Pension membership increased during the year as a result of our work to introduce a new pension plan which meets the government's requirements for auto-enrolment from March 2013. In total, at January 2013 42% (2011: 27%) of our colleagues are now members of a group pension plan.

Awards

For the second year running the innovation, skills and performance of our supply chain team and our Wickes distribution team were recognised during 2012. Between them they were shortlisted for 5 awards of which they won four.

- Hermes Retail Week – Supply Chain Leader of the Year was our group supply chain director Robin Proctor,
- Hermes Retail Week – Multichannel Project of the Year Award went to the Wickes National Delivery Service
- Hermes Retail Week – Grand Prix Award (Overall Winner) was also awarded to the Wickes National Delivery Service
- The European Supply Chain Excellence Awards – Public Sector was won jointly by British Gas and Travis Perkins for our collaboration project.

In addition our marketing team won the 'Best Use of Direct Marketing' award at the Construction marketing awards in December. That was followed in February 2013 by the team winning the award for 'Best B2B' for its customer lifestyle optimisation campaign at the Data Strategy Awards.

Management changes

There have been few changes in our senior management group during 2012.

Chris Bosworth was appointed managing director of Groupspares, a new role that will focus on the multi-channel growth of spares across the Travis Perkins group.

On 31 December 2012 Mo Iqbal left our business, six years after we purchased Tile Giant and he came on board to oversee its integration and expansion. Mo brought great expertise and knowledge to the Group and has had a huge influence in the success of our tile business. We wish him well in his new endeavours.

Outlook

I think it is important that I place on record my appreciation for the work undertaken by all colleagues in all our businesses and supporting functions. The success of our Group is founded on the quality and the commitment of people throughout our organisation. 2012 has been another testing year for them, but once again, they have excelled. Early indications are that in the short term certainly, 2013 may be not be any better, but I know that colleagues will continue to deliver outstanding results regardless of the circumstances.

We have many initiatives underway to deliver improvements across the Group, some of which I have described in this report. In 2013, we will continue to take a balanced view when managing sales, seeking to protect margin where necessary, but all the time ensuring that our costs are well controlled. In that way we will continue to maximise the advantage of our operational gearing and so sustain our overall operating margin.



John Carter
Deputy Chief Executive

Finance Director's Review of the Year

FOR THE YEAR ENDED 31 DECEMBER 2012

Financial achievements

2012 has been a year of consolidation as we have continued to manage our businesses so they are well positioned to take advantage of the opportunities that will arise when our markets start to improve. Our balance sheet is stronger with lease adjusted net debt to adjusted EBITDAR reducing from 3.4 times to 3.2 times, our dividend up by 25% and in January 2013 we have secured a £50m increase in our medium term funding.

Investment has been carefully targeted towards projects that give the best short-term returns, in particular Toolstation expansion. Our focus on lowering debt has realised a further £155m reduction in

underlying debt (before business acquisitions of £24m) and we have made significant progress on the BSS synergy and integration projects.

Our operating margin has improved and we have maintained strong cost control, even though RPI annual inflation in 2012 was 3.1% we have reduced our like-for-like overheads by 2.3% whilst continuing to invest in the business.

Financial performance

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

	2012	2011
Adjusted operating profit to revenue	6.7%	6.6%
Group adjusted overheads to revenue	23.8%	23.6%
Profit before tax growth	16.2%	37.0%
Adjusted profit before tax growth	1.1%	36.9%
Adjusted earnings per share	95.1p	93.1p
Adjusted dividend cover	3.8x	4.7x
Free cash flow (note 35)	£242m	£294m
Lease adjusted net debt to adjusted EBITDAR (note 36)	3.2x	3.4x
Adjusted pre-tax return on capital (note 37)	11.5%	11.3%

“Investment has been carefully targeted towards projects that give the best short-term returns, in particular Toolstation expansion.”

Financial results

Changes in turnover, operating profit and operating margins have been discussed in the Chief Executive's Review of the year

Net financing costs before exceptional charges have increased by £10m to £27m. The primary cause of the increase was £4m of mark-to-market losses (2011 £4m of gains) 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, as highlighted in last year's report, putting in place the Group's new borrowing facility increased interest costs by around £4m. The average interest rate during the year was 3.9% (2011 3.0%).

Pre-tax exceptional items of £31m were credited to the income statement (2011 debit £14m) during the year due to

- £15m (2011 £14m) of costs arising from the BSS integration programme, which continues to progress well
- Sub-letting several vacant retail sites, for which £6m of the exceptional onerous lease provisions, established in 2008, were released,
- Applying the requirements of the International Financial Reporting Standard relating to acquisitions which resulted in a £36m non-taxable revaluation gain in respect of the Group's 30% investment in Toolstation immediately prior to the Group's acquisition of the remaining 70% of its shares,

- Fair valuing the outstanding consideration for Toolstation at the year-end resulted in a £4m credit to the income statement

After exceptional items profit before tax rose by £43m to £313m, a 16.2% increase (2011 £270m)

The tax charge was £54m (2011 £57m). If the impact of the non-taxable exceptional items is excluded from profit before tax and the £13m (2011 £13m) exceptional deferred tax credit (caused by the 1% corporation tax rate reduction in April 2012) is ignored, the underlying tax charge was £69m (2011 £75m). That represents an effective rate of 24.5% (2011 26.5%). We expect our corporation tax rate to reduce further in the coming years in line with government announced falls in the statutory tax rate to 23.25% in 2013, 21.5% in 2014 and 21.0% in 2015. The reduction in the effective rate from last year reflects the drop in the statutory tax rate during the year.

Basic earnings per share were 20.6% higher at 108.9 pence (2011 90.3 pence). Adjusted earnings per share (note 11) were 95.1 pence (2011 93.1 pence). There is no significant difference between basic and diluted earnings per share and between adjusted and diluted adjusted earnings per share.

Capital employed and balance sheet

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

Capital employed at the end of 2012 was £2 308m (2011 £2,108m). The Group's adjusted pre-tax return on capital for the year was 11.5%, (2011 11.3%), which continues to be above our weighted average cost of capital ('WACC').

During the year, the daily closing share price ranged between 794p (2011 711p) and 1,149p (2011 1,127p). The shares closed the year at a price of 1,088p (2011 796p) increasing the Group's market capitalisation over the year by 37% to £2 66bn (2011 £1 94bn). This represented 1.2 times shareholders funds (31 December 2011 0.9 times).

Extracting value from our business assets

The Group's property team has continued to make an important contribution to group profits by realising £15m of gains (2011 £16m) from 10 projects. The largest contribution came from the St Pancras development, the contract for which became unconditional in July. Property disposals realised £30m of cash in 2012, but a further £9m of proceeds on the St Pancras deal does not fall due, and so will not be recognised, until the development is completed.

At the year-end, the carrying value of our freehold and long leasehold property portfolio was £287m (2011 £285m).

Pension fund performance

At 31 December 2012 the combined accounting net deficit of the Group's defined benefit pension schemes was £45m (2011 £34m), which represents an £11m worsening over the course of the year. The Travis Perkins final salary pension scheme has a surplus of £2m (2011 £19m), whilst the aggregate gross deficits on the two BSS related defined benefit schemes totalled £59m (2011 £65m).

Positive influences on the gross deficit in the year were due to

- Returns on scheme assets exceeding expectations by £28m due to strong equity performance,
- The impact of changes in inflation which reduced the combined deficit by around £12m,
- £23m of excess contributions and £11m of other finance income.

Two factors had an adverse effect on the combined deficit

- A 0.3% reduction in the discount rate to 4.6%, which reflects another year of falling yields on high quality corporate bonds has increased the deficit by £61m
- The allowance for scheme experience between the 2008 actuarial valuation and the 2011 actuarial valuation of the Travis Perkins scheme impacted the deficit by £21m.

The triennial valuation of the Travis Perkins defined benefit scheme for September 2011 was finalised during the year. The future service contribution rate has been increased to 13.1% (previously 11.5%) of pensionable

salaries. In addition, the employing companies have agreed to increase their annual combined deficit cash contribution by £2m to £15m backdated to September 2011. Future deficit contributions will increase, although not significantly, if the Company's investment rating changes or dividends rise above a pre-agreed limit.

The triennial valuation of the BSS defined benefit scheme as at 1 June 2012 has been agreed with the Trustees. The future service contribution rate, based on the projected unit approach is 10.3%. In order to eliminate the deficit, additional payments of £10m per annum will be made over the ten years to May 2022.

Having finalised the triennial actuarial valuations of the Travis Perkins and the BSS Group defined benefit schemes, the cash contribution to reduce the combined deficits will increase by £5m in 2013 to £28m before reducing to £26m thereafter.

In 2013 we will apply the new requirements of IAS 19, the accounting standard on pensions for the first time. This will result in other finance income (a non-cash item) in the income statement reducing by approximately £12m.

Continued focus on debt reduction

Net debt was £131m lower than the previous year-end at £452m (2011 £583m) as a result of a continuing focus on capital investment and working capital management. Free cash flow for the year was £242m (2011 £294m) (note 35), lower than 2011 partly as a result of not repeating the prior year tax cash benefit from the BSS acquisition.

Gross capital and investment expenditure totalled £110m (2011 £121m). £54m (2011 £55m) was spent on capital replacements, and £56m (2011 £66m) on expansion.

The peak and minimum levels of daily borrowings on a cleared basis during the year ended 31 December 2012 were £827m and £468m respectively (2011 £949m and £597m). The maximum month end cleared borrowings were £682m (2011 £867m).

Toolstation

On the 3 January 2012 the Group acquired the remaining 70% of the issued share capital of Toolstation Limited for an initial £24m with additional and final consideration becoming payable in early 2014 based upon the performance and expansion of the business in the year ending 31 December 2013.

After taking into account the requirements of the purchase and sale agreement the cash payment in 2014 is currently expected to be £51m. This acquisition resulted in goodwill of £103m being recognised in the balance sheet during 2012.

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,
- Generating sufficient free cash flow to enable the Group to expand its operations whilst funding attractive returns to shareholders and 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 capitalised operating leases to EBITDAR would be less than three times (31 December 2012 3.2 times),
- Maintaining long-term adjusted dividend cover at between two and a half and three and a half times earnings (2012 3.8 times)

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. As necessary, the Company will rebalance its capital structure by raising or repaying debt, issuing equity or paying dividends

The Group's capital structure is intended to balance 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 lease adjusted net Debt / EBITDAR target of sub 3 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, the Board regularly reviews the sources of debt available to the Group with the aim of maintaining both diversified sources and diversified maturities

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 30 gives further details about the Group's operating lease commitments. At 31 December 2012 the annual rent roll for leased properties was approximately £189m. Our aim is to maintain a ratio approximating to 20% of properties owned, 80% leased, by value

The capital structure of the Group at 31 December comprised

	2012 £m	2011 £m
Cash and cash equivalents	139	79
Bank loans	(264)	(323)
US private placement notes at fair value	(261)	(279)
Loan notes	(3)	(3)
Finance leases	(26)	(20)
Liability to pension scheme	(37)	(37)
Pension fund deficit	(45)	(34)
Equity attributable to shareholders	(2,308)	(2,108)
Total balance sheet capital employed	(2,805)	(2,725)
Operating leases (8x property rentals)	(1,512)	(1,408)
Total capital employed	(4,317)	(4,133)

Liquidity and funding

In addition to its equity, 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 reasonably possible contingencies

At 31 December 2012, the Group had a committed UK bank facility of £739m and \$400m of US private placement notes in issue. In addition, it had £40m of uncommitted overdraft facilities. The UK bank facility expires in April 2013 when it will be replaced by a £550m revolving credit facility advanced by a syndicate of 10 banks which runs until December 2016

Since the year-end there have been several changes to the Group's debt facilities. On 26 January 2013, 7 years after they were issued \$200m of US senior notes fell due for repayment. The Board has decided not to issue replacement notes for the time being, so, to increase the Group's liquidity headroom, it entered into a new £50m bilateral committed revolving credit facility of fifteen-months duration. In addition, to reduce excess liquidity headroom on its existing syndicated loan facility £50m was prepaid two months early. As a result of these changes borrowing costs have been reduced

The remaining \$200m of funding from US senior notes, which is available until January 2016, together with the existing committed bilateral and syndicated bank facilities provide the Group with the liquidity it requires for the foreseeable future

At 31 December 2012, the Group had undrawn committed facilities of £475m (2011 £475m). The maturity profile of the Group's facilities is as follows

Committed facilities available at the year-end	£m
January 2013 (fully drawn)	126
April 2013 (£264m drawn)	739
January 2016 (fully drawn)	135
Committed facilities at 31 December 2012	1,000
Known changes in 2013	
January 2013 repayment	(126)
New facility committed to March 2014	50
April 2013 repayment	(739)
New facility committed to December 2016	550
Committed facilities from 4 April 2013	735

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, by using 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 £175m notional value of interest rate derivatives fixing interest rates on approximately 39% (2011: 38%) of the Group's cleared gross debt (before cash and cash equivalents). In total 53% (2011: 66%) of the Group's gross 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 2012 the nominal value of currency contracts, all of which were \$US denominated, was \$113m.

To protect itself against adverse currency movements and enable it to achieve its desired interest rate profile the Group has entered into 4 cross currency swaps and

forward contracts in respect of its \$400m of \$US private placement 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,
- Maintain borrowing facility liquidity headroom of over £100m and continue good relationships with our bankers,
- Manage counterparty risk by raising funds from a syndicate of lenders, the members of which maintain investment grade credit ratings,
- Operate within comfortable margins to our banking covenants
 - The ratio of net debt to EBITDA (earnings before interest, tax depreciation and amortisation) has to be lower than 3.0. It was 0.95 at the year-end (note 36), and
 - The number of times operating profit covers interest charges has to be at least 3.5 times and it was 13.1 times at 31 December 2012.
- Have a conservative hedging policy that reduces the Group's exposure to currency and interest rate fluctuations.

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 44 and 45 during periods of uncertain economic outlook and challenging macro economic conditions.

Paul Hampden Smith

Paul Hampden Smith
Finance Director

Statement of Principal Risks and Uncertainties

FOR THE YEAR ENDED 31 DECEMBER 2012

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 DIRECTION	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 and not just through our traditional competitors, 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. We are building our multi-channel capabilities so they complement our existing operations and provide our customers with the opportunity to transact with the group as they wish. 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. We continue to refine our pricing strategies to ensure we retain our competitiveness. 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 as we embrace modern and future platforms such as multi-channel, 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 three 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 consumer businesses. Off-site back-up routines are in place.

RISK DESCRIPTION	IMPACT DIRECTION	RISK MITIGATION
Colleague recruitment, retention and succession Many colleagues 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 Avoiding recession fatigue amongst our key management layers and ensuring a continuous flow of innovation in the Group	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.
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 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 has increased the Group's reliance on overseas factories producing product. This increases the Group's exposure to sourcing, quality, trading, warranty and currency issues. Potential for European anti-dumping legislation to be extended to cover further Asian countries so increasing the cost of some imported products.	Adverse effect on financial results Adverse effect on the Company's 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 effect on financial condition	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 scheme's investment policy is kept under regular review to ensure asset profiles are kept in line with the profile of liabilities.

Environmental Report

FOR THE YEAR ENDED 31 DECEMBER 2012

Introduction

In 2012, we were awarded Retro Expo's Outstanding Achievement Award in recognition of the positioning work we have done to ensure we take advantage of the low carbon construction economy. We have set targets for 2020 and have invested to improve our analysis of our supply chain carbon opportunities and liabilities.

The environmental impact of all group activities is included in this report.

Process improvements and outside influences

Management systems

The Group's certified Environmental Management System now covers BSS and PTS, but does not yet fully cover Toolstation or businesses not wholly owned by the Group.

The strategic management of our environmental approach was improved in 2012 by adopting key environmental metrics and targets out to 2020. We regard responsible operations as both important and financially prudent. Our zero waste to landfill ambition has been transposed to a 2017 target. By 2020, we expect to reduce our carbon dioxide intensity by 48%.

The effect of the law

What we do, and how we do it, is partially a response to regulatory drivers. We estimate that it costs us £2.2 million in direct fees to comply with current environmental regulations. We have increased our direct advocacy and interest in industry bodies like the Construction Products Association (CPA), British Retail Consortium (BRC) and the Green Building Council (GBC) so we can help achieve better regulation.

Opportunities from environmental regulation such as The Green Deal, which officially launched on January 28 2013, have yet to materialise – however, we expect this to build gradually as consumers become more informed. Travis Perkins and our Green Deal Provider Partner Tonga, were among the first organisations to create an approved Green Deal Plan. The Travis Perkins Tonga Green Deal proposition will allow customers to gain access to this growing market opportunity as it develops over the coming years.

The effect of stakeholder views

In 2012, excluding regular support for our contractor customers tendering activities and routine dialogue with WWF, CPA, BRC, GBC or our own environmental

advisory bodies, we spoke to approximately 200 people or organisations about our environmental approach. Regrettably, 28 of these (30 in 2011) were complaints. We recognise that from time to time conflicts can arise with neighbours, or we will have supplied materials customers regard as lacking environmental credentials. On each occasion we seek to listen, react and agree changes where possible.

Encouragingly, we had a positive engagement with investors in 2012 about our environmental approach and this has improved the level of disclosure in this report. Wherever possible, we now include absolute levels of emissions or consumption and an indicator stating the level of measured versus estimated data.

Our strategic priorities, themes and objectives are formally reviewed regularly against solicited or unsolicited commentary we receive about our environmental approach along with the feedback from our Non Executive Environmental Advisory Panel. We believe this makes our approach more effective and closer to stakeholder expectations.

What we report

For the 2013 calendar year we will report under the proposed Green House Gas mandatory reporting rules and restate comparatives to ensure consistency. For 2012 data we reviewed the calculations of our metrics, which are produced by combining measured, estimated and extrapolated data, but did not materially change them.

We have increased our content of environmental information on the Web and in other publications and have continued to have this report and its contents verified by Lloyds Register of Quality Assurance. A copy of the verification statement is downloadable from the Travis Perkins plc environment web pages.

Buying Responsibly

Timber and timber products

In 2012, we estimate that 90% by value of the timber and timber products purchased by the Group was from certified well managed or controlled forests.

Over 85% of the timber data comes from our central sales records, with the remaining estimated.

All centrally purchased major timber product groups are either fully certified or a plan for full certification is underway. By Q2 of 2013, all materials we import

directly from outside of the EU, which are the focus of the EU timber regulations (EUTR), will have the assurance of full chain of custody from credible certification schemes

However, we are now faced with the prospect of considerable supply uncertainty and significant upheaval to our internal processes as the certification bodies adapt from being a voluntary label of environmental quality to a compliance tool under the EUTR. Whilst we are confident the change will happen, the timing and requirements are unclear, and therefore we have chosen not to engage with colleagues and local suppliers until we can communicate clear expectations. This engagement is vital to achieve and sustain full certification with 10% of timber still specified and purchased locally by our merchant branch managers. We have therefore reluctantly concluded that, given the short amount of time remaining, we will not achieve 100% certified timber and timber product purchases by 2014 as we had hoped. Our new target for 2014 is to purchase 95% of timber and timber products by value from credibly certified well managed or controlled wood sources.

Resource efficiency

In 2012, we continued to source products with recycled content and worked with our suppliers to reduce packaging. Wickes has achieved the 15% packaging reduction target under the WRAP Home Improvement Sector Commitment.

We are currently examining the Construction Excellence/WRAP construction product resource efficiency plans to determine how we might act to deliver the greatest leverage and resource efficiency gain in 2013 and beyond.

We will measure our performance in this area with a single resource efficiency target, which we are hoping to set in 2013.

Embedded impacts

How we manage carbon emissions in our supply chain represents a significant, sustainable competitive advantage. In 2012, we embarked on a partnership with Carbon River to model how much, and where carbon was being emitted in the entire value chain of our products and bought in goods and services. We propose to use this measure as a broad indicator of our environmental health and robustness. We expect to publish our initial findings in mid 2013.

Supply chain environmental management

We continue to scrutinise our supply chain for environmental risk and require our partners to make a commitment to environmental management. Our figures suggest that approximately 66% by value of the products our merchant division distributes come from supply chains, which are regarded as responsible by a BREEAM assessment, helping our customers meet higher building codes.

Operating responsibly

Carbon dioxide intensity

In 2012, 101,954 tonnes of carbon dioxide were emitted as a result of our consumption of energy (96,348 tonnes in 2011) and 104,602 tonnes of carbon dioxide from our transport activities (104,082 tonnes in 2011).

Over 95% of the data is from measured sources with the remainder extrapolated from expenditure on fuel.

A combination of relatively benign temperatures, more grid energy coming from renewable sources and changing colleague behaviours has kept our performance flat in 2012 despite increased vehicle miles as a result of our supply chain network expansion.

Out of hours electricity useage within the Wickes estate has fallen by a cumulative value of 7% in 2012 over 2011 as a result of our Environmental Improvement Scheme. Approximately 400 branches now use route-planning software to increase vehicle efficiency, leading to fewer emissions. In total, we estimate that these changes in behaviour have reduced carbon dioxide emissions by 4,139 tonnes.

We have chosen to concentrate on changing behaviours in the early part of our carbon strategy, as a cost effective way of keeping emissions in check. Addressing consumption choices will remain our priority in 2013 and 2014, even if this means that progress will be modest. Our previous targets were overambitious and need to be revised. Our new target is for a 20% reduction by 2014 (20% by 2013 previously). Our carbon strategy is now based on achieving a 48% reduction in intensity by 2020 (on our 2005 levels) with a 37% reduction by 2017 against the same baseline.

Waste

In 2012 we created 41,241 tonnes of waste with 31,805 tonnes, 77%, being diverted from landfill (60% in 2011).

Over 95% of the data provided by our waste contractors are measured and the remainder extrapolated on an average branch-tonnage basis.

In 2012, our waste to landfill intensity was at an all time low at 2.9 tonnes per million pounds of yard and core sales. We confirmed our zero waste landfill target for 2017 and introduced a further interim target of a 90% reduction to landfill from 2005 levels by 2014.

We have achieved our leading performance in waste management by having strong partnerships with waste management companies, particularly in respect of our customer waste offering, a service that now turns over £4.1 million. Here, Hippo Waste Solutions have been helpful and we have worked together to develop recycling solutions for managed service customers and our consumer kitchen and bathroom installer service. More excitingly, our collaboration with Recipro in Wales and the North West has enabled us to supply unwanted stock to community projects.

More managers are choosing to introduce branch-recycling zones, using the information provided by

our Environmental Improvement Scheme. In 2013, we are planning to introduce even more opportunities for managers to increase recycling through segregation to reduce still further the component of our waste that goes to landfill.

Water

In 2012, we used 312,959 m³ of water

Data provided by our energy bureau contractor from invoices

Our water consumption is equivalent to 85m³ for every million pounds of sales. We continue to actively identify irregular consumption patterns and address their causes and through these actions believe we will achieve a 45% reduction on 2008 levels by 2014.

Pollution prevention

Small oil and paint spills continue to number most amongst environmental incidents we experience and we have increased the priority accorded to dealing with these.

In 2012, we recorded 16 incidents of which 13 needed reporting to the regulator because of a potential risk to pollution of controlled environments. In each case the regulator was satisfied with the remedial actions we took and chose not to investigate further. We were not prosecuted for any environmental offence in 2012.

