



TRAVIS PERKINS PLC



## 2010 ANNUAL REPORT & ACCOUNTS

# 2010

A LEADER IN BUILDERS MERCHANTING AND HOME IMPROVEMENT RETAILING



Travis Perkins



Pipeline & Heating Solutions



Plumbing Trade Supplies



F & P Wholesale



Direct Heating Spares



Spendlove  
C. Jebb



Buck &  
Hickman



bpt  
birchwood  
price tools

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.

Robert Steward, Yard Sales Assistant  
Front cover: Mark Bonham, Yard Supervisor

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# FINANCIAL HIGHLIGHTS



- 
- Group revenue up 8% at £3,153m, up 5% on a like-for-like basis
- 
- Adjusted profit before tax up 20% to £217m
- 
- Adjusted EPS up 5% before consolidating BSS, up 3% to 77.2p on a reported basis
- 
- Adjusted group operating margin before BSS impact increased by 0.1% to 7.8%
- 
- Net debt reduced by £205m before the effect of the BSS acquisition and the one-off pension contribution
- 
- Year end net debt was £774m. Adjusted net debt to EBITDA was 1.92x (note 38)
- 
- Travis Perkins pension fund into surplus of £32m
- 
- Final dividend of 10p per share making a total dividend of 15p per share
- 
- BSS acquisition completed on 14 December 2010 for £799m enterprise value
-

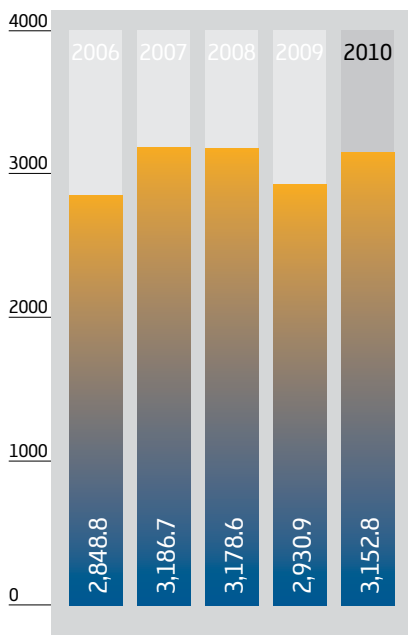
# OPERATING HIGHLIGHTS



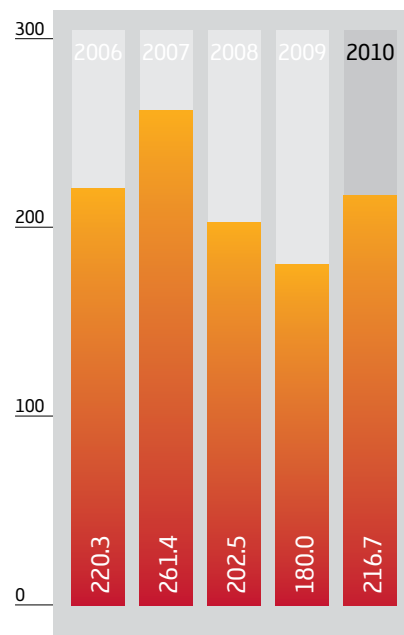
- 
- All 11 group businesses performed better than the market with outperformance of around 4% in merchandising and around 6% in retail
- 
- Focus on operating and financial performance maintained against background of completion of the major acquisition project of BSS
- 
- Strong like-for-like performance in merchandising with increase of 7.3%
- 
- Retail like-for-like sales increase of 0.2%
-