In 2013, because we have raised the profile of effective pollution prevention we are targeting a reduction in the total number of incidents to less than 10.

Selling responsibly

Sustainable building solutions

Sustainable Building Solutions (SBS), a business we started in 2010, continued its development in 2012,

with the launch of a suite of new build and retrofit construction plans, providing the construction industry with easy to follow guidelines to meet the changing requirements of building regulations and the Code for Sustainable Homes. The SBS website now has over 400 pages of information on sustainable building, covering products, specifications and practical advice. In 2013 SBS will be heavily involved in delivering the Green Deal and ECO home improvement measures, and continuing to bring innovative products and services to the UK construction market.

Selling certified timber and timber products

Our customers, both large and small, are increasingly concerned about purchasing well-managed timber and timber products and we anticipate this concern will only grow with the introduction of the EUTR. We are well placed to deal with such increased interest as we retain one of the largest multi-site Chain of Custody certificates in Europe, which means certified products are widely available from our network.

We are really pleased that the UK Construction Group has agreed a common position on both certified material requirements and reporting, and welcome the opportunity to work in partnership with our customers on improving timber traceability in the construction sector.



Geoff Cooper
Chief Executive

Health and Safety Report

FOR THE YEAR ENDED 31 DECEMBER 2012

Our Stay Safe philosophy and objectives

Health and safety continues to be integral to everything we do, from the Group Board right down to each colleague in every branch store, warehouse and office. We believe that all injuries are avoidable, but we appreciate that achieving a zero injury rate is a major challenge to a business of our size and variety. Nevertheless, we aim to be the leader in reducing and eliminating workplace injuries in our industry, and this is embodied in our 'Stay Safe' ethos. This will require dedicated effort and perseverance before we can be even slightly satisfied with our performance. It is vital that, as an organisation, we recognise our room for improvement and remain open to challenge on new ideas, equipment and processes.

Underpinning our Stay Safe philosophy is the importance of reporting; not just incidents that result in injury, but near miss occurrences that we can learn from and respond to with actions to prevent our people getting hurt in the future. As a result, we have improved both our online reporting tools and the subsequent analysis and review of all incidents and near miss occurrences. We have recently raised the bar in terms of what we now classify as a safe branch - we only regard a store or branch as a safe site if they report no incidents of injury, but also report near miss occurrences and receive a 'green' audit score for safety.

All Stay Safe activity is reviewed by the Plc Stay Safe Committee, which comprises me as Chairman with Group Board members Ruth Anderson, John Carter and Robert Walker. The Committee met with representatives of group management on three occasions during 2012 to discuss Stay Safe progress, and also visited several sites, including one where we witnessed and reviewed a re-enactment of a serious accident.

Background to our journey

Our journey to Stay Safe started in 2008 following two very serious incidents in the previous two years.

The transition to adopting Stay Safe

1974 Health and Safety at Work Act

1974-2007 Reactive and stay legal approach

2006 Serious injury to one of our Keyline drivers

2006-2007 Review risk assessments and safe working procedures

2007 Fatality of a building site labourer during a site delivery

2008 Stay Safe vision and initiative created
Start of new journey

Between 2008 and 2011 Significant reduction in accident frequency rate

2012 Responsibility for Stay Safe devolved to our divisions

Data trends

Whilst there is no excuse for accidents, the Group faces many challenges. Our 3,400 vehicles make 7.8 million deliveries every year, travelling in excess of 100 million miles. We would welcome any opportunity to refresh the contacts we have had historically with our immediate competitors and widen further this network in order to engage in meaningful exchanges in relation to safety best practice and innovations.

Group accident frequency rates

Our accident frequency rate (lost time injuries versus the hours worked) initially fell then plateaued from 2009 to 2011. A slight rise in 2012 is not acceptable to us and so we have adopted a new approach to the way we manage safety throughout our Group.

Lost time injuries in 2012

The type of lost time injuries we experienced has not changed from 2011, despite our prioritising training activity towards preventing the most frequently occurring types of injury

*Other includes hit by a moving vehicle, contact with machinery or material being machined, exposure to a harmful substance, injured by an animal or physically assaulted by a person

Non-colleague injuries during 2012

789 injuries to people not employed by the Group were reported in 2012 (2011: 729) of which 64% occurred in our Consumer division. The majority were minor (slips, trips, falls and cuts), however two incidents resulted in major injuries and one tragically resulted in a death in one of our branches.

All of these very regrettable incidents have, or are in the process of being thoroughly investigated, any lessons learned will be acted upon.

Our organisation structure

In 2011 we improved our Stay Safe performance, however we felt that next stage on our Stay Safe journey was increased ownership of safety at the business level. At the end of the first quarter of 2012, we reorganised our group safety team to ensure their focus mirrored our divisional structure and increase personal ownership and accountability for Stay Safe amongst regional and branch management teams. This move allows each of our businesses to tailor health and safety actions to the specific issues they face.

Support from our Stay Safe central team

Our divisions can still draw on the support of an expert team of safety trainers within our operational training function. During 2012, they have trained more than 1,000 managers in accident prevention and reporting, risk assessment and on-site traffic management, as well as promoting the adoption of a safety culture in our branches.

A small central team provides expert health and safety advice by telephone and online to more than 2,000 managers. The team also analyses all entries in our online injury reporting system, identifying statistical trends that help our divisions pinpoint and tackle key safety issues.

Over 40 senior managers are currently working on Stay Safe projects as part of our senior manager development programme, which is being run in conjunction with Ashridge.

The strategy behind our approach

Devolving responsibility and cultivating a more committed level of ownership is underpinned by

- Leadership – our business leaders demonstrate that they own and drive the Stay Safe message in their business,
- Personal responsibility and belief – all colleagues believing that all injuries are preventable and acting accordingly
- Stay Safe behaviour – our systems and safe operating procedures being simple and realistic whilst being understood and followed by us all

We have worked hard to re-intone this philosophy in all our communications. For instance at our Group Conference in 2012, we presented all our business leaders with a two minute video entitled 'I am not a number', involving a large number of colleagues from across the business with the simple message 'Safety is not about numbers, but always about people'. The video can be viewed on YouTube.com.

Recent activities

Colleague opinions about safety

Our Stay Safe programme continues to yield high levels of awareness and 'buy in' from our colleagues. All our divisional colleague opinion surveys during 2012 recorded that over 90% of our colleagues 'feel safe at work', that their manager genuinely cares about their safety at work and that they have received the Stay Safe training they need to do their jobs safely.

Differences in Stay Safe performance across our divisions and brands

We recognise that when measured by their specific accident frequency and severity rates some divisions and brands are further ahead in their Stay Safe change process than others. The main difference in many cases is that some have been more successful at engaging colleagues with the Stay Safe journey. Beyond those differences in culture, values and attitudes, the inconsistent approaches have been affected further by the varying challenges each business has faced this year in their trading patterns, resource levels, business change projects – even the weather! Whilst our reporting of, and learning from, actual accidents and from near misses across all of our business continues to improve it is frustrating that this is not translating into consistent performance improvements.

We acknowledge that realising our Stay Safe Vision consistently across all divisions will not be easy and will demand leadership, consistency of focus and attention to detail to instil the required behaviours, culture and ways of working.

**“Stay Safe
is not about
numbers, it’s
always about
people”**

Innovations in Stay Safe during the year

We have introduced a number of Stay Safe innovations in 2012

- Our group transport team has introduced a number of initiatives to improve HGV vehicle safety including
 - The introduction of bag nipping vehicle grabs on our delivery lorries which removes the need to work at height,
 - The trialling of CCTV in lorry cabs which we believe will have a positive impact on driver behaviour,
 - The trialling of proximity sensors on vehicles to help detect cyclists and more visible ‘yellow’ lorry wing mirrors,
- Our ‘Full Stop’ initiative where all Supply Chain sites stopped work for an hour at 3 a.m and 3 p.m. on the same day in August whilst members of the senior team walked around the site, discussing hazards,
- Our Consumer division has introduced incident simulations to learn what can be done to prevent certain types of incidents,
 - Branch managers are being issued with a Stay Safe wall planner aimed at reminding them of the key practical things they should be doing to maintain a safe branch

Supplier safety initiative

During the summer of 2012 we held our annual group-suppliers’ conference. This year it focused on our Stay Safe strategy in order to engage our suppliers in playing a proactive and collaborative role in our safety programmes. By making safety integral to our commercial relationship, our message to suppliers is that ‘Safe Suppliers are the Best Suppliers’. A simple but effective leaflet has also been produced for issue to all suppliers to help them make safe deliveries to our premises.

Looking ahead to 2013

We are encouraged that in 2012, 87% of our branches were free from any reported lost time injuries. In 2013 we will encourage and recognise all such branches by creating a new Stay Safe ‘high standard’ performance measure, namely that of the ‘safe branch’.

To be identified as a safe branch at the end of the year, that location has to satisfy three key criteria

- No lost time injuries have been reported,
- Near miss incidents are being reported using our on-line reporting system,
- The Group’s audit team has given its region a ‘green’ (i.e. good) audit score specifically for its safety performance

In 2013 we will

- Continue our drive to win the hearts and minds of colleagues, managers and business leaders in support of our Stay Safe agenda,
 - Recognise safe behaviour wherever and whenever it occurs,
 - Simplify and improve our systems and procedures and make clear the outcomes of non compliance.
- We are embarking on further research that will explore the links between our colleague engagement survey data, safety metrics and business performance measures. We hope the findings will increase the focus of our business leaders and managers on the additional changes we need to adopt to deliver the improvements and consistency in safety performance we seek.

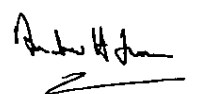
Culture change and local empowerment approach

Expert review	Safety culture change	Safety culture change
Organisation cultural	Organisation focus – systems	Divisional focus – systems, values, beliefs, style and staff
Predictors of accidents	Embedding safe behaviour by aligning systems’ to support change journey at a local level	Specific change management journeys using ‘cultural predictors’ at a local level

We need to keep focusing on those areas which show a strong link between organisational culture and injury rates and where possible action further improvements. With those in place the resulting changes in behaviour and culture will mean that our employees and customers go home safely at the end of every day.

The business impact we are seeking will

- Increase employee engagement, morale and performance and not only in those areas linked to safety,
- Increase our safety performance and enhance our reputation as a safe place to work, to buy from and to supply,
- Reduce our long-term-injuries so we have fewer lost working days, which will improve customer service



Andrew Simon

Chairman, Plc Board Health & Safety Committee

Directors

Chairman

Robert Walker was appointed as a non-executive director in September 2009 and became Chairman in May 2010. He is chairman of Enterprise Inns plc and Americana International Holdings Ltd, and a senior independent director of Tate & Lyle PLC. He was previously chairman 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 and 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 in March that year. He is a chartered management accountant and had a career in management consultancy before joining Gateway 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 and Chairman of the Construction Products Association. He is Chairman of the Executive Committee.

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 trustee of the Building Research Establishment. He is a member of the Health & Safety Committee.

Finance Director

Paul Hampden Smith served as Finance Director throughout 2012 and retired from the Board on 28 February 2013.

Tony Buffin is to be appointed as Finance Director on 8 April 2013. He is a chartered accountant and joins us from the Coles Group in Australia where he was Chief Financial Officer from 2009. He was formally Chief Financial Officer of the Loyalty Management Group.

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 John Mowlem & Co plc, Baltimore Technologies plc and Xansa PLC. He was the Senior Independent Director until January 2013 and is Chairman of the Audit Committee and a member of the Nominations and Remuneration Committees. He will be retiring from the Board in October 2013.

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 succeeded Chris Bunker as Senior Independent Director in January 2013, and is a member of the Remuneration, Audit and Nominations Committees.

Philip Jansen was appointed as a non-executive director in April 2009. He is Chairman of Brakes Group, Group Chief Executive of Worldpay 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. He will be retiring from the board in May 2013.

Andrew Simon OBE 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 2012

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

CEO, Geoff Cooper, responsibility - Environmental report on pages 46 to 49

Health & safety

NED Andrew Simon, responsibility - Health & Safety report on pages 50 to 52

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 2012.



Robert Walker
Chairman

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)
A Buffin (Finance Director) (with effect from 8 April 2013)
K Appleton (Chairman, General Merchants Division)
N G Bell (Group Development Director)
J Bird (Chairman, Consumer Division)
A J Davidson (Chairman, Specialist Merchants Division)
C Kavanagh (Group HR Director)
M R Meech (Group Property Director)

A S Pike (Company Secretary & General Counsel)

R D Proctor (Group Supply Chain Director)

P Tallentire (Chairman, Plumbing & Heating Division)

J J Van Oosten (Chief Information Officer)

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.

Linklaters LLP, London Clifford Chance LLP, London

Auditor

Deloitte LLP London

Registrars.

Capita Registrars, Beckenham

Corporate Governance

FOR THE YEAR ENDED 31 DECEMBER 2012

UK corporate governance code

We explain below how the Company has applied the principles and provisions of the UK Corporate Governance Code (the Code) in 2012. We do so by reference to the five main sections of the Code. Where practicable, we have complied early this year with changes to the Code, and with forthcoming regulations on executive remuneration reporting, which will not technically apply to the Company until next year's annual report.

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. Chris Bunker was the Senior Independent Director throughout 2012 and until succeeded in that role in January 2013 by John Coleman. Ruth Anderson, 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. No changes were made in 2012. 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 myself, as Chairman, and the Chief Executive, again, we review this annually and no changes were made in 2012.

The Company maintains directors & officers' insurance in respect of the risk of claims against directors. This is reviewed annually.

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

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 the Board reviews the adequacy of this information as part of its annual evaluation process, described below.

I make a habit of contacting all the non-executive directors in advance of Board meetings, to suggest the key issues for discussion during the meeting, this also helps the directors to prepare, during their reading of 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 have regular, mostly weekly meetings with the Group Chief Executive and meet from time to time throughout the year with the Finance Director and Deputy Chief Executive. I held a number of meetings during the year with all the non-executive directors, without the executive directors being present.

Board meetings

We held twelve Board meetings in 2012 (two by conference call). One meeting was dedicated to consideration of the Company's long-term strategy. Nine meetings included either visits to parts of the Company's operations, presentations by senior executives on their areas of responsibility or, in one case, a visit to the factory of a major supplier. The latter visit was prompted by a recommendation in the previous year's externally-conducted performance evaluation, in which it was suggested the Board have more contact with its wider, external partners. Non-executive directors also made individual visits to operational sites. 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 is detailed in the table below. The larger number of Remuneration Committee meetings is unusual and was prompted by the need to give full consideration to the Group's proposed new replacement deferred share bonus plan (see Remuneration Report, page 65).

	PLC Board No	Audit No	Remuneration No	Nomination No	Health & Safety No	Executive No
Number of meetings	12	4	9	5	3	12
Attendances						
R Anderson	11	4	-	5	3	-
C J Bunker	12	4	9	5	-	-
J P Carter	12	-	-	-	3	11
J Coleman	12	4	9	5	-	-
G I Cooper	12	-	9	3	-	12
P N Hampden Smith	11	4	2	-	-	12
P Jansen	12	-	8	5	-	-
A H Simon	12	-	9	5	3	-
R Walker	12	4	9	5	3	-

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 56. 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

This committee is in the process of establishing a number of sub-committees to carry out more detailed review in areas such as trading performance or financial control, which will allow the committee to focus on key strategic issues.

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 all the other members are independent non-executive directors. A report of the Committee's work in 2012 is on page 75.

Appointments

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. We support the principles of the Davies Review and the need for a diverse range of attributes among board members, although we do not intend to commit to specific quotas. We use search firms who have committed to abide by the voluntary code of conduct which followed the Davies Review. We will establish a diversity policy during 2013 as required by the Code. We will report on this next year.

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 the need for progressive refreshing of the Board, maintenance of a balance of skills and experience 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	October 2013 (9 years, 9 months)
John Coleman	February 2014 (9 years)
Philip Jansen	April 2015 (6 years)
Andrew Simon	February 2015 (9 years)
Robert Walker	September 2015 (6 years)

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

Chris Bunker has now served on the Board for over 9 years. However, with the arrival of a new Finance Director in April 2013, and as the Board will be conducting a key strategic review in the Autumn of this year, it was agreed that the Board would greatly benefit from retaining Chris's skills and experience for a few more months. He will therefore, now retire from the Board in October 2013. The Chairman consulted with major shareholders who were supportive of this extension.

Regrettably, because of the extent of his other executive commitments, Philip Jansen has also decided to retire from the Board with effect from the end of the Annual General Meeting in May 2013.

Induction

We have an induction process for new directors, which is facilitated by the Company Secretary. In particular, this includes a programme of meetings with senior management in both operations and central functions and visits to a range of branches and stores. 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 56.

Executive mentoring by NEDs

Since 2011, and conscious of the potential impact of the Group's growth on communication between the Board and senior management, we have adopted a new approach to involving our non-executive directors (including myself) more closely with the individual businesses. Each non-executive director is allocated to one or more of the Group's businesses and one of the Group's central functions to mentor during the year. The precise process is left to each non-executive director to decide, but involves a programme of contact and meetings with the management of those businesses or functions, and a number of site visits. The intention is to give the non-executive directors a better understanding of our businesses and functions, their people and strategies, while allowing them to use their skills and experience to bring a fresh, independent, viewpoint to those parts of the Group. This mentoring arrangement will continue in 2013.

Evaluation 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 every three years, while recognising the difficulty in finding fully capable expertise in this area. It is a fact of life that new government regulations often spawn new businesses and it has been Board members' experience that individuals who set out to provide this service in the past were simply not fit for purpose. Previously, the Board has very successfully utilised the service of Egon Zehnder, one of the largest providers of board evaluation services in the UK, since there has been no conflict of interest. Going forward, we are encouraged to see the emergence in the past year or so of more professionally qualified evaluation service providers.

Having appointed an external facilitator in 2011, in 2012 the Board carried out an internal review of its performance. This entailed each director and the company secretary completing a questionnaire about the performance of the Board and its committees, which was followed by interviews with the Chairman, who subsequently prepared a report, which was presented to the Board in December. Chris Bunker, as senior independent director, also conducted a review of the performance of the Chairman on which he reported separately to the other directors. Having considered the outcome of these reports, the Board believes that it has operated effectively during the year but it will focus on a number of areas in 2013 where it may further improve its performance. Those areas are:

- Succession planning, including among non-executive directors,
- Support for the further development of management development programmes,
- The development of financial reporting to the Board,
- Receiving independent views from external sources, whether through discussions or site visits, to gain greater insight in to best practice in a number of areas.

In 2013, the Board will conduct an internal review of its performance.

Re-election

At the AGM, all directors (except Philip Jansen) will submit themselves for re-election. 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, and in particular have recognised that my appointment as chairman of Enterprise Inns during 2012 has not affected my commitment to and time available for my role at Travis Perkins.

The Board believes that there is presently a blend of skills and experience among the non-executive directors, which is appropriate for the Group. The skills required for our Board include experience in the merchanting and retail sectors, capital project and M&A evaluation and experience of international markets, as well as

the essential understanding of financial controls and accounting background. An understanding of information technology will become increasingly important.

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 20 to 43. The Board uses them, together with my statement on pages 18 and 19 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 80. Their consideration of the Group as a going concern is dealt with in the Finance Director's report on page 43.

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 threat posed by those risks, and any perceived change in that threat, is reviewed quarterly by both the Executive Committee and the Board. The system manages rather than eliminates risk and therefore can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The day-to-day operation of the system of internal control is delegated to 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 reports on specific areas of risk at each meeting, in accordance with a rolling timetable. They also receive reports 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, each 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 2012.

In conjunction with the Audit Committee, the Board has carried out an annual review of the overall effectiveness of the system of internal control and risk management, during the year and up 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 key responsibilities and a description of its work in 2012 are contained in its report, which is set out on pages 61 to 63.

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 key responsibilities and a description of its work in 2012 are contained in its report, which is set out on pages 64 and 74.

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 2012, the Chairman, the Senior Independent Director and the executive directors either separately or together attended a large number of meetings with analysts, and with shareholders representing about 55% of the issued share capital. In particular, three strategy presentations (including site visits), were held for analysts and investors during the year. 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.

As regards governance issues, the Chairman aims to meet with major shareholders shortly after the previous year's annual shareholders meeting. These meetings are deliberately timed early in the year so that the Board can consider and respond to shareholder concerns well in advance of the following year's annual report and shareholder meeting. I normally contact our 20 largest shareholders to ensure the widest consultation possible and particularly, given market volatility, to ensure that the views of a shareholder who substantially increases its stake during the year have been fully 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. 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 2012 with the provisions set out in the Code.



Robert Walker
Chairman

Audit Committee Report

FOR THE YEAR ENDED 31 DECEMBER 2012

As Chairman of the Audit Committee, I am pleased to report below on the Committee's activities in 2012

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 auditor's 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,
- Conducting any tender process for the provision of the external audit, and 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

Shortly 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 Ruth Anderson and John Coleman were members, of the Committee throughout 2012. All members of the Committee are considered to be independent and have considerable financial and commercial experience from a variety of corporate and professional backgrounds. In particular, 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 54 and 55). The Company Secretary is secretary to the Committee.

Meetings and attendance

The Committee held four meetings during 2012, and attendance at the meetings is shown on page 57. 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 auditor to attend the meetings. At each meeting I gave the external auditor 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. It took into account regular management accounting information, a report from the internal auditors on internal control matters and the external auditors' report on the conduct of their audit, their review of accounting policies and 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. During the year the Committee also reviewed

- Lessons learned from the process to integrate the BSS Group's financial systems, the costs of that integration, and the associated exceptional items,
- The impairment testing of goodwill and other non-monetary assets and the accounting processes and disclosures related thereto,
- The accounting treatment of the acquisition of the remaining share capital in Toolstation in January 2012
- The progress of training on the Bribery Act,
- The Company's tax management and its compliance with tax legislation, the tax impact of significant projects, and the relationship with HMRC,
- An evaluation of the Committee's work carried out as part of the Board evaluation process referred to on pages 58 and 59. I subsequently reported to the Board on this evaluation,
- The Committee's terms of reference, changes were recommended to the Board in the light of changes to the UK Corporate Governance Code,
- Comments received on its 2011 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, the Committee considered these systems to have been effective during the year
- The terms of reference strategy staffing, processes and effectiveness of the internal audit department taking into account the results of an exercise to benchmark its performance against other companies
- 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 information and written assurances provided by Deloitte LLP, on its quality and independence controls, and its ethical standards, and reports of the FRC Audit Inspection Unit,
- The security of the Group's information technology systems,
- The Group's systems for ensuring the eligibility of employees to work in the UK,
- The Group's accounting policies, forthcoming changes to International Financial Reporting Standards and other regulations, and the Financial Reporting Council's 2012 report and guidance notes,
- 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 and after taking into account discussions with the Financial Reporting Council's Conduct Committee about impairment calculations and disclosures (see note 13 to the annual report and accounts), and after including some additional disclosures in the Group's 2012 annual report and accounts the Committee was satisfied that they were appropriate.

External auditor

We place great importance on the effectiveness and independence of the external auditor and, together with them, are careful to ensure their objectivity is not compromised. At our October meeting, the auditors presented their plans for the forthcoming audit together with their proposed fees and information on 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 current 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 2013 meeting at which we reviewed the 2012 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 auditor, and to authorise the Directors to fix their remuneration. It is the Group's intention to put the audit out to tender at least every 10 years, in accordance with the recent change to the UK Corporate Governance Code, and to do so in 2014, the last year before the Deloitte audit partner is due to change. The tender process will be completed in time for the 2015 year-end.

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 auditor. 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 auditor, which has been approved by the Board, can be summarised as follows:

General principles

There is a presumption against the external auditor providing non-audit services and they should only be chosen to carry out such work where its nature makes it more cost effective and efficient 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 in carrying out the audit. Any engagement of the external auditor for non-audit work with a fee over £25,000 requires my approval.

Areas of work

Our policy sets out certain non-audit services where it would be usual to engage the external auditor because they are best placed to advise the Group and their independence would not be compromised and those where their engagement is not permitted. I am consulted in relation to any proposed work not covered by the list below.

Permitted work

Audit related

Activities required by law or legislation to be undertaken by the Auditors,
Reviews of interim financial information
Managed service reports to housing associations and local authorities

Non-audit related

Tax compliance services
Tax advisory services,
Public reporting on investment circulars and similar documents,
Private reporting to sponsors and similar parties in connection with investment circulars and similar documents,
Employee benefit plan audits

Prohibited work

Book-keeping and work related to the preparation of accounting records
Financial information system design or implementation
Appraisal and valuation services,
Internal audit services
Actuarial services
Forensic work,
Recruitment services
Secondment of staff to a supervisory or management position
Provision of investment advice, broking or legal services.

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 on the previous page,
- £5,000 to £25,000 – Finance Director,
- £25,000 to £50,000 – Finance Director and Committee Chairman
- £50,000 and above – 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 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 £431k (2011 £401k) for audit-related work, and £129k (2011 £299k) for non-audit work.

The principal items of non-audit fees related to reviewing the Group's interim announcement to shareholders and sundry tax advice. 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, £347k (2011 £119k) of fees was paid to other accounting firms for non-audit work, including advice to the Remuneration Committee.

The Committee understands that the total fees paid by the Group to Deloitte in 2012 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 2012.

Internal audit

As well as its reviews of the internal audit department's strategy and processes, as described above, during its meetings in 2012, 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 2013. 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 59, the Committee considers 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

Directors' Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2012

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

Dear Shareholder,

As an introduction to our remuneration report, I want to highlight the key features of our remuneration policy and describe how these relate to the strategic achievements of the Group. This executive summary will fall into three parts, the context of our remuneration approach, including strategic goals, pay and incentive challenges and outcomes in the year, and future priorities

Context

We remain committed to a remuneration policy that provides 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 key strategic achievements which have driven the share price from around £2.23 on 5 December 2008 to £12.52 at the time of writing this report were

- Decisive and robust implementation of an emergency plan to manage costs and trading margins through the worst downturn in construction in living memory
- Transformation of the Group, through acquisitions and superior organic growth, to become the largest UK distributor and retailer of building materials from its previous number 3 position in the market,
- Development of a balanced business model, selling all main material types to all main customer types, reducing segment risk
- Creation of market leading propositions in our trading businesses, leading to market outperformance and providing a platform for growth through network expansion,
- Development of online trading capabilities through acquisition and expansion of the fastest growing national lightside multi-channel business, and use of this model to accelerate the multi-channel propositions of core businesses,
- Creation of value adding shared central functions that support our trading businesses, capturing synergies across category management, buying, finance, supply chain and technology
- Strengthening management capabilities through the recruitment and development of members of the Group's Executive Committee and middle management,
- Adjusted EPS growth of 2.1%
- Free Cash flow generation of £242m

Our short and long term incentive performance measures are directly linked to driving and rewarding strategic growth initiatives and include the following: EPS, TSR, Cashflow, ROCE and broader

goals such as market share and health & safety

During the past 5 years, the basic salary increase of the executive committee and executive directors (other than through promotion) has averaged 2% p.a. in line with all other colleagues in the business

Over the same period only 37% of variable pay potential has been triggered, despite our management team's superior performance relative to competitors, which reflects the depressed state of the construction market

Pay and incentive challenges and outcomes

2012 was a very busy year for the Remuneration Committee. The full review of executive remuneration I mentioned in my statement last year was completed. As a result a number of changes were contemplated and we undertook an extensive consultation exercise with all our major shareholders. Further information on these proposals is attached in the separate letter from our Chairman. In addition, the Remuneration Committee needed to consider and determine the appropriate salary increase to reflect the promotion of John Carter to Deputy Chief Executive as well as remuneration arrangements for Tony Buffin, our new Group Finance Director who joins in 2013, replacing Paul Hampden Smith who will retire from the Group in September 2013. Again, we consulted with our major shareholders on both matters and the outcomes are described below

Deputy Chief Executive Officer

As indicated in last year's report, we commissioned specific external benchmarking work to assist us in determining an appropriate remuneration package for John Carter's new role. The Committee considered a number of factors including external market data from independent experts and agreed that his base salary should increase to £500,000 per annum with effect from the date of his appointment. The structure of his total remuneration package will remain unchanged. We consulted with our major shareholders on this matter and again, we were pleased that a majority supported this decision.

New Group Finance Director

Tony Buffin is due to join the company on 8 April 2013 as Group Finance Director. He was previously employed by a company in Australia and had significant awards of earned, but deferred, cash compensation which he forfeited when he resigned.

The structure of his remuneration package with Travis Perkins will be the same as other executive directors. The only addition will be a special, one-off award of deferred shares granted to him because they were vital in securing his services. He will be required to invest from his own resources £500,000 in the Company's shares and will in return receive a share award on a 2:1 basis, half of which will vest after 1 year from the award date and the balance vesting 2 years from the award date, subject to continuing employment and performance targets in relation to his function being met. Other terms of the award which will be granted pursuant to the authority contained in Listing Rule 9.4.2 R(2), will reflect the terms of the 2007 Share Matching Scheme. Full details of the award, as required by Listing Rule 9.4.3, will be disclosed in the next year's Directors' Remuneration Report.

It is important to note that this one-off award only partially compensates Mr Buffin for the awards he has forfeited. Major

shareholders consulted on this matter were generally very supportive of this arrangement

Other

In line with all other colleagues at management grades in the group Executive Directors were not awarded an increase in basic pay in January 2013. This means that for the sixth successive year the same basic salary increase percentage has been applied to all management levels. The Remuneration Committee has agreed to review the position again in July 2013, when all management may become entitled to an increase of 1.5% being the award given to colleagues below management grades in January 2013. Any increase made during the year will not be backdated.

The Committee is delighted that more than 1,300 colleagues benefited from another pay-out under the Group's Sharesave Scheme. In addition to this, executives benefited from the partial vesting of awards under the Performance Share Plan (PSP) and, for the first time, full vesting of awards under the Share Matching Scheme (SMS).

Our executive directors are entitled to awards of up to 27% of their maximum opportunity under the Annual Bonus Plan as a result of the Group partially meeting the targets set for 2012 (which are described in more detail later in this report). These targets were set at a more stretching level in 2012, evaluated by considering the likely value of risks and opportunities pertaining to the Group's annual budget. In 2012, the net risks were valued at the outset of the year at a higher level than in previous years. In 2013, the level of stretch has increased yet further.

- Annual bonuses for Executive Directors are linked to performance on EPS, ROCE and strategic developments. The relevant strategic achievements during 2012 were: Successful delivery against plans for the second year of integration of the BSS businesses, including over achievement of synergy targets and design and initial implementation of new IT systems based on Travis Perkins' proven merchandising technology.
- Continued growth and roll out of the Toolstation business and branch network following acquisition of the remaining 70% of Toolstation's equity in January 2012.
- Further growth and deployment of Category Management, Global Sourcing and Supply Chain activities, achieving gross margin benefits ahead of plan, offsetting some margin pressure from an increasingly tough trading environment as the year progressed.
- Development of strategic partnerships and investment in activities to position the Group strongly as a provider of sustainable building retrofit solutions ahead of the launch of the Green Deal.
- Successfully trialling and launching a pilot for co-ordinated national, regional and area distribution facilities to support the phased introduction of multi-channel trading for all Group businesses.

A proportion (20% of total bonus opportunity) of Executive Directors' and other senior managers' bonuses are based on achievement of quantified targets on a balanced scorecard covering financial metrics, relative performance on sales, market share and returns, potential for growth, business capabilities and business quality. This scorecard identifies annual targets that lead to a five-year ambition for development and performance of the business. The Remuneration Committee judged that management achieved performance on this scorecard at 60% of potential, with particular shortfalls against

stretching targets on metrics for health and safety and cash flow return on invested capital. Executives are awarded a bonus within the range determined by the Remuneration Committee, with the position in the range determined by the behaviour and attitude displayed by each individual, as assessed by their superior and reviewed by the CEO, Deputy CEO and Group HR Director.

Future priorities

We intend to maintain a strong correlation between the strategic drivers for shareholder value creation and the metrics used for long term and short term incentive schemes. We will continuously seek to improve our communication with shareholders both through learnings and guidance from the final BIS proposals as well as the open dialogue with shareholders which has been very helpful in shaping our thinking over the last 12 months.

Following the successful integration of the BSS group of companies, it was necessary to 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.

After a period of extensive consultation both internally and externally with our major shareholders, the eventual proposal was as follows:

"One change is proposed for variable pay. We plan to replace the current Annual Deferred Bonus Plan with a revised plan which does not increase the level of cash bonus potential, but provides an opportunity for an increased deferred share bonus. A material further condition that would be applied is that if the total shareholder return fails to meet future targets, that part of the bonus being delivered as a deferred share award would be subject to forfeiture conditions.

Under our proposal, the executives cannot benefit from this element of annual bonus unless shareholders have the opportunity to benefit at the same time. We believe that these proposals represent a significantly more stringent and shareholder-oriented approach than found elsewhere.

The remainder of the remuneration package will remain unchanged, although a significantly increased shareholding requirement for the executive directors is proposed of two times basic salary up from the current one times salary policy."

The full remuneration package is detailed in the policy table shown on pages 66 and 67.

The Committee believes that the proposals, outlined above and in full detail in the separate Chairman's letter, will support the Company achieving its goals and we are pleased that a majority of the shareholders we consulted gave their support.

In all, we had 30 discussions (either in person or teleconference) with 14 major shareholders and representative bodies.

Our remuneration policy

Our Remuneration Policy is first and foremost designed to support the group goal of creating shareholder value through consistently outperforming in our markets. With this in mind, we continue to focus our efforts on achieving the right blend of fixed and variable remuneration and ensuring that our senior executives are paid at a level appropriate to the size of our group. We are mindful of our responsibilities to other stakeholders, especially employees, and

take into account remuneration elsewhere in the Group when setting pay for senior executives. A key principle applied for directors and colleagues throughout the Group is that base salaries should be competitive and set at the median for the relevant comparator group.

Appropriate levels of incentives are just as important. External guidance received indicates that over the longer term, more than 50% of total remuneration should be performance related. The framework we now have in place means that if all incentives vested at their maximum, 80% of total remuneration would be performance related. In determining our policy, all associated risks are considered, so that the overall remuneration structure and targets in incentive schemes do not give rise to any undue risk taking.

We believe that it is important for all our most senior executives to build up a shareholding in the Company and so going forward we are increasing this requirement for Executive Directors to two times basic salary. Participation in our long term incentive schemes will be restricted or withdrawn if the required shareholding is not acquired and maintained. At 31 December 2012 all senior executives had exceeded their target level of holdings.

We take into account a number of factors when setting targets for our incentive schemes. Taken together, they represent a balance that means executives should not be unduly rewarded for one-off, short term factors. Instead, performance over and above stretching targets should result in greater shareholder value and, in turn, higher rewards for executives.

Remuneration elsewhere in the Group

The Committee takes into account remuneration packages available to all colleagues when considering executive pay. As with many companies, senior management participate in a wider range of incentives than the majority of colleagues. We recognise that we have to operate on this basis to attract and retain high-quality managers.

All colleagues are entitled to a competitive remuneration package that includes basic pay, bonus, pension, Sharesave, Buy as You Earn shares, colleague discount, a range of voluntary benefits, tax-efficient childcare vouchers and paid annual leave. We have recently taken steps to ensure that all colleagues will have life insurance cover in 2013.

The Group operates a number of pension schemes and is in the process of streamlining these arrangements as pensions auto-enrolment approaches. Over 10,000 colleagues are active members of a Group pension scheme. Contribution rates made by the Group range from 1% to 20% of salary under the defined contribution scheme whilst over 2,400 colleagues are active members of a defined benefit scheme where company contribution rates will be 10.3% for the BSS Group scheme and 13.1% for the Travis Perkins scheme. None of the executive directors are active members of a company pension scheme, primarily as a consequence of recent changes in tax rules. Instead, the Company pays a gross cash allowance at 25% of salary. As this allowance is fully taxed, unlike the contributions to an approved pension scheme, the equivalent net benefit for executive directors is currently 12% of salary.

Key elements of remuneration

PURPOSE AND LINK TO STRATEGY	OPERATION	PERFORMANCE METRICS
Base salary		
Core element of total package essential to support recruitment and retention of top quality executives	Reviewed annually as at 1 January. Factors influencing decisions include: Role, experience and individual performance Total group salary budgets, Pay awards elsewhere in the Group, External market, General economic environment Benchmarked against FTSE 75-125 companies and sector	None
Benefits		
Maintain competitive package with range of benefits for the director and their family	Directors are entitled to: Private medical insurance, Income protection Annual leave – 28 days, Fully expensed company car or cash alternative, Life insurance at 5 times salary	None
Pension		
Help executives provide for retirement. Aids retention.	No director actively participates in a defined benefit pension scheme. A cash allowance at 25% (gross) of base salary is paid to each director. This is subject to statutory deductions and results in a net benefit of 12% of salary.	None

PURPOSE AND LINK TO STRATEGY	OPERATION	PERFORMANCE METRICS
Deferred share bonus plan		
Rewards achievement of annual financial and key business strategy objectives Rewards personal performance measured against key objectives Deferred element encourages longer term shareholding. Clawback and forfeiture provisions discourage excessive risk taking and short term outlook ensuring that executive and shareholder interests are aligned	Targets are set annually in line with the performance metrics (see aside) Relative weighting of metrics subject to discretion of Committee annually Total bonus level is determined after the year end based on achievement of targets 50% of the total bonus will be paid in cash within 4 months of the year end Remainder of total bonus deferred in share bonus bank. No withdrawals from bonus bank until after year 2 From year 3 annual withdrawal of 50% of shares held in bonus bank. Shares in bonus bank subject to clawback and forfeiture For 2013 the maximum opportunity will be CEO 180% DCEO 150% GFD 150% There will be no increases to these percentages in future years without prior shareholder approval	Bonus measures and weightings. EPS 50% ROCE 30% Business strategy 20% Financial targets based on group Annual Operating Plan (AOP) with no bonus paid if outcome is less than 95% of AOP The target bonus levels are 50% of the maximum. Shares held in the bonus bank are subject to forfeiture if target share prices are not achieved Target share prices are based upon the average share price during the bonus year inclusive of a compounded long-term equity rate of return (currently 8%) The banked shares are split into two equal tranches. Tranche 1 vests if after one year, by comparison to the highest 30 day average share price during the period the target share price is met If the target share price is not met 50% of tranche 1 is forfeited Tranche 2 vests if after two years, by comparison to the highest 30 day average share price during the period, the target share price is met If the target share price is not met at the end of two years 50% of tranche 2 is forfeited In determining achievement of target share prices dividends paid per share during the period will be added
Performance share plan		
Incentivises participants to deliver key financial targets over a longer term Helps retain top quality executives.	Awards in the form of nil-cost options, are made annually to participants. Awards vest after 3 years subject to achievement of performance measures (see aside) Participants will only participate if they meet the shareholding requirements set by the Committee The maximum annual award for all executive directors is 150% of salary	Performance measures and weightings are EPS growth 40% Aggregate cashflow 40% Relative TSR 20% Cashflow targets are set for each award based on the Group's projections for the next 3 years. From 2013 TSR awards made will be measured against the FTSE 50 to 150 index better reflecting the position of the business. EPS growth has to be a minimum of 3% p a in addition to RPI over 3 years with full vesting at 10% p a plus RPI
Share matching scheme		
Encourages participants to build up a shareholding in the company Incentivises participants to deliver key financial targets over a longer term Helps retain top quality executives	Participants are invited to participate annually Each participant buys shares from their own resources with a value of up to 50% of their post-tax base salary Matching share award on a 2:1 basis made to each participant Matching share award is in the form of a nil-cost option which will vest after 3 years subject to achievement of performance target (see aside)	Performance target is Cash Return on Capital Employed (CROCE) Vesting range is based on company's projections for next 3 years
Shareholding requirements		
Aligns the interests of executives and shareholders.	Formal requirements (not voluntary guidelines) apply to directors and senior executives. Participation in long-term incentives will be scaled back, or withheld, if the requirements are not met and maintained. From 2013 executive directors are required to hold shares valued at two times salary within 5 years.	None

Remuneration in 2012

Annual bonus

The performance measures were the same as for 2011. The targets and results are as follows:

Measure	Weighting	Target range	Achieved
EPS	50%	95% - 105%	15%
ROCE	30%	95% - 105%	Nil
Personal objectives*	20%	0% - 20%	12%

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. More detail on the specific achievements and shortfalls was described earlier in the Remuneration Report. The annual bonus for each of the executive directors is as follows:

	% bonus	Full bonus	Cash bonus	Deferred in shares
John Carter	27%	£135,000	£101,250	33,750
Geoff Cooper	32.4%	£211,312	£158,484	52,828
Paul Hampden-Smith	27%	£105,867	£79,400	26,467

Long term incentives

This is the first time for five years where all employees participating in share plans have been able to share in the Group's success through achieving stretching performance targets and delivering increased shareholder value.

Performance share plan

The targets set in 2009 were met partially and 80.0% of the awards vested in 2012. This is the first time such awards have vested in the last five years.

Share matching scheme

There was full vesting of the awards made in 2009. This is the first full vesting of these awards in the last five years.

All employee share plans

Over 1,300 colleagues shared a pay-out of approximately £6m 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.

Remuneration for 2013

As described above, the only significant change to the remuneration structure is the Replacement Deferred Share Bonus Plan. Full details of the new scheme are set out in a separate resolution 14.

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 2013.

From 1 January 2013, the executive directors' salaries remain unchanged from 2012

- John Carter £500,000
- Geoff Cooper £652,200;
- Paul Hampden Smith £392,100

As described in the introduction to this report, the position will be reviewed in July 2013, but any increase at that time will not exceed 1.5% and will not be backdated

Annual bonus

As described in detail above, the executive directors will participate in the Replacement Deferred Share Bonus Plan. The maximum award will be 180% for the CEO and 150% for the other executive directors. 50% of the full bonus will be paid in cash after the year end and the remainder will be held in shares deferred for at least 2 years and subject to a total shareholder return target. The new plan will be extended to the Executive Committee members in 2014.

Performance share plan

The maximum award levels will be 150% of basic salary for each of the executive directors. The performance targets will again 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
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%
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%

Measure	Target Detail	Range
EPS growth	RPI + 3% p.a.	30% vests
	RPI + 10% p.a.	100% vests
	Straight-line between these points	
Aggregate cashflow over three years up to 2015	Three aggregate cash flow targets	£766.7m - £847.4m
	No vesting below lower target	
	Straight line increase until full vesting at upper target	
Company TSR relative to FTSE 50 - 150 Index	Upper (top 50%)	30% vests
	Upper quartile (top 25%)	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'). Increases in RPI have been well above 3% in recent years and the outlook remains uncertain. If RPI 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.

The three-year targets for aggregate cash flow and CROCE below reflect a poorer market outlook for construction than the prior year. However, the targets require a more stretching performance when taken into account as part of the 3 year rolling forecast targets.

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	8.68% - 9.60%	0.6 for 1
			2 for 1
			Straight-line between the two

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

	Fixed	Cash Bonus	LTIPs
CEO – target	28%	13%	59%
CEO – maximum	19%	17%	64%
DCEO/FD – target	30%	11%	59%
DCEO/FD – max	20%	15%	65%

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 receives additional fees for chairing the Audit Committee and until 8th January 2013 for the role of Senior Independent Director in which he was succeeded by John Coleman. Andrew Simon also receives fees for chairing the Remuneration and Health & Safety Committees. The fees were last reviewed in 2011 and 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

We plan to review non-executive directors' fees during 2013.

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.

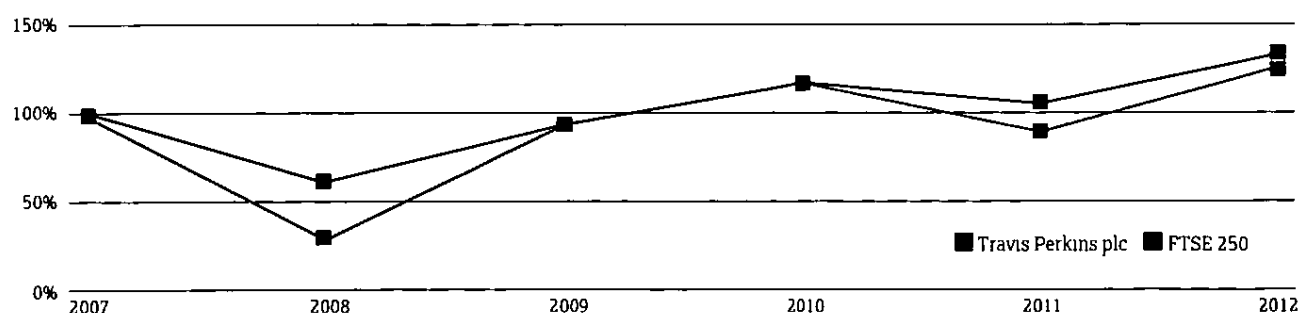
Who attends remuneration committee meetings?

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

The Committee met 9 times in 2012. Attendance at the meetings is shown on page 57.

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.

PwC LLP was appointed by the Committee to provide it with advice during the year on executive remuneration. A different specialist area of PwC LLP provided advice in connection with the Toolstation brand valuation. 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.

Total shareholder return**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 months' notice from the directors and 12 months' notice from the Company. They do not specify any particular level of compensation in the event of termination or change of control.

John Carter	6 August 2001
Geoff Cooper	1 February 2005
Paul Hampden Smith	8 October 1996 (retired on 28 February 2013)

In addition Tony Buffin has a service contract which will take effect from 8 April 2013

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

	Basic salary 2012 £ 000	Annual bonus 2012 £ 000	Benefits in kind 2012 £ 000	Total remuneration 2012 £'000	2011 £ 000
Executive					
Geoff Cooper ¹	652	211	164	1,027	1,389
Paul Hampden Smith ²	392	106	116	614	756
John Carter ³	500	135	159	794	807
Non-executive					
Ruth Anderson	50	-	-	50	9
Chris Bunker	67	-	-	67	67
John Coleman	50	-	-	50	50
Philip Jansen	50	-	-	50	50
Andrew Simon	64	-	-	64	64
Robert Walker	200	-	-	200	200
	2,025	452	439	2,916	3,392

Notes.

- 1 Highest paid director - Benefits include a cash allowance of £163,050 (2011: £159,851) in lieu of pension accrual. This does not count when calculating annual bonus and granting share incentives. Geoff Cooper also received and retained in 2012 £100,000 (2011: £100,000) 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 £98,025 cash allowance in lieu of pension accrual which do not count when calculating annual bonus and granting share incentives. Paul Hampden Smith also received, and retained in 2012, £41,250 (2011: £45,000) in respect of his non-executive directorship of Redrow plc.
- 3 Benefits include a cash allowance of £125,000 in lieu of pension accrual which does not count when calculating annual bonus and granting share incentives.
- 4 Gains on options exercised during 2012 were: Paul Hampden Smith £210,328.05; John Carter £177,787.51. Gains on options exercised during 2011 were: Paul Hampden Smith £277,140.72; John Carter £77,430.00; Geoff Cooper £135,504.36.

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 2012	51	52	58
	£ 000	£ 000	£ 000
Accrued pension at 31 December 2011 including revaluation if applicable	258	83	5
Accrued pension at 31 December 2012 including revaluation if applicable	264	87	5
Increase in accrued pension in 2012	6	4	-
Real increase in accrued pension in 2012	-	-	-
Transfer value of the real increase in accrued pension net of member's contributions	-	-	-
Value of increase in accrued benefit	-	-	5
Member's contributions towards pension	-	-	-
Increase in transfer value net of member's contributions	49	17	9
Transfer value of benefits accrued at 31 December 2011	5,089	1,642	135
Transfer value of benefits accrued at 31 December 2012	5,138	1,659	144

Notes.

- 1 Geoff Cooper ceased future accrual on 5 April 2006 but benefits up to that date retain a link to current salary.
- 2 John Carter ceased future accrual on 31 December 2010. Benefits on leaving were calculated using a 3 year averaging of pensionable salaries.
- 3 Paul Hampden Smith ceased future accrual on 31 March 2011. Benefits on leaving were calculated using a 3 year averaging of pensionable salaries.
- 4 Any pensions paid on early retirement are subject to abatement.

Travis Perkins' share price information

	2012	2011
Mid-market price at the year end	1,088p	796p
Highest mid-market price during the year	1,149p	1,127p
Average mid-market price during the year	1,024p	928p
Lowest mid-market price during the year	794p	711p

Directors' shareholdings

The Directors' holdings of ordinary 10p shares of Travis Perkins plc at 27 March 2013, 31 December 2012 and 31 December 2011 were as follows

Director	Interest	2013 27 March No	2012 31 December No	2011 31 December No
Ruth Anderson	Beneficial owner	1,000	1,000	-
Chris Bunker	Beneficial owner	11,900	11,900	11,900
John Carter	Beneficial owner	73,837	73,436	61,918
John Coleman	Beneficial owner	2,465	2,465	2,465
Geoff Cooper	Beneficial owner	120,570	132,190	195,053
Paul Hampden Smith	Beneficial owner	53,916	99,944	283,933
Philip Jansen	Beneficial owner	-	-	-
Andrew Simon	Beneficial owner	3,400	3,400	3,400
Robert Walker	Beneficial owner	82,333	82,333	80,595

*The figures for P Hampden Smith are as at 28 February 2013, the date of his resignation as a director

Share matching scheme

Participation by directors in investment matching shares is as follows

Grant date	Outstanding 1 January 2012 No	Granted during year No	Outstanding 31 December 2012 No	Vested during year No
Geoff Cooper				
1 April 2008	53,033	-	53,033	-
19 May 2009	157,785	-	157,785	157,785
16 March 2010	71,853	-	71,853	-
15 March 2011	65,580	-	65,580	-
14 March 2012	-	60,536	60,536	-
Paul Hampden Smith				
1 April 2008	37,121	-	37,121	-
19 May 2009	110,450	-	110,450	110,450
16 March 2010	50,296	-	50,296	-
15 March 2011	39,424	-	39,424	-
14 March 2012	-	36,396	36,396	-
John Carter				
19 May 2009	63,974	-	63,974	63,974
16 March 2010	50,296	-	50,296	-
15 March 2011	39,424	-	39,424	-
14 March 2012	-	36,396	36,396	-
4 December 2012	-	9,676	9,676	-

Notes

- Vesting is on the third anniversary of the grant date
- Award/purchase prices (restated for the rights issue as appropriate) are: 19 May 2009 553p 16 March 2010 740p 15 March 2011 968p 14 March 2012 1,069p
- Performance criteria apply. For the share matching shares granted in 2009 which vested during 2012 minimum vesting required CROCE of 6.45%, and full vesting required 8.82%. The Award vested in full. For investment matching shares granted in 2010, 2011 and 2012 a condition based on a three-year average of cash return on capital employed (CROCE) applies as described on page 69. For 2010 the target range was 7.5% - 9.0%, for 2011 the target range was 10.75% to 11.89% and for 2012 the target range was 9.53% to 10.53%.
- The 4 December 2012 grant in respect of John Carter related to the backdated pay increase as described on page 64

Performance share plan

Participation by directors is as follows

Grant date	Outstanding 1 January 2012 No	Granted during year No	Lapsed during year No	Outstanding 31 December 2012 No	Vested during year No
Geoff Cooper					
23 June 2009	131,289	-	(26,258)	105,031	105,031
5 March 2010	92,437	-	-	92,437	-
4 March 2011	75,224	-	-	75,224	-
4 April 2011	18,605	-	-	18,605	-
2 March 2012	-	90,082	-	90,082	-
Paul Hampden Smith					
23 June 2009	76,585	-	(15,317)	61,268	61,268
5 March 2010	53,921	-	-	53,921	-
4 March 2011	37,686	-	-	37,686	-
4 April 2011	18,642	-	-	18,642	-
2 March 2012	-	54,157	-	54,157	-
John Carter					
23 June 2009	76,585	-	(15,317)	61,268	61,268
5 March 2010	53,921	-	-	53,921	-
4 March 2011	37,686	-	-	37,686	-
4 April 2011	18,642	-	-	18,642	-
2 March 2012	-	54,157	-	54,157	-
4 December 2012	-	14,548	-	14,548	-

Notes

- Vesting is on the third anniversary of the grant date
- 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 2 March 2012 1.085p 4 December 2012 1.121p
- Performance criteria apply. For performance shares granted in 2009 vesting was at 80%. 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 Cashflow 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 and 2012 award performance were the same as 2010 except the range for Aggregate cash flow is £844m to £977m for 2011 and £761m to £841m for 2012
- The 4 December 2012 grant in respect of John Carter related to the backdated pay increase as described on page 64

Deferred share bonus plan

Participation by directors is as follows

	Outstanding 1 Jan 2012 No	Granted During year No	Outstanding 31 Dec 2012 No
Geoff Cooper			
3 March 2010	19,862	-	19,862
2 March 2011	16,729	-	16,729
2 March 2012	-	18,180	18,180
Paul Hampden Smith			
3 March 2010	11,586	-	11,586
2 March 2011	9,496	-	9,496
2 March 2012	-	8,626	8,626
John Carter			
3 March 2010	11,586	-	11,586
2 March 2011	9,496	-	9,496
2 March 2012	-	9,106	9,106

Notes

- Vesting is on the third anniversary of the grant date
- The award price for the 3 March 2010 grant was 801.1667p for the 2 March 2011 grant was 987.3p and for the 2012 grant was 800.9737p

Executive share options

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

	Outstanding 1 Jan 2012 No	Exercised during year No	Outstanding 31 Dec 2012 No	Exercise price	Exercise period
Geoff Cooper	17,980	-	17,980	1,320p	Anytime until 31/3/15
Paul Hampden Smith	39,368	(39,368)	-	845p	
	51,994	(51,994)	-	841p	
	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	
	41,594	(41,594)	-	841p	
	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 2012 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 2012 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

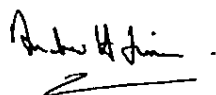
At 31 December 2012, shares under grant for executive share schemes over a 10 year period represented 2.82% of issued share capital and shares under grant for all employee share schemes over the previous 10 years represented 5.37%. There were 5,024,649 (2.05% of issued share capital) unallocated shares 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

Nominations Committee Report

FOR THE YEAR ENDED 31 DECEMBER 2012

Just as the Audit Committee is responsible for monitoring the performance and condition of the Group's financial and physical assets, so the Nominations Committee is responsible for monitoring the performance, appropriateness and future succession of the Group's executive and Board talent. Reflecting this importance, the Nominations Committee has met as frequently as the Board's other major committees over the past two years. The Committee met five times in 2012 and comprises myself as Chair, Chris Bunker and John Coleman, although all the other Non-Executive Directors also came to the meetings. Frequent attendees at the meetings were the Group's Chief Executive and Group HR Director, depending on the relevance of the issues under discussion.

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. Of course, these days it is more and more important to plan for Board and executive succession well in advance, in order to ensure smooth succession and ensure that the Group's Board and executive leadership skills are fully aligned to the Group's long term strategy.

In planning these appointments, the Nominations Committee will

- Prepare a full description of the role, skills and capabilities required,
- Appoint external search firms each time reviewing alternative options, and ensuring that the chosen firm has signed up to the relevant industry codes, for example, on diversity
- Engage with the Group's major shareholders on future skill requirements and ideas for potential candidates

A further important role for the Committee is to ensure that there is a continuous pipeline of high performing and executive talent at the two levels below executive director. These discussions would normally take place at least once a year. In this sense, the Nominations Committee has a broader HR function.

The focus of the Committee's work in 2012 was on four topics:

- The search for a high calibre candidate to succeed Paul Hampden Smith as Group CFO, given his intention to retire. Russell Reynolds was chosen, after considering a number of alternatives, to conduct the search and was given a wide remit and demanding specification, covering both the UK and international markets,

private equity as well as plc companies. We were delighted to announce the appointment of Tony Buffin, who will join the Group on April 8 2013. Tony was previously Group CFO at the £20bn revenue Coles Group in Australia.

- Detailed plans for the further personal development of John Carter following his appointment as Deputy Chief Executive. All our Non Executive Directors were individually and collectively involved in contributing to John's development, as well as specifically tailored courses,
- A performance review of new hires and new appointments to the Group below executive director level and the available pipeline of internal talent feeding into those management levels
- Approval for future use of new service contracts that take into account recent legal and corporate governance developments

In the coming year, the focus of the Committee's work will switch to planning the future Non Executive membership of the Board. This is because three of our current NEDs are due for retirement in the next three years and in addition, Philip Jansen has decided to retire from the Board after the Annual General Meeting because of his other executive commitments. We plan to conduct a comprehensive assessment of the Board's skills, given our long-term strategy, to ensure that our future NEDs are fully able to complement and support the executive leadership. In leading this process on the Nominations Committee, I will be discussing this skills assessment with each of our major investors seeking their input and where possible their suggestions as to possible nominees.

Importantly, we will also continue the development work undertaken in 2012 on preparing for future senior executive succession.

As Chairman of the Committee, I will be available at the Annual General Meeting to answer any questions about the Committee's work.



Robert Walker
Chairman

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their annual report and audited accounts for the year ended 31 December 2012. The Corporate Governance statement on pages 57 to 60 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 18 and 19, the Chief Executive's review of the year on pages 20 to 28, the Deputy Chief Executive's review of the year on pages 30 to 36 and the Finance Director's review of the year on pages 38 to 43. A review of the Group's environmental performance is on pages 46 to 49.

Results and dividends

The Group results for the year ended 31 December 2012 and dividends for the year ending 31 December 2012 are set out on page 82. If approved, the final dividend will be paid on 30 May 2013 to those shareholders on the register at the close of business on 3 May 2013.

Balance sheet and post balance sheet events

The balance sheet on pages 84 and 85 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 44 and 45.

Financial risk management

Details of the Group's approach to capital management and the alleviation of risk through the use of financial instruments are given in the Finance Director's Review of the Year on pages 38 to 43. Specific quantitative information on borrowings and financial instruments is given in notes 23 and 24 on pages 112 to 118 of the annual financial statements.

Directors and their interests

In accordance with the Company's Articles of Association, Tony Buffin 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 Tony Buffin's exceptionally strong track record in financial management, corporate finance and in creating and achieving organic growth strategies will greatly benefit the Company, complement the skills of the other Board members, and make him an excellent choice as Group Finance Director. His biographical details are set out on page 54.

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 and John Carter, and non executive directors Robert Walker, Chris Bunker, John Coleman, Andrew Simon and Ruth Anderson will all seek re-election at the Annual General Meeting. Philip Jansen will not seek re-election because as explained on page 58 he will be retiring from the Board at the end of the meeting.

After 22 years in senior finance roles, including the last 17 years as the Company's Group Financial Director, Paul Hampden Smith resigned as a director on 28 February 2013. He has agreed to continue in our employment until September 2013, to ensure a smooth and complete handover to his successor, Tony Buffin.

The names of the Directors at 31 December 2012 together with their biographical details are set out on pages 54 and 55. All of these Directors held office throughout the year. Tony Buffin was appointed with effect from 8 April 2013. 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 58, 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. These provisions have operated effectively. 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 2012, including holdings, if any, of spouses and of children aged under 18 were as detailed in the Directors' Remuneration Report on pages 72 to 74.

Substantial shareholdings

As at 31 December 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	%
Scottish Widows Investment Partnership Ltd	14,858,234	6.08%
Sprucegrove Investment Management Ltd	13,506,856	5.53%
Pzena Investment Management LLC	10,080,127	4.13%
Investec Ltd	9,159,663	3.75%
Dimensional Fund Advisors LP	9,022,439	3.69%
Sanderson Asset Management Ltd	8,926,940	3.65%
Legal & General Investment Management Ltd (UK)	8,735,399	3.57%
Standard Life Investments Ltd	7,891,153	3.23%
AXA Investment Managers UK	7,559,946	3.09%

As at 27 March 2013, 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	%
Scottish Widows Investment Partnership Ltd	16,068,747	6.56%
Sprucegrove Investment Management Ltd	13,413,946	5.48%
TIAA Group	10,058,410	4.11%
Pzena Investment Management LLC	9,298,675	3.80%
Dimensional Fund Advisors LP	9,097,983	3.71%
Sanderson Asset Management Ltd	8,949,207	3.65%
Legal & General Investment Management Ltd (UK)	8,569,743	3.50%
AXA S A	8,404,654	3.43%
Investec Ltd	7,751,263	3.16%
Morgan Stanley & Co Inc	7,435,324	3.04%

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 pages 20 to 28 and in the Deputy Chief Executive's review of the year on page 35

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 diversity 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, 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 2012 represented 53 days (31 December 2011: 57 days) of average purchases of goods and services. The Company's trade creditors at 31 December 2012 represented 30 days (2011: 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 the auditor

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

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all reasonable steps that 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 section 418 of the Companies Act 2006.

Share capital and change of control

As at 31 December 2012 the Company had an allotted and fully paid share capital of 244,853,057 ordinary shares of 10 pence each, with an aggregate nominal value of £24,485,306 (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 20 to the financial statements.

As at 31 December 2012 The Travis Perkins Employee Share Ownership Trust owned 5,313,791 shares in the Company (2.17% 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 ordinary shares. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

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

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

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 70, service contracts 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 restrictions) 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 Thursday 23 May 2013 at 12.00 noon. 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 auditor and to give the directors authority to fix the auditor's remuneration, the following items are to be proposed at the

forthcoming 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 13

Directors' remuneration report

In accordance with the section 439 of the Companies Act 2006, this resolution seeks shareholders' approval of the Directors' Remuneration Report as set out on pages 64 to 74. This vote is advisory and the directors' entitlement to receive remuneration is not conditional on it.

Resolution 14

Replacement deferred share bonus plan amendments

This resolution seeks shareholder approval of the replacement Deferred Share Bonus Plan (amending the existing Plan following the review of executive remuneration referred to on page 65). A description of the Plan is set out in the Chairman's letter which has been sent to shareholders with the notice of the Annual General Meeting.

Resolution 15

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 £8,166,764 (representing 81,667,644 ordinary shares of 10 pence each). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 27 March 2013, 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 £16,333,529 (representing 163,335,288 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 27 March 2013, the latest practicable date prior to publication of this Notice. The authorities sought under paragraphs (a) and (b) of this resolution will expire at the earlier of 30 June 2014 (the last date by which the Company must hold an annual general meeting in 2014) and the conclusion of the annual general meeting of the Company held in 2014. 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 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 16

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 £1,225,015 (representing 12,250,147 ordinary shares) This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 27 March 2013, 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 15 would be limited to allotments 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 entitlements and regulatory matters)

The authority will expire at the earlier of 30 June 2014 (the last date by which the Company must hold an Annual General Meeting in 2014) and the conclusion of the Annual General Meeting of the Company held in 2014 Any issue of shares for cash will, however, still be subject to the requirements of the UK Listing Authority

Resolution 17

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 2012, 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 2013 This resolution is proposed to allow the Company to continue to call general meetings (other than AGMs) 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 Examples of when it might be appropriate to call a general meeting at 14 days notice include when emergency capital raising proposals or other price sensitive transactions are being put

to shareholders for approval The approval will be effective until the Company's Annual General Meeting in 2014 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 18

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 132, 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 24,500,293 (representing 10% of the issued ordinary share capital of the Company as at 27 March 2013) and sets minimum and maximum prices This authority will expire no later than 30 June 2014

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 27 March 2013, there were options over 12,485,868 ordinary shares in the capital of the Company, which represent 5.1% 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 5.66% of the Company's issued ordinary share capital (excluding any treasury shares) As at 27 March 2013 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
3 April 2013

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 DECEMBER 2012

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 such 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 European Union. 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.

Directors' responsibility statement

We confirm that to the best of our knowledge

1. The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, 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
2. 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



John Carter
Deputy Chief Executive

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

FOR THE YEAR ENDED 31 DECEMBER 2012

We have audited the financial statements of Travis Perkins plc for the year ended 31 December 2012 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 37. 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 2012 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
3 April 2013

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

THE GROUP							
	Notes	2012			2011		
		Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m
Revenue	4	4,844.9	-	4,844.9	4,779.1	-	4,779.1
Operating profit before amortisation	5	326.6	(8.7)	317.9	313.2	(9.8)	303.4
Amortisation of intangible assets		(17.4)	-	(17.4)	(12.9)	-	(12.9)
Operating profit		309.2	(8.7)	300.5	300.3	(9.8)	290.5
Exceptional investment income	5	-	39.5	39.5	-	-	-
Finance income	9	13.8	-	13.8	22.4	-	22.4
Finance costs	9	(40.5)	-	(40.5)	(38.9)	(4.4)	(43.3)
Profit before tax		282.5	30.8	313.3	283.8	(14.2)	269.6
Tax	10	(69.2)	15.5	(53.7)	(74.5)	17.3	(57.2)
Profit for the year		213.3	46.3	259.6	209.3	3.1	212.4
Earnings per ordinary share	11						
Basic				108.9p			90.3p
Diluted				105.0p			87.3p
Total dividend declared							
per ordinary share	12			25.0p			20.0p

All results relate to continuing operations. Details of exceptional items are given in notes 5, 9 and 10.

THE COMPANY			
	Notes	2012 £m	2011 £m
Revenue	4	82.1	86.0
Operating profit	5	62.3	68.9
Exceptional investment income	5	37.4	-
Finance income	9	3.7	19.5
Finance costs	9	(50.8)	(39.8)
Profit before tax		52.6	48.6
Tax	10	13.2	10.1
Profit for the year		65.8	58.7

All results relate to continuing operations.

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	THE GROUP		THE COMPANY	
		2012 £m	2011 £m	2012 £m	2011 £m
Profit for the year		259.6	212.4	65.8	58.7
Items that will not be reclassified subsequently to profit and loss					
Actuarial losses on defined benefit pension schemes	28	(45.8)	(49.8)	-	-
Deferred tax rate change	10	(5.5)	(4.9)	-	-
Income tax relating to items not reclassified	10	10.4	12.6	-	-
		(40.9)	(42.1)	-	-
Items that may be reclassified subsequently to profit and loss					
Cash flow hedges.					
Losses arising during the year		(8.5)	(4.6)	(8.5)	(4.6)
Reclassification adjustments for losses included in profit		8.8	2.8	8.8	2.8
Movement on cash flow hedge cancellation payment		4.1	4.2	4.1	4.2
Income tax relating to items that may be reclassified	10	(0.9)	(0.6)	(0.9)	(0.6)
		3.5	1.8	3.5	1.8
Other comprehensive income for the year net of tax		(37.4)	(40.3)	3.5	1.8
Total comprehensive income for the year		222.2	172.1	69.3	60.5

Balance Sheets

AS AT 31 DECEMBER 2012

		THE GROUP		THE COMPANY	
Assets	Notes	2012 £m	2011 £m	2012 £m	2011 £m
NON-CURRENT ASSETS					
Goodwill	13	1,807.5	1,706.2	-	-
Other intangible assets	14	424.8	388.9	-	-
Property, plant and equipment	15	578.4	562.6	0.2	0.2
Derivative financial instruments	24	12.8	40.3	12.8	40.3
Investment property	16	0.4	0.4	-	-
Interest in associates	17	6.7	51.3	6.2	58.5
Investment in subsidiaries	17	-	-	3,572.9	2,872.8
Available-for-sale investments	17	2.4	1.5	-	-
Retirement benefit asset	28	1.6	19.3	-	-
Deferred tax asset	26	-	-	14.2	9.9
Total non-current assets		2,834.6	2,770.5	3,606.3	2,981.7
CURRENT ASSETS					
Inventories		637.1	596.0	-	-
Trade and other receivables	18	733.7	743.0	180.7	214.1
Derivative financial instruments	24	12.7	3.1	12.7	3.1
Cash and cash equivalents	19	139.1	78.6	74.0	-
Total current assets		1,522.6	1,420.7	267.4	217.2
Total assets		4,357.2	4,191.2	3,873.7	3,198.9

Equity and liabilities	Notes	THE GROUP		THE COMPANY	
		2012 £m	2011 £m	2012 £m	2011 £m
CAPITAL AND RESERVES					
Issued capital	20	24 5	24 4	24 5	24 4
Share premium account	22	487 2	480 8	486 1	479 7
Merger reserve	22	326 5	326 5	326 5	326 5
Revaluation reserve	22	20 1	20 8	-	-
Hedging reserve	22	(1 6)	(5 1)	(1 6)	(5 1)
Own shares	22	(62 4)	(75 2)	(62 4)	(75 2)
Accumulated profits	22	1,513 8	1,335 6	204 0	192 5
Total equity		2,308 1	2,107 8	977 1	942 8
NON-CURRENT LIABILITIES					
Interest bearing loans and borrowings	23	195 2	598 2	134 9	592 8
Derivative financial instruments	24	4 9	5 9	4 9	5 9
Retirement benefit obligations	28	59 1	65 0	-	-
Long-term provisions	25	20 0	28 9	-	-
Long term other payables	29	47 0	-	47 0	-
Amounts due to subsidiaries		-	-	2,243 4	1,563 5
Deferred tax liabilities	26	85 0	97 4	-	-
Total non-current liabilities		411 2	795 4	2,430 2	2 162 2
CURRENT LIABILITIES					
Interest bearing loans and borrowings	23	396 1	63 6	444 9	74 9
Trade and other payables	27	1,107 6	1,088 3	18 9	19 0
Derivative financial instruments	24	2 6	-	2 6	-
Tax liabilities		74 8	75 9	-	-
Short-term provisions	25	56 8	60 2	-	-
Total current liabilities		1,637 9	1,288 0	466 4	93 9
Total liabilities		2,049 1	2,083 4	2,896 6	2,256 1
Total equity and liabilities		4,357 2	4,191 2	3,873 7	3 198 9

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 3 April 2013 and signed on its behalf by

Geoff Cooper
Chief Executive

John Carter
Deputy Chief Executive

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	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 2011	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
Other comprehensive income for the period net of tax	-	-	-	-	1.8	-	(42.1)	(40.3)
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)
Tax on share based payments (note 10)	-	-	-	-	-	-	(3.2)	(3.2)
Credit for equity-settled share based payments	-	-	-	-	-	-	13.9	13.9
At 31 December 2011	24.4	480.8	326.5	20.8	(5.1)	(75.2)	1,335.6	2,107.8
Profit for the year	-	-	-	-	-	-	259.6	259.6
Other comprehensive income for the period net of tax	-	-	-	-	3.5	-	(40.9)	(37.4)
Total comprehensive income for the year	-	-	-	-	3.5	-	218.7	222.2
Dividends	-	-	-	-	-	-	(51.2)	(51.2)
Issue of share capital	0.1	6.4	-	-	-	12.8	(10.4)	8.9
Realisation of revaluation reserve in respect of property disposals	-	-	-	(1.4)	-	-	1.4	-
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	-	-	(0.2)	-	-	0.2	-
Deferred tax rate change	-	-	-	0.9	-	-	-	0.9
Tax on share based payments (note 10)	-	-	-	-	-	-	4.3	4.3
Credit for equity-settled share based payments	-	-	-	-	-	-	15.2	15.2
At 31 December 2012	24.5	487.2	326.5	20.1	(1.6)	(62.4)	1,513.8	2,308.1

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2011	24.2	470.4	325.9	(6.9)	(83.4)	178.7	908.9
Profit for the year	-	-	-	-	-	58.7	58.7
Other comprehensive income for the period net of tax	-	-	-	1.8	-	-	1.8
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
Tax on share based payments (note 10)	-	-	-	-	-	(4.1)	(4.1)
Credit for equity-settled share based payments	-	-	-	-	-	5.1	5.1
At 31 December 2011	24.4	479.7	326.5	(5.1)	(75.2)	192.5	942.8
Profit for the year	-	-	-	-	-	65.8	65.8
Other comprehensive income for the period net of tax	-	-	-	3.5	-	-	3.5
Total comprehensive income for the year	-	-	-	3.5	-	65.8	69.3
Dividends	-	-	-	-	-	(51.2)	(51.2)
Issue of share capital	0.1	6.4	-	-	12.8	(10.4)	8.9
Tax on share based payments (note 10)	-	-	-	-	-	3.0	3.0
Credit for equity-settled share based payments	-	-	-	-	-	4.3	4.3
At 31 December 2012	24.5	486.1	326.5	(1.6)	(62.4)	204.0	977.1

Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Operating profit before amortisation and exceptional items	326 6	313 2	62 3	68 9
Adjustments for				
Depreciation of property, plant and equipment	69 4	63 9	-	-
Other non cash movements	15 2	13 9	4 3	5 1
Losses of associate	0 3	0 6	-	-
Gain on disposal of property, plant, equipment and investments	(17 1)	(17 6)	-	-
Operating cash flows before movements in working capital	394 4	374 0	66 6	74 0
Increase in inventories	(19 2)	(36 1)	-	-
Decrease / (increase) in receivables	5 1	(62 0)	81 8	1 5
(Decrease) / increase in payables	(25 0)	107 1	682 8	231 9
Payments on exceptional items	(4 7)	(17 8)	-	(5 4)
Pension payments in excess of the charge to profits	(23 0)	(20 1)	-	-
Cash generated from operations	327 6	345 1	831 2	302 0
Interest paid	(27 4)	(24 2)	(41 2)	(29 2)
Income taxes paid	(64 5)	(26 3)	-	-
Net cash from operating activities	235 7	294 6	790 0	272 8
Cash flows from investing activities				
Interest received	0 1	0 7	0 1	11 6
Proceeds on disposal of property plant equipment and investments	32 6	15 0	-	-
Purchases of property plant and equipment	(82 3)	(109 2)	-	(0 1)
Interest in associate	(2 9)	(2 3)	(2 2)	(2 3)
Disposal of business	-	26 9	-	-
Investments in subsidiaries	-	-	(600 6)	-
Provision of funding to subsidiary undertaking	-	-	-	(168 2)
Acquisition of businesses net of cash acquired	(24 5)	(9 9)	-	(1 6)
Net cash used in investing activities	(77 0)	(78 8)	(602 7)	(160 6)
Financing activities				
Net proceeds from the issue of share capital	8 9	10 6	8 9	10 6
Bank facility fees paid	-	(6 1)	-	(6 1)
Net movement in finance lease liabilities	5 7	(1 6)	-	-
Decrease in loans	(61 6)	(152 2)	(70 0)	(90 0)
Dividends paid	(51 2)	(38 8)	(51 2)	(38 8)
Net cash from financing activities	(98 2)	(188 1)	(112 3)	(124 3)
Net increase / (decrease) in cash and cash equivalents	60 5	27 7	75 0	(12 1)
Cash and cash equivalents at beginning of year	78 6	50 9	(1 6)	10 5
Cash and cash equivalents at end of year (note 19)	139 1	78 6	73 4	(1 6)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

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 137. 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 38 to 43.

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 1 amendments Presentation of financial statements

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 19 (revised) Employee benefits,
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures (2011)
- IAS 32 (amended) Offsetting Financial Assets and Liabilities
- 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 except as follows:

As the Group has always recognised actuarial gains and losses immediately, there will be no effect on the defined benefit obligation of all defined benefit schemes and consequently no effect on the balance sheet disclosures. IAS 19 revised requires interest cost and return on scheme assets calculated under the previous version of IAS 19 to be replaced with a net interest amount calculated by applying a discount rate to the net defined liability or asset. The impact of this revision on profit before tax in 2012 would be to lower profit before tax by approximately £12m.

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 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 pages 38 to 43.

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 acquisition 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 acquirer's 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

Where a business combination is achieved in stages the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss if any is recognised in the income statement

Goodwill arising on acquisition represents the excess of the cost of acquisition over the share of the aggregate fair value of identifiable net assets (including intangible assets) of a business or a subsidiary at the date of acquisition. All material intangible fixed assets obtained on acquisition have been recognised separately in the financial statements. Goodwill is initially recognised as an asset and allocated to cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination 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.

Liabilities for contingent consideration are classified as fair value through profit and loss.

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 straight-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 on a straight line basis 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 uncollectible.

Impairment of financial assets

Financial assets are treated as impaired when in the opinion of the Directors the likelihood of full recovery is diminished by either 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 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 not designated effective hedges 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 comprehensive income.

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 because of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value 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 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 frequently 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 affect the Group's effective tax rate and the results of operations in a given period. Accordingly, potentially significant tax benefits will not be recognised until there is sufficient certainty that they will be accepted by HMRC.

Cash generating units

The Directors consider that individual assets do not generate cash flows that are largely independent of those from other assets and consequently that, for the purposes of impairment testing, each branch in the Group is a cash generating unit. Impairment testing of property plant and equipment is carried out at individual branch level. Goodwill and other intangibles impairment testing is carried out at brand level as described in note 13.

Goodwill and intangible assets

In testing for impairment, the recoverable amount of goodwill and intangible assets is determined by reference to the value in use of the CGU grouping to which they are attributed. In addition the Directors have made certain assumptions concerning discount rates and the future development of the business that are consistent with its five-year plan. Whilst the Directors consider their assumptions to be realistic should actual results, including those for market volume changes, be different from expectations for instance due to a worsening of the UK economy, then it is possible that the value of goodwill and intangible assets included in the balance sheet could become impaired.

The pre-tax discount rate is derived from the Group's weighted average cost of capital ("WACC") calculated by the Group's advisors. The WACC is based upon the risk free rate for ten-year UK gilts, adjusted for the UK market risk premium, which reflects the increased risk of investing in UK equities and the relative volatilities of the equity of the Group compared to the market as a whole. In arriving at the discount rate the Directors have applied an adjustment to reflect their view of the relative risk of the Group's operations. Further details concerning the judgements made by the Directors in respect of goodwill and intangible assets and the impairment testing thereof, are given in note 13.

Toolstation consideration

The final consideration for Toolstation will be determined by reference to a multiple of the EBITDA of the business in 2013. At the balance sheet date the Directors have estimated Toolstation's 2013 EBITDA from which they have calculated an estimated creditor for the final

consideration payable and included it in the balance sheet. Should the Company's 2013 EBITDA change from that estimated, the final consideration will be different, but in the opinion of the directors any difference is unlikely to be material.

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, which from 2013 will be equal to the discount rate applied to the pension scheme liability, 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 property owner and to local authorities and amounts expected to be received 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 will take longer (or in some cases less time) to dispose of leases than they anticipate. As a result, the provisions may be mis-stated, 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 crystallise, 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	
	2012 £m	2011 £m	2012 £m	2011 £m
Sale of goods	4,844.9	4,779.1	-	-
Management charges	-	-	7.9	6.9
Dividends from subsidiaries	-	-	74.2	79.1
	4,844.9	4,779.1	82.1	86.0
Other operating income	19.3	20.5	-	-
Finance income	13.8	22.4	3.7	19.5
	4,878.0	4,822.0	85.8	105.5

5 Profit**a Operating profit**

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Revenue	4,844.9	4,779.1	82.1	86.0
Cost of sales	(3,381.1)	(3,355.8)	-	-
Gross profit	1,463.8	1,423.3	82.1	86.0
Selling and distribution costs	(907.8)	(882.1)	-	-
Administrative expenses	(274.5)	(270.6)	(19.8)	(17.1)
Other operating income	19.3	20.5	-	-
Share of results of associate	(0.3)	(0.6)	-	-
Operating profit	300.5	290.5	62.3	68.9
Add back exceptional items	8.7	9.8	-	-
Add back amortisation of intangible assets	17.4	12.9	-	-
Adjusted operating profit	326.6	313.2	62.3	68.9
Exceptional items			2012 £m	2011 £m
BSS integration costs			(14.7)	(9.8)
Onerous lease provision release			6.0	-
Toolstation investment fair value adjustment			35.3	-
Toolstation consideration fair value adjustment			4.2	-
			30.8	(9.8)

The Group incurred £14.7m of exceptional operating charges in 2012 (2011 £9.8m) 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 in 2011 there was a £2.2m charge due to the closure and disposal of businesses that were determined to be non-core to the Group's operations.

The Group released £6.0m through operating profit as exceptional items for onerous lease provisions that are no longer required because properties have been sublet.

The Group recognised £35.3m of exceptional fair value gains in investment income when the requirements of IFRS 3 (2008) Business Combinations were applied to the investments held in Toolstation. This acquisition has resulted in the Group's existing 30% associate interest being re-measured to its fair value at the acquisition date. The exceptional item recognised by the Group was £2.1m higher due to the revaluation of the intra-group loan.

In accordance with IAS 39 the contingent consideration payable in respect of Toolstation has been reassessed at 31 December 2012 and as a result the discounted amount previously recognised of £51.2m has been reduced to £47.0m with the difference of £4.2m being credited to income statement as exceptional investment income.

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	
	2012 £m	2011 £m	2012 £m	2011 £m
Movement of provisions against inventories	(0.4)	(0.3)	-	-
Cost of inventories recognised as an expense	3,381.5	3,356.1	-	-
Pension costs included in cost of sales	0.5	0.5	-	-
Pension costs in administration expenses	4.1	1.4	0.4	0.4
Pension costs in selling and distribution costs	12.6	10.9	-	-
Depreciation of property, plant and equipment	69.4	63.9	-	-
Staff costs (see note 7)	605.1	579.7	11.5	12.4
Gain on disposal of property, plant and equipment	(17.1)	(16.3)	-	-
Rental income	(4.2)	(4.2)	-	-
Hire of vehicles, plant and machinery	34.0	33.4	-	-
Other leasing charges – property	175.6	164.3	-	-
Amortisation of intangible assets	17.4	12.9	-	-
Auditor 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 auditor

	THE GROUP	
	2012 £000	2011 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	106	104
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	325	297
Fees paid to the Company's auditor for other services		
Audit related assurance services	73	107
Other services relating to taxation – advisory	56	192
	560	700

Audit related assurance services includes £18,000 (2011: £17,000) which was paid to the auditor 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 61 to 63 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

b Adjusted profit before and after tax

	THE GROUP	
	2012 £m	2011 £m
Profit before tax	313.3	269.6
Exceptional items	(30.8)	14.2
Amortisation of intangible assets	17.4	12.9
Adjusted profit before tax	299.9	296.7

	THE GROUP	
	2012 £m	2011 £m
Profit after tax	259.6	212.4
Exceptional items	(30.8)	14.2
Amortisation of intangible assets	17.4	12.9
Tax on exceptional items and amortisation	(6.1)	(7.9)
Effect of reduction in corporation tax rate on deferred tax	(13.3)	(12.6)
Adjusted profit after tax	226.8	219.0

5 Profit continued

c Adjusted operating margin

	General Merchancing		Specialist Merchancing		Consumer		Plumbing & Heating		Unallocated		Group	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Revenue	1,456.7	1,443.3	603.6	582.2	1,152.5	1,017.8	1,632.1	1,735.8	-	-	4,844.9	4,779.1
Segment result	167.3	164.6	31.3	25.3	65.8	46.0	45.8	63.6	(9.7)	(9.0)	300.5	290.5
Amortisation of intangible assets	-	-	-	-	4.9	-	12.5	12.9	-	-	17.4	12.9
Exceptional items	-	5.9	0.2	0.6	(6.0)	-	14.5	3.3	-	-	8.7	9.8
Adjusted segment result	167.3	170.5	31.5	25.9	64.7	46.0	72.8	79.8	(9.7)	(9.0)	326.6	313.2
Adjusted operating margin	11.5%	11.8%	5.2%	4.4%	5.6%	4.5%	4.5%	4.6%	-	-	6.7%	6.6%

Segmental information is shown in note 6. As outlined in note 6, on 1 January 2012 the Group was reorganised into four divisions: General Merchancing, Specialist Merchancing, Consumer and Plumbing and Heating.

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. On 1 January 2012 the Group was reorganised into four divisions, General Merchancing, Specialist Merchancing, Consumer and Plumbing and Heating. Prior year figures have been restated to reflect the new segments. All four divisions sell building materials to a wide range of customers, none of which are dominant, and operate almost exclusively in the United Kingdom and consequently no geographical information is presented.

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

Inter-segment sales are eliminated. During 2012 and 2011 there were no impairment losses or reversals of impairment losses recognised in profit or loss or in equity in any of the reportable segments.

	2012					
	General Merchancing £m	Specialist Merchancing £m	Consumer £m	Plumbing & Heating £m	Unallocated £m	Consolidated £m
Revenue	1,456.7	603.6	1,152.5	1,632.1	-	4,844.9
Result						
Segment result	167.3	31.3	65.8	45.8	(9.7)	300.5
Exceptional investment income	-	-	39.5	-	-	39.5
Finance income	-	-	-	-	13.8	13.8
Finance costs	-	-	-	-	(40.5)	(40.5)
Profit before taxation	167.3	31.3	105.3	45.8	(36.4)	313.3
Taxation	-	-	-	-	(53.7)	(53.7)
Profit for the year	167.3	31.3	105.3	45.8	(90.1)	259.6
Segment assets	2,121.7	469.7	1,653.4	1,166.6	179.3	4,357.2
Segment liabilities	(659.7)	(13.7)	(415.5)	(232.4)	(1,961.3)	(2,049.1)
Consolidated net assets	1,462.0	456.0	1,237.9	934.2	(1,782.0)	2,308.1
Exceptional items	-	0.2	(6.0)	14.5	-	8.7
Capital expenditure	44.2	11.5	17.8	11.0	-	84.5
Amortisation	-	-	4.9	12.5	-	17.4
Depreciation	33.6	8.3	17.8	9.7	-	69.4

6 Business and geographical segments continued

	2011						
	General Merchanting £m	Specialist Merchanting £m	Consumer £m	Plumbing & Heating £m	Unallocated £m	Eliminations £m	Consolidated £m
Revenue	1,443.3	582.2	1,017.8	1,735.8	-	-	4,779.1
Result							
Segment result	164.6	25.3	46.0	63.6	(9.0)	-	290.5
Finance income	-	-	-	-	22.4	-	22.4
Finance costs	-	-	-	-	(43.3)	-	(43.3)
Profit before taxation	164.6	25.3	46.0	63.6	(29.9)	-	269.6
Taxation	-	-	-	-	(57.2)	-	(57.2)
Profit for the year	164.6	25.3	46.0	63.6	(87.1)	-	212.4
Segment assets	2,096.3	457.9	1,520.3	1,145.2	198.7	(1,227.2)	4,191.2
Segment liabilities	(655.6)	(17.6)	(398.7)	(288.9)	(1,949.8)	1,227.2	(2,083.4)
Consolidated net assets	1,440.7	440.3	1,121.6	856.3	(1,751.1)	-	2,107.8
Exceptional items	5.9	0.6	3.3	-	-	-	9.8
Capital expenditure	58.1	14.8	25.8	9.3	0.1	-	108.1
Amortisation	-	-	-	12.9	-	-	12.9
Depreciation	32.6	7.7	13.9	9.7	-	-	63.9

Unallocated segment assets and liabilities comprise the following

	2012 £m	2011 £m
Assets		
Interest in associates	6.7	51.3
Financial instruments	25.5	43.4
Cash and cash equivalents	139.1	78.6
Retirement benefit asset	1.6	19.3
Unallocated corporate assets	6.4	6.1
	179.3	198.7
Liabilities		
Financial instruments	(7.5)	(5.9)
Tax liabilities	(74.8)	(75.9)
Deferred tax liabilities	(85.0)	(97.4)
Retirement benefit obligations	(59.1)	(65.0)
Interest bearing loans, borrowings and loan notes	(591.3)	(661.8)
Intra-group creditors	(1,124.2)	(1,026.8)
Unallocated corporate liabilities	(19.4)	(17.0)
	(1,961.3)	(1,949.8)

7 Staff costs

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

	THE GROUP		THE COMPANY	
	2012 No	2011 No	2012 No	2011 No
Sales	16,150	15,923	-	-
Distribution	3,138	3,240	-	-
Administration	2,599	2,260	50	42
	21,887	21,423	50	42

b Aggregate remuneration

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Wages and salaries	541.5	519.0	6.5	6.7
Share based payments (note 8)	15.2	13.9	4.3	5.1
Social security costs	48.4	46.8	0.7	0.6
Other pension costs (note 28)	17.2	12.8	0.4	0.4
	622.3	592.5	11.9	12.8

8 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

	2012			2011	
	Executive options	SAYE	Nil price options	SAYE	Nil price options
Share price at grant date (pence) - Group	912	1,114	1,062	833	975
Option exercise price (pence) - Group	806	818	-	657	-
Share price at grant date (pence) - Company	912	1,114	1,062	833	975
Option exercise price (pence) - Company	806	818	-	657	-
Volatility (%) - Group and Company	53.0%	38.4%	40.9%	48.6%	61.4%
Option life (years) - Group and Company	3.0	3.3	3.0	3.5	3.0
Risk-free interest rate (%) - Group and Company	1.0%	0.4%	0.5%	0.9%	1.7%
Expected dividends as a dividend yield (%) - Group and Company	1.7%	2.3%	2.3%	1.8%	1.9%

Volatility was based on historic share prices over a period equal to the vesting period. Option life used in the model has been based on options being exercised in accordance with historical patterns. For executive share options the vesting period is 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 three 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 27 September 2012. The estimated fair value of the shares at that date was £5.4m for the Group and £0.1m for the Company.

Shares were granted under the share-matching scheme on 14 March 2012 and 9 May 2012. The estimated fair value of the shares at those dates was £5.1m for the Group and £2.4m for the Company.

Shares were granted under the performance share plan on 2 March 2012, 20 April 2012 and 22 August 2012. The estimated fair value of the shares at those dates was £7.4m for the Group and £2.5m for the Company.

Shares were granted under the deferred share bonus plan on 2 March 2012. The estimated fair value of the shares at that date was £1.1m for the Group and £0.6m for the Company.

The Group charged £15.2m (2011: £13.9m) and the Company charged £4.3m (2011: £5.1m) to the income statement in respect of equity-settled share-based payment transactions.

8 Share-based payments continued

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

	THE GROUP					
	2012			2011		
	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
In thousands of options						
Outstanding at the beginning of the period	636	8,050	4,875	582	8 917	4,454
Forfeited during the period	598	(536)	(92)	778	(1 290)	(712)
Exercised during the period	552	(1,379)	(500)	392	(2 473)	(248)
Granted during the period	839	1,583	1,416	657	2 896	1 381
Outstanding at the end of the period	695	7,718	5,699	636	8 050	4 875
Exercisable at the end of the period	792	1,227	1,540	718	1 656	-

Share options were exercised on a regular basis throughout the year. The weighted average share price for options exercised during the year was 1 037 pence (2011 837 pence)

Details of the options outstanding at 31 December 2012 were as follows

	THE GROUP					
	2012			2011		
	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)	880	651	-	733	604	-
Number of shares (thousands)	1,499	6,220	5,699	1,992	6 058	4 874
Weighted average expected remaining life (years)	0.7	2.1	0.9	0.7	2.6	1.2
Weighted average contractual remaining life (years)	4.9	2.6	7.7	5.3	3.1	8.2

If all 1.5 million outstanding executive options vest and then are exercised on the date of vesting, or in the case of SAYE all 6.2 million shares are acquired on the first possible day, 7.7 million of shares will be issued for a consideration of £53.7m in the years ending 31 December

31 December	2013		2014		2015		2016		2017	
	No m	Value £m	No m	Value £m	No m	Value £m	No m	Value £m	No m	Value £m
Options	1.2	10.4	0.2	1.4	0.1	1.4	-	-	-	-
SAYE	1.9	9.5	2.1	13.8	1.4	11.2	0.6	4.1	0.2	1.9

The table above shows theoretical amounts. For the Company to receive the cash indicated in the periods shown, the following must occur:

- All performance conditions on executive share options must be fully met
- Options must be exercised on the day they vest (option holders generally have a 7 year period post vesting to exercise the option)
- The share price at the exercise date for SAYE options must exceed the exercise price and every holder must exercise;
- All option/SAYE holders must remain with the Company or leave on good terms.

If none of the requirements are met then the Company will receive no consideration.

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

	THE COMPANY					
	2012			2011		
	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
In thousands of options						
Outstanding at the beginning of the period	606	111	2,197	698	473	2 166
Forfeited during the period	746	(96)	-	362	(55)	(361)
Exercised during the period	372	(44)	(15)	952	(318)	(168)
Transferred from other group companies	746	317	80	-	-	-
Granted during the period	918	12	575	657	11	560
Outstanding at the end of the period	756	300	2,837	606	111	2 197
Exercisable at the end of the period	784	219	126	713	33	-

8 Share-based payments continued

Details of the options outstanding at 31 December 2012 were as follows.

	THE COMPANY					
	2012			2011		
	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)	806	548	-	700	516	-
Number of shares (thousands)	241	58	2,837	54	56	2,196
Weighted average expected remaining life (years)	0.3	1.5	0.7	1.0	2.2	1.1
Weighted average contractual remaining life (years)	4.0	2.0	7.5	6.0	2.7	8.1

9 Net finance costs

	THE GROUP			
	2012	2011	2011	2011
	£m	Pre-exceptional items £m	Exceptional items £m	Total £m
Interest on bank loans and overdrafts*	(24.7)	(26.6)	-	(26.6)
Interest on obligations under finance leases	(1.1)	(1.2)	-	(1.2)
Unwinding of discounts	(5.0)	(5.7)	-	(5.7)
Amortisation of cancellation payment for swaps accounted for as cash flow hedges	(4.1)	(4.2)	-	(4.2)
Other interest	(1.7)	(1.2)	-	(1.2)
Net loss on settlement of private placement	-	-	(4.4)	(4.4)
Net loss on re-measurement of derivatives at fair value	(3.9)	-	-	-
Finance costs	(40.5)	(38.9)	(4.4)	(43.3)
Other finance income - pension scheme	11.1	11.8	-	11.8
Amortisation of cancellation receipt for swap accounted for as fair value hedge	1.0	1.1	-	1.1
Net gain on re-measurement of derivatives at fair value	1.3	5.1	-	5.1
Interest receivable	0.4	4.4	-	4.4
Finance income	13.8	22.4	-	22.4
Net finance costs	(26.7)	(16.5)	(4.4)	(20.9)
Adjusted interest cover	13.1x			15.4x

Includes £1.2m (2011: £3.1m) of amortised bank finance charges

Adjusted interest cover is calculated by dividing, adjusted operating profit of £326.6m (2011: £313.2m) less £1.5m (2011: £1.5m) 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 £24.8m (2011: £20.3m)

The pre-exceptional unwinding of the discounts charge arises principally from the property provisions created in 2008 and the liability to the pension scheme associated with the 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 was shown as exceptional

9 Net finance costs continued

	THE COMPANY	
	2012 £m	2011 £m
Interest on bank loans and overdrafts	(25 5)	(26 4)
Interest payable to group companies	(15 6)	(6 4)
Amortisation of cancellation payment for swaps accounted for as cash flow hedges	(4 1)	(4 2)
Other interest	(1 7)	(1 2)
Net loss on re-measurement of derivatives at fair value	(3 9)	(1 6)
Finance costs	(50 8)	(39 8)
Amortisation of cancellation receipt for swap accounted for as fair value hedge	1 0	1 1
Net gain on re-measurement of derivatives at fair value	1 3	5 1
Interest receivable from group companies	1 0	-
Interest receivable	0 4	13 3
Finance income	3 7	19 5
Net finance costs	(47 1)	(20 3)

Includes £1.2m (2011: £3.1m) of amortised bank finance charges

10 Tax

	THE GROUP						THE COMPANY	
	2012 Pre-exceptional items £m	2012 Exceptional items £m	2012 Total £m	2011 Pre-exceptional items £m	2011 Exceptional items £m	2011 Total £m	2012 £m	2011 £m
Current tax								
UK corporation tax								
– current year	68 0	(2 2)	65 8	72 5	(3 3)	69 2	(13 5)	(8 1)
– prior year	(1 1)	-	(1 1)	(1 1)	(1 4)	(2 5)	2 5	(1 4)
Total current tax	66 9	(2 2)	64 7	71 4	(4 7)	66 7	(11 0)	(9 5)
Deferred tax								
– current year	1 6	(13 3)	(11 7)	2 8	(12 6)	(9 8)	(2 3)	(0 6)
– prior year	0 7	-	0 7	0 3	-	0 3	0 1	-
Total deferred tax	2 3	(13 3)	(11 0)	3 1	(12 6)	(9 5)	(2 2)	(0 6)
Total tax charge	69 2	(15 5)	53 7	74 5	(17 3)	57 2	(13 2)	(10 1)

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			
	2012		2011	
	£m	%	£m	%
Profit before tax	313 3		269 6	
Tax at the UK corporation tax rate	76 7	24 5	71 4	26 5
Tax effect of expenses / credits that are not deductible / taxable in determining taxable profit	1 1	0 4	1 9	0 7
Depreciation of non-qualifying property	2 8	0 9	2 3	0 8
Exceptional valuation gain not taxable	(8 6)	(2 7)	0 5	0 2
Exceptional fair value movement not taxable	(1 0)	(0 3)	-	-
Deferred tax rate change	(13 3)	(4 4)	(12 6)	(4 7)
Property sales	(3 6)	(1 2)	(4 1)	(1 5)
Exceptional prior period adjustment	-	-	(1 4)	(0 5)
Prior period adjustment	(0 4)	(0 1)	(0 8)	(0 3)
Tax expense and effective tax rate for the year	53 7	17 1	57 2	21 2

10 Tax continued

The tax rate for the year of 24.5% is a blended rate of 26% up to 1 April 2012 and 24% thereafter. The tax charge for 2012 includes an exceptional credit of £13.3m arising from the reduction in the rate of UK corporation tax from 25% to 23% on 1 April 2013. Future changes reducing the corporation tax rate by 2% to 21% on 1 April 2014 and a further 1% to 20% on 1 April 2015 have been announced, but not substantively enacted and therefore have not been taken into account.

If the government announced plans are fully enacted then the statutory rate of corporation tax will fall to 23.25% in 2013, 21.5% in 2014 and 20.25% in 2015.

In addition to the amount charged to the income statement the following amounts relating to tax have been recognised in other comprehensive income:

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Deferred tax				
Cash flow hedge movement	(0.9)	(0.6)	(0.9)	(0.6)
Actuarial movement	10.4	12.6	-	-
Rate change	(5.5)	(4.9)	-	-
	4.0	7.1	(0.9)	(0.6)

In addition to the amounts charged to the income statement and other comprehensive income the following amounts relating to tax have been recognised directly in equity:

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Current tax				
Excess tax deductions related to share based payments on exercised options	1.4	1.0	-	-
Deferred tax				
Rate change on revaluation reserve	0.9	0.9	-	-
Share based payments	2.9	(4.2)	3.0	(4.1)
	5.2	2.3	3.0	(4.1)

	THE COMPANY			
	2012		2011	
	£m	%	£m	%
Profit before tax	52.6		48.6	
Intercompany dividends	(74.2)		(79.1)	
Loss before tax and dividends received	(21.6)		(30.5)	
Tax at the UK corporation tax rate of 24.5% / 26.5%	(5.3)	(24.5)	(8.1)	(26.5)
Tax effect of expenses / credits that are not deductible / taxable in determining taxable profit	(1.7)	(7.9)	(1.5)	(5.0)
Prior period adjustment	2.6	12.0	(1.4)	(4.6)
Deferred tax rate change	0.4	1.9	0.6	2.0
Exceptional valuation gain not taxable	(8.2)	(38.0)	-	-
Exceptional fair value movement not taxable	(1.0)	(4.6)	-	-
Receipts in subsidiary taxable in Company	-	-	0.3	1.0
Tax expense and effective tax rate for the year	(13.2)	(61.1)	(10.1)	(33.1)

11 Earnings per share

a. Basic and diluted earnings per share

	2012 £m	2011 £m
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	259.6	212.4
Number of shares	No	No
Weighted average number of shares for the purposes of basic earnings per share	238,388,160	235,151,104
Dilutive effect of share options on potential ordinary shares	8,809,106	8,057,058
Weighted average number of ordinary shares for the purposes of diluted earnings per share	247,197,266	243,208,162

At 31 December 2012, 692,839 (2011: 796,390) 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 is calculated by excluding the effect of the exceptional items and amortisation from earnings.

	2012 £m	2011 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	259.6	212.4
Exceptional items	(30.8)	14.2
Amortisation of intangible assets	17.4	12.9
Tax on amortisation of intangible assets	(4.0)	(3.2)
Tax on exceptional items	(2.1)	(4.7)
Effect of reduction in corporation tax rate on deferred tax	(13.3)	(12.6)
Adjusted earnings	226.8	219.0
Adjusted earnings per share	95.1p	93.1p
Adjusted diluted earnings per share	91.7p	90.0p

12 Dividends

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

	2012 £m	2011 £m
Final dividend for the year ended 31 December 2011 of 13.5p (2010: 10.0p) per ordinary share	32.1	23.5
Interim dividend for the year ended 31 December 2012 of 8.0p (2011: 6.5p) per ordinary share	19.1	15.3
Total dividend recognised during the year	51.2	38.8

The Company is proposing a final dividend of 17.0p in respect of the year ended 31 December 2012.

Adjusted dividend cover of 3.8x (2011: 4.7x) is calculated by dividing adjusted earnings per share (note 11) of 95.1p (2011: 93.1p) by the total dividend for the year of 25.0p (2011: 20.0p).

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

The dividends declared for 2012 at 31 December 2012 and for 2011 at 31 December 2011 were as follows:

	2012 Pence	2011 Pence
Interim paid	8.0	6.5
Final proposed	17.0	13.5
Total dividend for the year	25.0	20.0

The anticipated cash payment in respect of the proposed final dividend is £40.7m (2011: £32.1m).

13 Goodwill

	THE GROUP				Total £m
	P&H £m	Consumer £m	General Merchanting £m	Specialist Merchanting £m	
Cost					
At 1 January 2011	367.2	719.9	465.6	145.1	1,697.8
Recognised on acquisitions during the year	-	8.4	-	-	8.4
At 1 January 2012	367.2	728.3	465.6	145.1	1,706.2
Recognised on acquisitions during the year (note 29)	-	102.9	0.6	-	103.5
Adjustment to Tile Giant consideration	-	(2.2)	-	-	(2.2)
At 31 December 2012	367.2	829.0	466.2	145.1	1,807.5

There has been no impairment to the carrying value of goodwill. The Company has no goodwill.

The Group has recently concluded discussions with the Financial Reporting Council's Conduct Committee (FRCC) with regard to certain aspects of its asset impairment testing process. As a result, the Group has (i) amended its definition of a cash generating unit so that non-monetary assets are reviewed for impairment at a branch level rather than at a brand level, (ii) refined its calculation of the pre-tax discount rate, and (iii) restated and extended the comparative sensitivity disclosures made below in respect of 2011.

The changes agreed with the FRCC have not impacted the income statement, balance sheet or cash flow statement for 2011 or 2012. The Directors' original assessment that no impairment had occurred to goodwill, other intangible assets or other non-monetary assets remains unchanged. Further details are given below.

Cash Generating Units

The Directors consider that each branch in the Group is an individual Cash Generating Unit (CGU). Goodwill and intangible assets have been allocated and monitored for impairment testing purposes to groups of individual CGUs within the same brand. The following analyses goodwill and intangible assets with indefinite useful lives by CGU grouping.

CGU Grouping

	2012			2011		
	Intangibles (Note 14) £m	Goodwill £m	Total £m	Intangibles (Note 14) £m	Goodwill £m	Total £m
Specialist Merchanting						
CCF	-	43.6	43.6	-	43.6	43.6
Keyline	-	101.5	101.5	-	101.5	101.5
Generalist Merchanting						
Travis Perkins	-	466.2	466.2	-	465.6	465.6
Consumer						
Tile Giant	-	24.6	24.6	-	26.8	26.8
Toolstation	-	102.9	102.9	-	-	-
Wickes	162.5	701.5	864.0	162.5	701.5	864.0
Plumbing and Heating						
PTS	40.9	133.7	174.6	40.9	133.7	174.6
BSS Industrial	49.3	27.8	77.1	49.3	27.8	77.1
City Plumbing Supplies	-	175.4	175.4	-	175.4	175.4
F&P	8.5	30.3	38.8	8.5	30.3	38.8
Other	3.9	-	3.9	3.9	-	3.9
	265.1	1,807.5	2,072.6	265.1	1,706.2	1,971.3

Measuring recoverable amounts

The Group tests goodwill and other non-monetary assets for impairment annually or more frequently if there are indications that impairment may have occurred. The recoverable amounts of the goodwill and other non-monetary assets are determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and like-for-like market volume changes which impact sales and therefore cash flow projections. Management estimates pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the CGU groupings that are not reflected in the cash flow projections.

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 variables applied to the value in use calculations were:

- Cash flow forecasts, which were derived from the most recent board approved five-year plans.

13 Goodwill continued

- The sales market volume assumptions underlying the cash flow forecasts are the directors' estimates of likely future changes based on historic performance and the current outlook for both the UK economy and the UK building materials industry. This is viewed as the key operating assumption because the state of the building materials market determines the directors' approach to margin and cost maintenance.
- A risk adjusted pre tax discount rate is calculated by reference to the weighted average cost of capital (WACC) of the Group. For 2012, the discount rate was 8.8% (2011: 8.6% restated see below) which is not significantly different for any individual CGU or CGU grouping. That is because each CGU operates in the same market, selling the same product types to the same end users and so the risk profiles are not dissimilar.
- For 2012, cash flows beyond the five-year plan (2018 and beyond) have been determined using a growth rate of 2.1% which is the average long-term forecast GDP growth outlined in the Economic and Fiscal Outlook report produced by the Office for Budget Responsibility in December 2012. The directors believe this is the most appropriate indicator of long-term growth rates that is available (2011 growth rate: 2.5%).

Sensitivity of results to changes in assumptions

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 further deterioration in the UK economy

The impairment review calculations are based upon anticipated discounted future cash flows. For most of the CGU groupings given the prudence already built into the Group's five-year plans and the level of headroom they show, the Directors do not envisage reasonably possible changes to the key operating assumptions that are sufficient to generate a different outcome to the impairment calculations undertaken. However for the CGU groupings listed in the table below this is not the case as the Directors consider that reasonably possible changes in key assumptions could result in discounted future cash flows being insufficient to allow full recovery of the carrying value of the CGUs' goodwill and other intangible assets.

The Directors have conducted a sensitivity analysis to determine the specific value for each assumption, all other assumptions remaining the same, that would result in the carrying value of goodwill and other intangible assets equalling their recoverable amounts and these are shown in the tables below.

31 December 2012

CGU Grouping	Headroom	Like-for-like market volume (Average % per annum)		Discount rate %		Long term growth rate %	
		Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity
Tile Giant	£24m	0.0%	(2.7)%	8.8%	13.9%	2.1%	(6.0)%
Wickes	£146m	0.8%	0.2%	8.8%	9.9%	2.1%	0.7%
PTS	£64m	(1.6)%	(2.8)%	8.8%	11.0%	2.1%	(1.1)%
F&P	£38m	1.8%	(2.6)%	8.8%	12.8%	2.1%	(4.1)%

31 December 2011

During the year the calculation of the discount rate used in the impairment calculations was reviewed and as a result the methodology was slightly amended. To show a meaningful comparison to the 2012 impairment sensitivity table, the 2011 discount rate was recalculated using the same methodology, which resulted in an increase from 6.9% to 8.6%. Had this change been made in 2011, the Directors' conclusion that there was no impairment to the carrying value of goodwill and intangible assets at 31 December 2011 would not have changed.

CGU Grouping	Headroom	Like-for-like market volume (Average % per annum)		Discount rate %		Long term growth rate %	
		Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity
Tile Giant	£30m	1.7%	(1.7)%	8.6%	14.7%	2.5%	(7.5)%
Wickes	£30m	(1.6)%	(1.7)%	8.6%	8.8%	2.5%	2.3%
PTS	£39m	1.5%	0.7%	8.6%	9.8%	2.5%	0.9%
F&P	£47m	1.7%	(2.9)%	8.6%	13.7%	2.5%	(5.7)%

The sales market volume assumption is the average annual change incorporated in five-year plans of each CGU grouping.

14 Other intangible assets

	THE GROUP			Total £m
	Brand £m	Computer software £m	Customer relationships £m	
Cost or valuation				
At 1 January 2011	275.3	9.9	135.0	420.2
Disposals	(6.6)	(1.5)	(2.5)	(10.6)
At 1 January 2012	268.7	8.4	132.5	409.6
Recognised on acquisition (note 29)	29.5	8.7	15.1	53.3
At 31 December 2012	298.2	17.1	147.6	462.9
Amortisation				
At 1 January 2011	-	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 1 January 2012	0.3	8.1	12.3	20.7
Charged to operating profit in the year	1.8	0.9	14.7	17.4
At 31 December 2012	2.1	9.0	27.0	38.1
Net book value				
At 31 December 2012	296.1	8.1	120.6	424.8
At 31 December 2011	268.4	0.3	120.2	388.9
			2012 £m	2011 £m
Cost of brands with an indefinite useful life (note 13)			265.1	265.1
Cost of brands being amortised			33.1	3.6
			298.2	268.7

Where a brand, which is a leading brand in its sector and has significant growth prospects, has not been established for a significant period of time the Directors do not have sufficient evidence to support a contention that it will have an indefinite useful life. Accordingly for Toolstation and certain product related brands the Directors have decided it is appropriate to amortise their cost over their estimated useful lives.

The Directors consider that the other brands, which are also all leading brands in their sectors with significant histories and significant growth prospects have an indefinite useful life. They are reviewed annually for impairment, details of impairment testing are shown in note 13, but no impairment was identified in either year.

Acquired customer relationships are amortised over their estimated useful lives which range from 5 to 15 years.

The Company has no intangible assets.

15 Property, plant and equipment

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant and equipment £m	Total £m	Plant and equipment £m
Cost or valuation						
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 1 January 2012	301.2	28.1	134.5	486.8	950.6	0.7
Additions	10.0	-	9.0	65.5	84.5	-
Additions from acquired businesses	-	-	4.5	3.2	7.7	-
Reclassifications	0.9	(0.9)	-	-	-	-
Disposals	(3.5)	-	(3.0)	(44.1)	(50.6)	-
At 31 December 2012	308.6	27.2	145.0	511.4	992.2	0.7
Accumulated depreciation						
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 1 January 2012	38.9	5.4	48.7	295.0	388.0	0.5
Charged this year	4.6	0.6	11.4	52.8	69.4	-
Disposals	(0.4)	-	(1.3)	(41.9)	(43.6)	-
At 31 December 2012	43.1	6.0	58.8	305.9	413.8	0.5
Net book value						
At 31 December 2012	265.5	21.2	86.2	205.5	578.4	0.2
At 31 December 2011	262.3	22.7	85.8	191.8	562.6	0.2

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	63.8	6.1	1.9	-	71.8	-
At cost	244.8	21.1	143.1	511.4	920.4	0.7
	308.6	27.2	145.0	511.4	992.2	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 £117.7m (2011: £115.0m) which is not depreciated. No assets are pledged as security for the Group's liabilities.

The carrying amount of assets held under finance leases is analysed as follows.

	THE GROUP				THE COMPANY
	Long leases £m	Short leases £m	Plant and equipment £m	Total £m	Total £m
2012	0.8	9.4	7.0	17.2	-
2011	0.8	10.7	-	11.5	-

15 Property, plant and equipment continued

Comparable amounts determined according to the historical cost convention

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant and equipment £m	Total £m	Total £m
Cost	304.1	25.8	153.5	511.3	994.7	0.7
Accumulated depreciation	(59.2)	(7.2)	(64.7)	(305.8)	(436.9)	(0.5)
Net book value						
At 31 December 2012	244.9	18.6	88.8	205.5	557.8	0.2
At 31 December 2011	241.8	20.2	88.6	191.8	542.4	0.2

16 Investment property

	THE GROUP	
	2012 £m	2011 £m
Cost		
At 1 January	0.5	0.5
Accumulated depreciation		
At 1 January	(0.1)	(0.1)
Net book value		
At 31 December	0.4	0.4

Investment property rental income totalled nil (2011 nil). In addition, 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.

17 Investments

a Interest in associates and joint ventures

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Equity investment	1.5	18.0	0.7	17.9
Loan facility	5.3	30.3	5.3	30.3
Interest on loan facility	0.2	10.3	0.2	10.3
Share of losses	(0.3)	(7.3)	-	-
	6.7	51.3	6.2	58.5

Travis Perkins plc holds a 49% investment in The Mosaic Tile Company Limited and a 25% investment in Rinus Roofing Limited. In 2012 Travis Perkins plc acquired a 50% interest in Travis Perkins Bridge Properties LLP for a consideration of £0.7m.

b Shares in group undertakings

	THE COMPANY	
	2012 £m	2011 £m
At 1 January	2,889.8	2,714.8
Reclassification of loans and receivables	-	173.8
Additions	702.3	1.2
Adjustment to consideration on acquisition of Tile Giant	(2.2)	-
At 31 December	3,589.9	2,889.8
Provision for impairment	(17.0)	(17.0)
Net book value at 31 December	3,572.9	2,872.8

On 3 January 2012, Travis Perkins plc acquired the remaining 70% of the issued share capital of Toolstation Ltd. for a consideration of £24.2m (note 29).

17 Investments continued

The principal operating subsidiaries of the Group at 31 December 2012 are as follows.

Subsidiary

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 and dry lining distribution)
Travis Perkins (Properties) Limited	(Property management company)
Benchmark Kitchens and Joinery Limited	(Specialist distribution)
Tile Giant Limited	(Ceramic tile merchants)
Travis Perkins P & H Partner Limited	(Sole corporate partner in plumbing and heating merchants)
Toolstation Limited*	(DIY retailers)
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 and Toolstation Limited for which the registered office address is 16-18 Whiteladies Road Clifton Bristol, B58 2LG

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

c Available-for-sale investments

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Fair value investment	24	15	-	-

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.

d Subsidiaries not requiring an audit

An audit exemption is likely to be taken for the following subsidiaries of the Group

Subsidiary Name	Registered Number
Travis Perkins Acquisitions Company Limited	06500018
Travis Perkins Finance Company Limited	06500008
Travis Perkins Financing Company No 2 Limited	06755439
Travis Perkins Financing Company No 3 Limited	07180292

If this occurs then Travis Perkins plc will be legally required to put in place a guarantee in respect of any external liabilities that existed at 31 December 2012. At that date none of the above companies had ever transacted outside of the Group and so no guarantee will be necessary.

18 Trade and other receivables

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Trade receivables	578.3	585.7	-	-
Allowance for doubtful debts	(48.3)	(54.5)	-	-
	530.0	531.2	-	-
Amounts owed by subsidiaries	-	-	174.6	208.1
Other receivables prepayments and accrued income	203.7	211.8	6.1	6.0
Trade and other receivables	733.7	743.0	180.7	214.1

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 59 days (2011: 55 days). The allowance for doubtful debts is 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. 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. No interest is charged on the trade receivable from the date of the invoice until the date the invoice is classified as overdue according to the trading terms agreed between the Group and the customer. Thereafter, the Group retains the right to charge interest at between 2% to 4% above the clearing bank base rate per annum on the outstanding balance.

Movement in the allowance for doubtful debts

	THE GROUP	
	2012 £m	2011 £m
At 1 January	54.5	44.4
Amounts written off during the year	(21.7)	(10.2)
Increase in allowance recognised in the income statement	15.5	20.3
At 31 December	48.3	54.5

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 debtors unprovided against with a carrying amount of £57.4m (2011: £65.9m) 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 and therefore there is no allowance for doubtful debts. Except for some instances of personal guarantees the Group does not hold any collateral over these balances.

Ageing of past due but not impaired receivables

	THE GROUP	
	2012 £m	2011 £m
Days overdue		
0 – 30 days	44.5	53.0
31 – 60 days	8.6	9.2
61 – 90 days	4.3	3.7
	57.4	65.9

Included in the allowance for doubtful debts are specific trade receivables with a balance of £27.2m (2011: £30.7m) 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.

19 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.

20 Share capital

	THE GROUP AND THE COMPANY	
	Issued and fully paid	
	No	£m
Ordinary shares of 10p		
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 1 January 2012	243,816,533	24.4
Allotted under share option schemes	1,036,524	0.1
At 31 December 2012	244,853,057	24.5

The Company has one class of ordinary share that carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

21 Own shares

	THE GROUP AND THE COMPANY	
	2012	2011
	No	No
At 1 January	6,305,367	6 961 930
Re-issued during the year	(991,576)	(656,563)
At 31 December	5,313,791	6 305 367
Allocated to grants of executive options	289,142	289 142
Not allocated to grants of executive options	5,024,649	6,016,225
	5,313,791	6 305 367

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.

22 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 (net of tax) 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.

23 Borrowings

A summary of the Group objectives policies procedures and strategies with regard to financial instruments and capital management can be found in the Finance Director's review of the year on pages 38 to 43. At 31 December 2012 all borrowings were made in Sterling except for the unsecured senior notes (note 23 (i))

a. Summary

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Unsecured senior notes	261.1	279.3	261.1	279.3
Liability to pension scheme (note 28)	36.9	37.2	-	-
Bank loans (note 23c)	264.4	323.2	315.0	385.0
Bank overdraft	-	-	0.7	1.6
Finance leases (note 23d)	25.9	20.3	-	-
Loan notes (note 23e)	3.3	3.3	3.3	3.3
Finance charges netted off bank debt	(0.3)	(1.5)	(0.3)	(1.5)
	591.3	661.8	579.8	667.7
Current liabilities	396.1	63.6	444.9	74.9
Non-current liabilities	195.2	598.2	134.9	592.8
	591.3	661.8	579.8	667.7

These balances together total the amounts shown as bank loans in note 23(b)

b. Analysis of borrowings

	THE GROUP			
	Bank loans and overdrafts		Other borrowings	
	2012 £m	2011 £m	2012 £m	2011 £m
Borrowings repayable				
On demand or within one year	264.1	58.8	132.0	4.8
More than one year but not more than two years	-	262.9	2.7	138.5
More than two years but not more than five years	-	-	144.9	147.2
More than five years	-	-	47.6	49.6
	264.1	321.7	327.2	340.1

	THE COMPANY			
	Bank loans and overdrafts		Other borrowings	
	2012 £m	2011 £m	2012 £m	2011 £m
Borrowings repayable				
On demand or within one year	315.4	71.6	129.5	3.3
More than one year, but not more than two years	-	313.5	-	136.9
More than two years but not more than five years	-	-	134.9	142.4
	315.4	385.1	264.4	282.6

23 Borrowings continued

c. Facilities

At 31 December 2012 the following bank facilities were available

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Drawn facilities				
5 year term loan	264.4	323.2	315.0	385.0
Unsecured senior notes	261.1	279.3	261.1	279.3
Bank overdrafts	-	-	0.7	1.6
	525.5	602.5	576.8	665.9
Undrawn facilities				
5 year revolving credit facility	475.0	475.0	475.0	475.0
Bank overdrafts	40.0	40.0	39.3	38.4
	515.0	515.0	514.3	513.4

The 5 year revolving credit facility and 5 year term loan both mature on 4 April 2013. \$200m of the unsecured loan notes were repaid on 28 January 2013 with the remaining \$200m falling due on 26 January 2016. 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 4 April 2013 the expiry date of the Groups existing £739m facility agreement.

The disclosures in note 23(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	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts payable under finance leases				
Within one year	3.8	2.7	2.5	1.5
In the second to fifth years inclusive	16.5	10.0	12.7	6.4
After five years	19.0	21.3	10.7	12.4
	39.3	34.0	25.9	20.3
Less: future finance charges	(13.4)	(13.7)	-	-
Present value of lease obligations	25.9	20.3	25.9	20.3
Less: Amount due for settlement within 1 year (shown under current liabilities)			(2.5)	(1.5)
Amount due for settlement after 1 year			23.4	18.8

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.

e. Loan notes

Included in borrowings due within one year are £3.3m (2011: £3.3m) of loan notes issued as consideration for the acquisition of Broombys Limited in 1999. They are redeemable at the option of the holder 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.

	2012 %	2011 %
Unsecured senior notes	5.8	5.8
Bank loans and overdraft	2.2	1.8
Other borrowings	6.0	6.0

23 Borrowings continued

Bank term loans and revolving credit facilities of £739m (2011 £798m) 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 24, to manage the risk the Group enters into interest rate derivatives arrangements which for 2012, fixed interest rates on an average of £221m of borrowing. For the year to 31 December 2012 this had the effect of increasing the weighted average interest rates paid by 0.5%.

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			
	2012		2011	
	Effective interest rate	6 months or less £m	Effective interest rate	6 months or less £m
Unsecured senior notes	5.8%	261.1	5.8%	279.3
Unsecured variable rate bank facilities	2.3%	264.4	2.3%	323.2
Loan notes	6.0%	3.3	6.0%	3.3
		528.8		605.8

	THE COMPANY			
	2012		2011	
	Effective interest rate	6 months or less interest rate £m	Effective interest rate	6 months or less interest rate £m
Unsecured senior notes	5.8%	261.1	5.8%	279.3
Unsecured variable rate bank facilities	2.3%	315.0	2.3%	385.0
Loan notes	6.0%	3.3	6.0%	3.3
Bank overdraft	2.3%	0.7	2.3%	1.6
		580.1		669.2

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 24.

h Guarantees and security

There are cross guarantees on the overdrafts between group companies.

The companies listed in note 17, with the exception of Benchmark Kitchens and Joinery Limited, Travis Perkins P&H Partner Limited, Tile Giant Limited and Toolstation Limited, together with Wickes Limited and Travis Perkins Plumbing and Heating LLP are guarantors of the following facilities advanced to Travis Perkins plc:

- £264m term loan,
- £475m revolving credit facility
- \$400m unsecured senior notes (note 23(i))
- Interest rate and currency derivatives, (note 24)

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 £16m (2011 £16m).

i Unsecured senior notes

The US private placement carries fixed rate coupons of between 130 bps and 140 bps over US treasuries.

24 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.

24 Financial instruments continued

b The carrying value of categories of financial instruments

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Financial assets				
Designated as fair value through profit and loss (FVTPL)	-	31	-	31
Derivative instruments in designated hedge accounting relationships	255	403	255	403
Loans and receivables (including cash and cash equivalents)	8047	7535	1807	2141
Available-for-sale	24	15	-	-
	8326	7984	2062	2575
Financial liabilities				
Designated as fair value through profit and loss (FVTPL)	496	33	496	33
Derivative instruments in designated hedge accounting relationships	49	26	49	26
Borrowings (note 23a)	5913	6618	5798	6677
Trade and other payables at amortised cost (note 27)	8887	8727	189	190
	1,5345	15404	6532	6926

Loans and receivables exclude prepayments of £68.1m (2011: £68.1m). Trade and other payables exclude taxation and social security accruals and deferred income totalling £218.9m (2011: £215.6m). 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.

Included in assets

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Level 2				
Foreign currency forward contracts at fair value through profit and loss	-	31	-	31
Foreign currency forward contracts designated and effective as hedging instruments carried at fair value	-	01	-	01
Cross currency interest rate swaps designated and effective as hedging instruments carried at fair value	255	402	255	402
	255	434	255	434
Current assets	127	31	127	31
Non-current assets	128	403	128	403
	255	434	255	434

24 Financial instruments continued

Included in liabilities

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Level 2				
Foreign currency forward contracts at fair value through profit and loss	0.7	-	0.7	-
Foreign currency forward contracts designated and effective as hedging instruments carried at fair value	3.7	-	3.7	-
Interest rate swaps at fair value through profit and loss	1.9	3.3	1.9	3.3
Interest rate swaps designated and effective as cash hedging instruments	1.2	2.6	1.2	2.6
Level 3	7.5	5.9	7.5	5.9
Deferred consideration at fair value through profit and loss	47.0	-	47.0	-
	54.5	5.9	54.5	5.9
Current liabilities	2.6	-	2.6	-
Non-current liabilities	51.9	5.9	51.9	5.9
	54.5	5.9	54.5	5.9

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 swap contracts

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on either 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 swap contracts.

Contracts with notional values of £125m 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. During the period the cash flow hedges were 100% effective in hedging the exposure to interest rate movements. The Group and the Company also are party to one non-amortising interest rate swap with a call option which 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.

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.

At 31 December 2012 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 £3.1m (2011: £5.9m). 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 £1.3m (2011: £0.9m) 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.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts accounted for as cash flow hedges at the reporting date.

Cash flow hedges – outstanding receive floating pay fixed contracts

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2012 %	2011 %	2012 £m	2011 £m	2012 £m	2011 £m
1 to 2 years	1.71%	-	125.0	-	(1.2)	-
2 to 5 years	-	1.71%	-	200.0	-	(2.6)
			125.0	200.0	(1.2)	(2.6)

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, excluding those with a call option, which exchange 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.

24 Financial instruments continued

e Cross currency swaps and currency forward contracts

In order to eliminate the currency risk associated with the \$400m unsecured senior notes described in note 23(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 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 issued on 26 January 2006. There are two currency swaps of £58m that convert the borrowing rate on \$200m of debt from 5.77% to a variable rate based 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 currency 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%. The currency swaps settle on a half-yearly basis. The Group will settle the difference between the fixed and floating interest on a net basis.

Currency 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 £14.4m (2011: £36.9m) which was included in the income statement at the same time that the fair value of the interest rate swap was also included in the income statement.

The following table details the notional principal amounts and remaining terms of currency swap contracts accounted for as fair value hedges as at the reporting date.

Fair value hedges – outstanding receive fixed pay floating contracts

	Average contract floating interest rate		Notional principal amount		Fair value	
	2012 %	2011 %	2012 £m	2011 £m	2012 £m	2011 £m
Less than 1 year	1.9%	-	115.6	-	12.7	-
1 to 2 years	-	1.9%	-	115.6	-	23.5
2 to 5 years	1.9%	1.9%	52.0	52.0	12.8	16.7
			167.6	167.6	25.5	40.2

The Group and the Company have three currency 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 £(3.7)m (2011: £0.1m). These contracts are designated as cash flow hedges.

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\$112.8m (2011: US\$120.3m). The fair value of these derivatives is £(0.7)m (2011: £3.1m). These contracts are not designated as hedges and accordingly the fair value movement has been reflected in the income statement.

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.

f Liquidity analysis

The following table details the Group's liquidity analysis for its derivative financial instruments and other financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instrument that settle on a net basis and the undiscounted gross flows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

	2012				Total £m
	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	
Gross settled					
Interest rate swaps – receipts	130.6	6.6	57.3	-	194.5
Interest rate swaps – payments	(117.6)	(1.8)	(52.6)	-	(172.0)
	13.0	4.8	4.7	-	22.5
Foreign exchange forward contracts	(70.5)	-	-	-	(70.5)
Total gross settled	(57.5)	4.8	4.7	-	(48.0)
Net settled					
Interest rate swaps	(2.8)	(0.2)	-	-	(3.0)
Total derivative financial instruments	(60.3)	4.6	4.7	-	(51.0)
Borrowings	(404.4)	(7.3)	(142.2)	(36.9)	(590.8)
Deferred consideration	-	(51.1)	-	-	(51.1)
Other financial liabilities (note 27)	(888.7)	-	-	-	(888.7)
Finance leases (note 23d)	(3.8)	(3.8)	(12.7)	(19.0)	(39.3)
Total financial instruments	(1,357.2)	(57.6)	(150.2)	(55.9)	(1,620.9)

24 Financial instruments continued

	2011				
	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
Gross settled					
Interest rate swaps – receipts	109	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 27)	(872.7)	-	-	-	(872.7)
Finance leases (note 23d)	(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)

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 2012 would have decreased / increased by £1.7m (2011: increased / decreased by £2.1m) including £0.3m (2011: £0.7m) of movement on interest rate swaps with options
- Net equity would have decreased / increased by £0.6m (2011: increased / decreased by £0.6m) 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.

25 Provisions

	THE GROUP			
	Property £m	Insurance £m	Other £m	Total £m
At 1 January 2011	56.3	31.5	3.0	90.8
Additional provision charged to income statement	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
Additional provision charged to income statement	3.1	0.4	-	3.5
Exceptional provision released in the year	(6.0)	-	-	(6.0)
Utilisation of provision	(7.7)	(4.4)	(0.2)	(12.3)
Unwinding of discount	2.5	-	-	2.5
At 31 December 2012	42.6	31.5	2.7	76.8
Included in current liabilities	22.6	31.5	2.7	56.8
Included in non-current liabilities	20.0	-	-	20.0
	42.6	31.5	2.7	76.8

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.

Should a provision ultimately prove to be unnecessary then it is credited back into the income statement. Where the provision was originally established as an exceptional item, any release is shown as an exceptional credit.

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.

25 Provisions continued

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.

	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
2012					
Property	22.3	4.7	9.4	14.5	50.9
Insurance	31.5	-	-	-	31.5
Other	2.7	-	-	-	2.7
	56.5	4.7	9.4	14.5	85.1
2011					
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

The Company has no provisions.

26 Deferred tax

The following are the major fully recognised deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods

	THE GROUP				At 31 Dec 2012 £m
	At 1 Jan 2012 £m	Acquired in year £m	Recognised in income £m	Recognised in equity £m	
Capital allowances	6.2	(0.3)	(0.2)	-	5.7
Trading losses	-	(6.6)	2.1	-	(4.5)
Revaluation	11.1	-	-	(0.9)	10.2
Share based payments	(8.1)	-	(2.3)	(2.9)	(13.3)
Provisions	(11.4)	-	1.2	-	(10.2)
Derivatives	(1.2)	-	-	0.9	(0.3)
Business combinations	14.4	-	(2.2)	-	12.2
Brand	97.8	13.3	(12.9)	-	98.2
Pension scheme surplus	4.9	-	2.1	(6.6)	0.4
Pension scheme liability	(16.3)	-	1.2	1.7	(13.4)
Deferred tax	97.4	6.4	(11.0)	(7.8)	85.0

	THE GROUP				At 31 Dec 2011 £m
	At 1 Jan 2011 £m	Recognised in income £m	Recognised in equity £m		
Capital allowances	6.6	(0.4)	-		6.2
Revaluation	12.0	-	(0.9)		11.1
Share based payments	(11.6)	(0.7)	4.2		(8.1)
Provisions	(11.9)	0.5	-		(11.4)
Derivatives	(1.9)	-	0.7		(1.2)
Business combinations	16.7	(2.3)	-		14.4
Brand	108.4	(10.6)	-		97.8
Pension scheme surplus	8.6	2.9	(6.6)		4.9
Pension scheme liability	(16.4)	1.1	(1.0)		(16.3)
Deferred tax	110.5	(9.5)	(3.6)		97.4

At the balance sheet date the Group had unused capital losses of £47.4m (2011 £56.0m) 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.

26 Deferred tax continued

	THE COMPANY			
	At 1 Jan 2012 £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2012 £m
Share based payments	(8 1)	(2 3)	(3 0)	(13 4)
Derivatives	(1 2)	-	0 9	(0 3)
Other timing differences	(0 6)	0 1	-	(0 5)
	(9 9)	(2 2)	(2 1)	(14 2)

	THE COMPANY			
	At 1 Jan 2011 £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2011 £m
Share based payments	(11 5)	(0 7)	4 1	(8 1)
Derivatives	(2 5)	-	1 3	(1 2)
Other timing differences	(0 7)	0 1	-	(0 6)
	(14 7)	(0 6)	5 4	(9 9)

27 Other financial liabilities

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Trade payables	737 9	740 7	-	-
Other taxation and social security	76 0	76 2	-	-
Other payables	150 8	132 0	18 9	19 0
Accruals and deferred income	142 9	139 4	-	-
Trade and other payables	1,107 6	1,088 3	18 9	19 0

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 53 days (2011: 57 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 (2011: 30 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

28 Pension arrangements

Defined benefit schemes

The Group operates three final salary schemes. All defined benefit schemes are closed to new members. The Travis Perkins Pensions and Dependents Benefit Scheme (the TP scheme) which for the majority of members is a 1/60th scheme. 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.

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.

A full actuarial valuation of the TP scheme was carried out on 30 September 2011. The IAS 19 valuation has been based upon the results of the 30 September 2011 valuation and then updated to 31 December 2012 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 operated three additional defined benefit pension schemes (the BSS schemes) based on final pensionable salary. On 6 April 2012 the defined benefit section of the Tricorn Retirement and Death Benefits scheme was transferred to the TP scheme. The BSS Ireland scheme is immaterial.

The assets of the BSS schemes are held separately from those of the Group in funds under the control of the schemes' trustees. The most recent actuarial valuations of the BSS schemes assets and the present value of the defined benefit obligation were carried out at 1 June 2009 for the UK and the Irish schemes. 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.

28 Pension arrangements continued

	All Schemes	
	2012 £m	2011 £m
Gross deficit at 1 January	(45 7)	(27 9)
Service costs charged to the income statement	(10 0)	(7 1)
Other finance income	11 1	11 8
Contributions received by the scheme	32 9	27 3
Actuarial losses recognised in the statement of comprehensive income	(45 8)	(49 8)
Gross deficit at 31 December	(57 5)	(45 7)
Deferred tax	13 0	11 4
Net deficit at 31 December	(44 5)	(34 3)

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

	At 31 December 2012	At 31 December 2011
Rate of increase in pensionable salaries	2 25%	2 25%
Rate of increase of pensions in payment	2 5%	2 5%
Discount rate	4 6%	4 9%
Inflation assumption	3 0%	3 1%

In respect of longevity the valuation adopts the SN1A year of birth tables with improvements in life expectancy to continue in the medium term, with base year appropriate to the member's date of birth. 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 2012

	Male Years	Female Years
Member age 65 (current life expectancy) – TP Scheme	22 1	24 2
Member age 45 (life expectancy on reaching age 65) – TP Scheme	23 9	26 2
Member age 65 (current life expectancy) – BSS Schemes	22 4	25 1
Member age 45 (life expectancy on reaching age 65) – BSS Schemes	24 3	26 9

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

	TP Scheme £m	BSS Schemes £m	2012 Group £m	2011 Group £m
Current and past service costs charged to operating profit in the income statement	(7 2)	(2 8)	(10 0)	(7 1)
Interest cost	(31 3)	(10 8)	(42 1)	(44 7)
Expected return on scheme assets	41 1	12 1	53 2	56 5
Total pension income / (charge)	2 6	(1 5)	1 1	4 7

The total charge to the profit and loss account disclosed in note 7 of £17 2m (2011 £12 8m) comprises defined benefit scheme current and past service costs of £10 0m (2011 £7 1m) and £7 2m (2011 £5 7m) of contributions made to the defined contribution schemes.

The directors have agreed with the Schemes Actuaries and the Trustees to pay total contributions, including the amounts in excess of on-going contributions required to repay the deficit of £23m to the TP scheme and £13m the BSS schemes in 2013.

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.

In 2013 the excess of funding over the on-going service contributions will be £28m in total for the Group.

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

TP Scheme	At 31 December 2012		At 31 December 2011	
	Expected return	Fair value £m	Expected return	Fair value £m
Equities	8 0%	359 5	8 0%	335 2
Bonds gilts and cash	4 0%	276 7	3 95%-4 2%	215 0
Pensions SPV	3 7%	42 0	4 2%	44 0
Property	5 2%	59 8	5 2%	58 0
Total fair value of assets		738 0		652 2
Actuarial value of liability		(736 4)		(632 9)
Surplus in scheme		1 6		19 3
Related deferred tax liability		(0 4)		(4 9)
Net pension asset		1 2		14 4

28 Pension arrangements continued

BSS Schemes

	At 31 December 2012		At 31 December 2011	
	Expected return	Fair value £m	Expected return	Fair value £m
Equities	8.0%	153.9	8.0%	145.1
Bonds, gilts and cash	4.0%	16.2	3.95%-4.2%	17.2
Property	5.2%	1.7	5.2%	4.1
Total fair value of assets		171.8		166.4
Actuarial value of liability		(230.9)		(231.4)
Deficit in schemes		(59.1)		(65.0)
Related deferred tax asset		13.4		16.3
Net pension liability		(45.7)		(48.7)

Actual return on scheme assets

	2012		2011	
	£m	%	£m	%
TP Scheme	63.8	8.6	5.0	0.8
BSS Schemes	17.4	10.1	(5.3)	(3.1)

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

	2012			2011		
	TP Scheme £m	BSS Schemes £m	Group £m	TP Scheme £m	BSS Schemes £m	Group £m
At 1 January	19.3	(65.0)	(45.7)	31.7	(59.6)	(27.9)
Income / (expense) recognised in the income statement	2.6	(1.5)	1.1	7.4	(2.7)	4.7
Transfer of liability	(1.4)	1.4	-	-	-	-
Contributions from sponsoring companies	26.9	6.0	32.9	19.5	7.8	27.3
Actuarial losses	(45.8)	-	(45.8)	(39.3)	(10.5)	(49.8)
At 31 December	1.6	(59.1)	(57.5)	19.3	(65.0)	(45.7)

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

	2012			2011		
	TP Scheme £m	BSS Schemes £m	Group £m	TP Scheme £m	BSS Schemes £m	Group £m
At 1 January	(632.9)	(231.4)	(864.3)	(611.7)	(229.1)	(840.8)
Service cost	(7.2)	(2.8)	(10.0)	(3.5)	(3.6)	(7.1)
Interest cost	(31.3)	(10.8)	(42.1)	(32.5)	(12.2)	(44.7)
Transfer of liability	(13.9)	13.9	-	-	-	-
Contributions from scheme members	(5.0)	(0.1)	(5.1)	(5.2)	(0.1)	(5.3)
Actuarial (losses) / gains	(68.5)	(5.3)	(73.8)	(0.9)	7.9	7.0
Foreign exchange	-	0.1	0.1	-	0.2	0.2
Benefits paid	22.4	5.5	27.9	20.9	5.5	26.4
At 31 December	(736.4)	(230.9)	(967.3)	(632.9)	(231.4)	(864.3)

28 Pension arrangements continued

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

	2012			2011		
	TP Scheme £m	BSS Schemes £m	Group £m	TP Scheme £m	BSS Schemes £m	Group £m
At 1 January	652.2	166.4	818.6	643.4	169.5	812.9
Expected return of scheme assets	41.1	12.1	53.2	43.4	13.1	56.5
Actuarial gains / (losses)	22.7	5.3	28.0	(38.4)	(18.4)	(56.8)
Transfer of assets	12.5	(12.5)	-	-	-	-
Contributions from sponsoring companies	26.9	6.0	32.9	19.5	7.8	27.3
Contributions from scheme members	5.0	0.1	5.1	5.2	0.1	5.3
Foreign exchange	-	(0.1)	(0.1)	-	(0.2)	(0.2)
Benefits paid	(22.4)	(5.5)	(27.9)	(20.9)	(5.5)	(26.4)
At 31 December	738.0	171.8	909.8	652.2	166.4	818.6

g Cumulative actuarial gains and losses recognised in equity

TP Scheme	2012 £m	2011 £m
At 1 January	(221.4)	(182.1)
Net actuarial losses recognised in the year	(45.8)	(39.3)
At 31 December	(267.2)	(221.4)

BSS Schemes	2012 £m	2011 £m
At 1 January	(10.5)	-
Net actuarial losses recognised in year	-	(10.5)
At 31 December	(10.5)	(10.5)

h History of experience gains and losses

TP Scheme	2012	2011	2010	2009	2008
Fair value of scheme assets (£m)	738.0	652.2	643.4	528.1	420.7
Present value of scheme obligations (£m)	(736.4)	(632.9)	(611.7)	(571.1)	(490.6)
Surplus / (deficit) in the scheme (£m)	1.6	19.3	31.7	(43.0)	(69.9)
Experience adjustments on scheme liabilities					
Amounts (£m)	21.5	-	-	-	13.4
Percentage of scheme liabilities (%)	2.9%	-	-	-	2.7%
Experience adjustments on scheme assets					
Amounts (£m)	22.7	38.4	34.5	62.3	(157.2)
Percentage of scheme assets (%)	3.1%	6.0%	5.4%	11.8%	(37.4%)
BSS Scheme	2012	2011	2011		
Fair value of scheme assets (£m)	171.8	166.4	169.5		
Present value of scheme obligations (£m)	(230.9)	(231.4)	(229.1)		
Deficit in the schemes (£m)	(59.1)	(65.0)	(59.6)		
Experience adjustments on scheme liabilities					
Amounts (£m)	(3.8)	7.9	39.4		
Percentage of scheme liabilities (%)	1.6%	3.4%	17.2%		
Experience adjustments on scheme assets					
Amounts (£m)	5.3	(18.4)	3.4		
Percentage of scheme assets (%)	3.1%	(11.1)%	2.1%		

28 Pension arrangements continued

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 2012

Assumption		TP Scheme effect on 2012 balance sheet position	BSS Schemes effect on 2012 balance sheet position
Discount rate	Increase of 0.1%	14.6	4.1
	Decrease of 0.1%	(14.9)	(4.5)
Inflation	Increase of 0.1%	(8.3)	(3.0)
	Decrease of 0.1%	8.5	3.3
Longevity	Increase of 1 year	(17.2)	(6.2)
	Decrease of 1 year	17.2	6.0

Defined contribution schemes

The Group operates five defined contribution schemes for all qualifying employees. The pension cost which represents contributions payable by the Group amounted to £7.2m (2011: £5.7m)

29 Acquisition of businesses

a Toolstation Limited

On the 3 January 2012 the Group acquired the remaining 70% of the issued share capital of Toolstation Limited. The Group had previously acquired 30% in April 2008 which included an option to purchase the remaining 70%. The acquisition was accounted for using the acquisition method of accounting. In accordance with the requirements of the acquisition method of accounting the existing 30% holding has been re-valued to fair value which realised a gain of £35m which has been credited to the income statement as an exceptional item. The aggregate consideration paid following the payment on 3 January was £41.5m. On 3 January 2012 future consideration dependent upon future performance and expansion of the business over the period to December 2013 was estimated to be £65m. The deferred consideration is payable in 2014 and consequently the deferred consideration has been discounted over a two year period from acquisition to final settlement.

Fair values ascribed to identifiable assets as at 3 January 2012 are shown in the table below

	2012 Fair value acquired £m
Property, plant and equipment	7.7
Identifiable intangible assets	53.3
Cash at bank	0.8
Inventories	21.4
Trade and other receivables	4.3
Trade and other payables	(25.8)
Deferred tax liabilities	(6.4)
Loan repayable to Travis Perkins plc	(39.6)
	15.7
Goodwill	102.9
	118.6
Satisfied by	
Cash paid in prior periods	17.3
Cash paid in current period	24.2
Contingent consideration	65.0
	106.5
Revaluation of pre-existing equity holding	33.1
Discount on contingent consideration	(13.8)
Losses previously recognised	(7.2)
	118.6

29 Acquisition of businesses continued

Toolstation Limited contributed £135.3m revenue and £6.5m to the Group's operating profit for the period between the date of acquisition and the balance sheet date. This period also comprises the Group's financial year.

Goodwill recognised is driven from significant value in forecast growth, forecast new customers and the value of the assembled workforce. None of the goodwill is expected to be deductible for tax purposes.

The fair value of the acquired receivables is £0.4m. All acquired receivables are expected to be collected in full.

Acquisition costs included in administration expenses amount to £0.3m.

In accordance with IAS 39 the contingent consideration payable has been reassessed at 31 December 2012 and as a result the amount previously recognised of £65m, discounted to £51.2m, has been reduced to £47.0m with the difference of £4.2m being credited to the income statement as exceptional investment income.

b Other acquisitions

In addition to the acquisition of Toolstation the Group acquired 5 other businesses for a total consideration of £1.1m resulting in goodwill of £0.6m.

30 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

	2012 £m	2011 £m
Minimum lease payments under operating leases recognised in income for the year	189.0	176.0

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:

	2012 £m	2011 £m
Within one year	181.0	173.3
In the second to fifth years inclusive	619.2	599.9
After five years	1,085.2	1,194.4
	1,885.4	1,967.6

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 £4.2m (2011: £4.1m).

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

	2012 £m	2011 £m
Within one year	4.1	3.6
In the second to fifth years inclusive	14.2	12.6
After five years	21.1	17.3
	39.4	33.5

31 Capital commitments

	THE GROUP		THE COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
Contracted for but not provided in the accounts	12.2	15.6	-	-

32 Related party transactions

The Group has a related party relationship with its subsidiaries its directors and with its pension schemes (note 28). 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 70 to 74.

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.

	2012 £m	2011 £m
Short term employee benefits	7.9	7.3
Share based payments	4.4	4.9
	12.3	12.2

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 £15.6m (2011: £6.4m)
- Levying an annual management charge to cover services provided to members of the Group of £7.9m (2011: £6.9m)
- Receiving preference dividends totalling £nil (2011: £9.2m)
- Receiving annual dividends totalling £74.2m (2011: £79.1m)

Details of balances outstanding with subsidiary companies are shown in note 18 and on the Balance Sheet on page 85.

There have been no material related party transactions with directors.

The Group advanced a total of £2.9m (2011: £2.3m) to all the Group's associate companies in 2012. Operating transactions with the associates during the year were not significant.

33 Analysis of changes in net debt

	THE GROUP					
	Cash and cash equivalents £m	Finance leases £m	Term loan and revolving credit facility and loan notes £m	Unsecured senior US\$ loan notes £m	Liability to pension scheme £m	Total £m
At 1 January 2011	(50.9)	21.8	400.6	366.0	36.1	773.6
Cash flow	(27.7)	(1.5)	(78.7)	(72.2)	(1.4)	(181.5)
Fair value of BSS loan	-	-	-	(12.4)	-	(12.4)
Exchange movement	-	-	-	0.5	-	0.5
Fair value movement	-	-	-	(1.5)	-	(1.5)
Finance charges amortised	-	-	3.1	-	-	3.1
Amortisation of swap cancellation receipt	-	-	-	(1.1)	-	(1.1)
Discount unwind on liability to pension scheme	-	-	-	-	2.5	2.5
At 1 January 2012	(78.6)	20.3	325.0	279.3	37.2	583.2
Cash flow	(60.5)	5.7	(58.8)	-	(2.8)	(116.4)
Exchange movement	-	-	-	(2.7)	-	(2.7)
Fair value movement	-	-	-	(14.4)	-	(14.4)
Finance charges amortised	-	-	1.2	-	-	1.2
Amortisation of swap cancellation receipt	-	-	-	(1.1)	-	(1.1)
Lease surrendered	-	(0.1)	-	-	-	(0.1)
Discount unwind on liability to pension scheme	-	-	-	-	2.5	2.5
31 December 2012	(139.1)	25.9	267.4	261.1	36.9	452.2

33 Analysis of changes in net debt continued

Balances at 31 December comprise

	THE GROUP	
	2012 £m	2011 £m
Cash and cash equivalents	139 1	(78 6)
Non-current interest bearing loans and borrowings	(195 2)	598 2
Current interest bearing loans and borrowings	(396 1)	63 6
Net debt	(452 2)	583 2

34 Gearing

	THE GROUP	
	2012 £m	2011 £m
Net debt under IFRS	(452 2)	(583 2)
IAS 17 finance leases	18 7	20 3
Unamortised swap cancellation receipt	2 9	4 0
Liability to pension scheme	36 9	37 2
Fair value adjustment to debt	19 5	36 6
Finance charges netted off bank debt	(0 3)	(1 5)
Net debt under covenant calculations	(374 5)	(486 6)
Total equity	2,308 1	2 107 8
Gearing	16 2%	23 1%

35 Free cash flow

	THE GROUP	
	2012 £m	2011 £m
Net debt at 1 January	(583 2)	(773 6)
Net debt at 31 December	(452 2)	(583 2)
Decrease in net debt	131 0	190 4
Dividends paid	51 2	38 8
Net cash outflow for expansion capital expenditure	27 9	54 4
Net cash outflow for acquisitions	24 5	9 9
Disposal of business	-	(26 9)
Bank fees paid	-	6 1
Amortisation of swap cancellation receipt	(1 1)	(1 1)
Discount unwind on liability to pension scheme	2 5	2 5
Cash impact of exceptional items	4 7	17 8
Interest in associate	2 9	2 3
Shares issued and sale of own shares	(8 9)	(10 6)
Decrease in fair value of debt and exchange	(17 1)	(13 3)
Movement in finance charges netted off bank debt	1 2	3 1
Special pension contributions	23 0	20 1
Free cash flow	241 8	293 5

36a Adjusted ratio of net debt to earnings before interest, tax and depreciation

	THE GROUP	
	2012 £m	2011 £m
Profit before tax	313.3	269.6
Net finance costs	26.7	20.9
Depreciation and amortisation	86.8	76.7
EBITDA under IFRS	426.8	367.2
Exceptional operating items	8.7	9.8
Exceptional investment income	(39.5)	-
IFRS adjustments not included in covenant calculations	(2.6)	(2.7)
Adjusted EBITDA under covenant calculations	393.4	374.3
Net debt under covenant calculations	374.5	486.6
Adjusted net debt to EBITDA	0.95x	1.30x

36b Lease adjusted ratio of net debt to earnings before interest, tax, depreciation and operating lease rentals

	THE GROUP	
	2012 £m	2011 £m
EBITDA under IFRS	393.4	374.3
Operating lease rentals	189.0	176.0
EBITDAR	582.4	550.3
Net debt under covenant calculations	374.5	486.6
Operating lease rentals x8	1,512.0	1,408.0
Lease adjusted net debt	1,886.5	1,894.6
Lease adjusted net debt to EBITDAR	3.2x	3.4x

37 Adjusted pre-tax return on capital

	THE GROUP	
	2012 £m	2011 £m
Operating profit	300.5	290.5
Amortisation of intangible assets	17.4	12.9
Exceptional items	8.7	9.8
Adjusted operating profit	326.6	313.2
Opening net assets	2,107.8	1,951.8
Net pension deficit	34.3	20.1
Goodwill written off	92.7	92.7
Net borrowings	583.2	773.6
Exchange adjustment	(36.6)	(52.2)
Opening capital employed	2,781.4	2,786.0
Closing net assets	2,308.1	2,107.8
Net pension deficit	44.5	34.3
Goodwill written off	92.7	92.7
Net borrowings	452.2	583.2
Exchange adjustment	(19.5)	(36.6)
Closing capital employed	2,878.0	2,781.4
Average capital employed	2,829.7	2,783.7
Adjusted pre-tax return on capital	11.5%	11.3%

Five Year Record

Consolidated income statement	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Revenue	4,844.9	4,779.1	3,152.8	2,930.9	3,178.6
Operating profit before amortisation and exceptional items	326.6	313.2	239.0	224.6	271.5
Amortisation	(17.4)	(12.9)	(0.2)	-	-
Exceptional items	(8.7)	(9.8)	(19.0)	32.7	(56.2)
Operating profit	300.5	290.5	219.8	257.3	215.3
Exceptional investment income	39.5	-	-	-	-
Net finance costs	(26.7)	(20.9)	(23.0)	(44.6)	(69.0)
Profit before tax	313.3	269.6	196.8	212.7	146.3
Income tax expense	(53.7)	(57.2)	(55.5)	(55.3)	(44.4)
Net profit	259.6	212.4	141.3	157.4	101.9
Adjusted pre-tax return on capital	11.5%	11.3%	12.2%	10.9%	12.9%
Basic earnings per share	108.9p	90.3p	69.6p	88.4p	68.6p
Adjusted earnings per share	95.1p	93.1p	77.2p	75.2p	96.9p
Dividend declared per ordinary share (pence)	25.0p	20.0p	15.0p	-	14.5p
Branches at 31 December (No) Includes branches of associates	1,896	1,868	1,813	1,238	1,223
Average number of employees (No)	21,887	21,423	15,792	14,528	15,414

Basic and adjusted earnings per share for 2008 have been restated for the impact of the rights issue

Consolidated cash flow statement	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Cash generated from operations	327.6	345.1	282.3	319.8	337.6
Net interest paid	(27.3)	(23.5)	(16.0)	(29.0)	(63.0)
Swap cancellation receipt / (payment)	-	-	13.7	(28.7)	-
Income taxes paid	(64.5)	(26.3)	(42.4)	(27.3)	(66.0)
Net purchases of investments, property and plant	(49.7)	(94.2)	(35.4)	(7.8)	(82.4)
Interest in associates	(2.9)	(2.3)	(12.5)	(12.9)	(20.7)
Disposal of businesses	-	26.9	-	-	-
Acquisition of businesses net of cash acquired	(24.5)	(9.9)	(294.9)	(1.0)	(22.5)
Proceeds from issuance of share capital	8.9	10.6	0.3	300.3	0.6
Dividends paid	(51.2)	(38.8)	(10.1)	-	(52.5)
Bank facility finance charges	-	(6.1)	-	-	(14.7)
Net movement in finance lease liabilities	5.7	(1.6)	(1.3)	(1.5)	(2.1)
Repayment of unsecured loan notes	-	-	(0.6)	(0.1)	(11.5)
Liability to pension scheme	-	-	34.7	-	-
Decrease in bank loans	(61.6)	(152.2)	(214.1)	(160.0)	(33.7)
Net increase / (decrease) in cash and cash equivalents	60.5	27.7	(296.3)	351.8	(30.9)
Net debt at 1 January	(583.2)	(773.6)	(467.2)	(1,017.4)	(941.0)
Non cash adjustment	14.6	8.9	(3.1)	36.8	(92.8)
Cash flow from debt and debt acquired	55.9	153.8	(7.0)	161.6	47.3
Net debt at 31 December	(452.2)	(583.2)	(773.6)	(467.2)	(1,017.4)
Free cash flow	241.8	293.5	277.8	294.4	185.3

Consolidated balance sheet	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	578.4	562.6	527.1	499.0	534.5
Goodwill and other intangible assets	2,232.3	2,095.1	2,109.7	1,515.3	1,513.9
Derivative financial instruments	12.8	40.3	57.0	44.7	80.3
Interest in associates	6.7	51.3	45.7	31.7	19.6
Retirement benefit assets	1.6	19.3	31.7	-	-
Investment property and other investments	2.8	1.9	1.9	4.8	5.4
Deferred tax asset	-	-	-	12.0	19.5
CURRENT ASSETS					
Inventories	637.1	596.0	571.4	312.7	321.9
Trade and other receivables	746.4	746.1	687.2	375.4	388.6
Assets held for resale	-	-	2.3	-	-
Cash and cash equivalents	139.1	78.6	62.9	347.2	7.7
Total assets	4,357.2	4,191.2	4,096.9	3,142.8	2,891.4
CAPITAL AND RESERVES					
Issued capital	24.5	24.4	24.2	20.9	12.3
Share premium account	487.2	480.8	471.5	471.2	179.5
Merger reserve	326.5	326.5	325.9	-	-
Own shares	(62.4)	(75.2)	(83.4)	(83.7)	(83.7)
Other reserves	18.5	15.7	14.4	9.2	6.0
Accumulated profits	1,513.8	1,335.6	1,199.2	1,042.8	904.1
Total equity	2,308.1	2,107.8	1,951.8	1,460.4	1,018.2
NON-CURRENT LIABILITIES					
Interest bearing loans and borrowings	195.2	598.2	760.9	739.1	1,007.3
Derivative financial instruments	4.9	5.9	4.2	6.1	25.8
Retirement benefit obligations	59.1	65.0	59.6	43.0	69.9
Long term provisions and other payables	67.0	28.9	36.0	43.7	47.8
Deferred tax liabilities	85.0	97.4	110.5	62.8	74.7
CURRENT LIABILITIES					
Interest bearing loans and borrowings	396.1	63.6	75.6	75.3	17.8
Derivative financial instruments	2.6	-	2.5	-	-
Trade and other payables	1,107.6	1,088.3	1,004.5	638.7	582.2
Tax liabilities	74.8	75.9	36.5	28.1	9.1
Short-term provisions	56.8	60.2	54.8	45.6	38.6
Total liabilities	2,049.1	2,083.4	2,145.1	1,682.4	1,873.2
Total equity and liabilities	4,357.2	4,191.2	4,096.9	3,142.8	2,891.4

Notice of Annual General Meeting

Notice is hereby given that the forty-ninth Annual General Meeting of Travis Perkins plc will be held at Northampton Rugby Football Club Franklin's Gardens, Weedon Road, Northampton NN5 5BG on Thursday 23 May 2013 at 12 00 noon

The Resolutions

Resolutions 1 to 15 (inclusive) will be proposed as ordinary resolutions. Resolutions 16 to 18 (inclusive) will be proposed as special resolutions

- 1 To receive the Company's annual accounts for the financial year ended 31 December 2012, together with the Directors' report, the Directors' remuneration report and the Auditor's 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 2012 of 17 pence per ordinary share, payable to shareholders on the register at the close of business on 3 May 2013
- 3 To appoint Tony Buffin as a director of the Company
Biographical details of Tony Buffin appear on page 54
- 4 To re-appoint Chris Bunker as a non-executive director of the Company
Biographical details of Chris Bunker appear on page 55
- 5 To re-appoint John Coleman as a non-executive director of the Company
Biographical details of John Coleman appear on page 55
- 6 To re-appoint Andrew Simon as a non-executive director of the Company
Biographical details of Andrew Simon appear on page 55
- 7 To re-appoint Ruth Anderson as a non-executive director of the Company
Biographical details of Ruth Anderson appear on page 55
- 8 To re-appoint Geoff Cooper as a director of the Company
Biographical details of Geoff Cooper appear on page 54
- 9 To re-appoint John Carter as a director of the Company
Biographical details of John Carter appear on page 54
- 10 To re-appoint Robert Walker as a director of the Company
Biographical details of Robert Walker appear on page 54
- 11 To re-appoint Deloitte LLP, Chartered Accountants, as auditor 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
- 12 To authorise the Directors to fix the remuneration of Deloitte LLP
- 13 That the Directors Remuneration Report for the financial year ended 31 December 2012 set out on pages 64 to 74 be approved
- 14 That the replacement Deferred Share Bonus Plan (the 'Plan') produced in draft to this meeting and, for the purposes of identification initialled by the Chairman, be approved and the Directors be authorised to make such modifications to the Plan as they may consider appropriate
- 15 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 £8,166,764, 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 £16,333,529 (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 15) 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 2014) 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
- 16 That, in substitution for all existing powers and subject to the passing of resolution 15, 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 15 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 15, 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 15 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 16) up to a nominal amount of £1,225,015 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 2014), 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
- 17 That a general meeting other than an annual general meeting may be called on not less than 14 clear days notice
- 18 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 24,500,293 (representing 10% of the issued share capital of the Company as at 27 March 2013),

- 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 2014 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
3 April 2013
Registered in England No 824821

Directions to Northampton Rugby Football Club can be found on page 136

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 12.00 noon on Thursday 23 May 2013 and any adjournment(s) thereof must be returned to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by 12.00 noon on 21 May 2013. 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 sponsors 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 (12.00 noon on 21 May 2013). 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 21 May 2013 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
- 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 12 00am 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 replacement Deferred Share Bonus Plan. Copies will also be available for inspection at the offices of Aon Hewitt, 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 27 March 2013 (being the latest practicable date before publication of this notice) the issued share capital of the Company consisted of 245 002,932 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 27 March was 245,002,932
- 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 10 April 2013, 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 two roundabouts (Sainsbury's is on the left before the first roundabout and Wickes on the right after the second 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). Turn left at the Cineworld roundabout 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. The 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.northamptonssaints.co.uk

Other Shareholder Information

Shareholder enquiries

Shareholder enquiries should be directed to the Company Secretary at the Company's registered office-

Travis Perkins plc

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 pensions@travisperkins.co.uk or if your query relates to a marketing matter please email marketing@travisperkins.co.uk.

Financial diary

Ex-dividend date	1 May 2013
Record date	3 May 2013
Annual General Meeting	23 May 2013
Payment of final dividend	30 May 2013
Announcement of 2013 interim results	July 2013
Announcement of 2013 annual results	February 2014

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.ccfld.co.uk*

www.4tradeproducts.co.uk

www.benchmarkkitchens.co.uk

www.benchmarkshowroom.co.uk (end user site)

www.birchwoodpricetools.com

www.bmpublicsector.co.uk

www.bssindustrial.co.uk

www.buytiles.co.uk

www.cityheatingspares.co.uk

www.cityplumbing.co.uk*

www.connectionsaml.co.uk

www.defenderpower.com

www.dhssspares.co.uk

www.fponlineordering.co.uk

www.fpwolesale.co.uk

www.fressshbathrooms.co.uk

www.havelockcontrols.co.uk

<http://hire.travisperkins.co.uk/hire>*

www.iflo.co.uk

www.insulationgiant.co.uk

www.keyline.co.uk*

<http://hire.keyline.co.uk/hire/>*

www.mispare.com

www.pro-heat.co.uk

www.ptsonlineordering.co.uk

www.ptsplumbing.co.uk

www.ptsrenewables.co.uk

www.scruffs.com

www.selfbuildgroup.co.uk

www.southern-darwent.co.uk

www.sustainablebuildingsolutions.co.uk

www.thedoorscollections.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 relations 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, with 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-GZTU-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-Line Service below).

Please telephone Capita Registrars on 0871 664 0300 (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 3399 (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 (IVC), 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 +44 208 639 3399 Fax 0208 639 1023 E-mail shares@capitaregistrars.com or visit www.capitaregistrars.com. Please note that this facility is only available to shareholders with an address in the UK or EEA.

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, in conjunction with Western Union, 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 RLYX-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.international.capitaregistrars.com

Share dealing services

There are two share dealing services that you may wish to use to buy or sell shares in Travis Perkins.

Capita

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).

Stocktrade

Stocktrade offer a telephone share dealing service which is available by telephoning 0845 6010 995 (non-UK +44 131 240 0414) and quoting reference 'Low cost 335'. Stocktrade's commission will be 0.5%, to deals up to the value of £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.