# HIGHLIGHTS OF 2010

## REVENUE (£M)

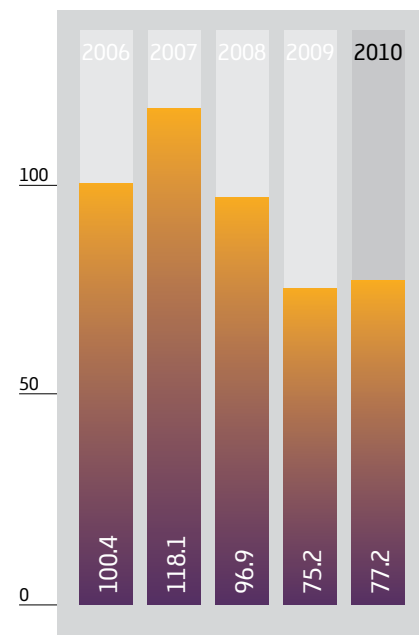


## ADJUSTED PROFIT BEFORE TAXATION (£M)



## ADJUSTED BASIC EARNINGS PER SHARE (PENCE)

Restated for impact of rights issue



# HIGHLIGHTS OF 2010

	2010		2009
	£m	%	£m
Revenue	3,152.8	7.6	2,930.9
<b>ADJUSTED:*</b>			
Operating profit (note 5a)	239.0	6.4	224.6
Profit before taxation (note 5b)	216.7	20.4	180.0
Profit after taxation (note 5b)	156.9	17.2	133.9
Basic earnings per ordinary share (pence) (note 12)	77.2	2.7	75.2
<b>STATUTORY:</b>			
Operating profit	219.8	(14.4)	257.3
Profit before taxation	196.8	(7.5)	212.7
Profit after taxation	141.3	(10.2)	157.4
Basic earnings per ordinary share (pence)	69.6	(21.3)	88.4
Total dividend declared per ordinary share (pence) (note 12)	15.0p	-	-

\* Throughout these financial statements the term 'adjusted' has been used to signify that the effect of exceptional items, amortisation of intangible assets and the associated tax impacts have been excluded from the disclosure being made. Full details of the exceptional items for both 2010 and 2009 are given in notes, 5, 8, 10 and 11.

# OUR GROUP MISSION, VISION AND VALUES




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## 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'.

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## 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.

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## 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



Andrew Pike  
Company  
Secretary  
and Lawyer



Carol Kavanagh  
Group Human  
Resources  
Director



Martin Meech  
Group Property  
Director



Robin Proctor  
Supply Chain  
Director



Norman Bell  
Category  
Management  
Director

**Travis Perkins, a major plc, is a main supplier to the building and construction market, one of the largest industries 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.

# MERCHANTING DIVISION



Joe Mescall  
Divisional  
Chairman



Ian Church  
MD Midlands



Phil Gransden  
MD South East



Andrew Popple  
MD Northern



Mark  
Nottingham  
MD South West

The merchenting division of Travis Perkins plc supplies building materials to generalist and specialist professional tradesman throughout Great Britain.

The core businesses of Travis and Arnold plc and Sandell Perkins plc formed, following the merger in 1988, what is now the general merchenting business within the merchenting division. It trades nationally through the Travis Perkins brand and comprises four individual businesses.

Joe Mescall, who has been with the Group since 1974, leads the business in his role as Divisional Chairman. The Managing Directors of the four regional businesses are Ian Church (Travis Perkins Midlands), Phil Gransden (Travis Perkins South East), Andrew Popple (Travis Perkins Northern) and Mark Nottingham (Travis Perkins South West). The customers of the four general merchenting regional 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 merchenting business aims to increase market share through implementation of our Best Practice programme, ongoing branch network expansion, to enter new market segments and to exploit 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 merchenting 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; store projects and framework agreements will continue to be expanded with Local Authorities and Housing Associations.

The specialist merchenting business of the merchenting division consists of four separate businesses trading under the following brands; Keyline, City Plumbing Supplies, CCF and Benchmark. It is led by the Divisional Chairman, Arthur Davidson. He has worked in merchenting for over thirty years having joined Keyline prior to its acquisition by the Travis Perkins Group.



Arthur Davidson  
Divisional  
Chairman



Andrew  
Harrison  
MD Keyline



John Frost  
MD City  
Plumbing



Kieran Griffin  
MD CCF



Chris Larkin  
MD Benchmark

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.

City Plumbing Supplies is a major nationwide plumbing and heating merchant serving both the contract market and the general plumbing and heating market. The Company offers high quality products and expert service to the trade. The Managing Director of City Plumbing Supplies is John Frost who joined the Travis Perkins Group in 1983. In 2010, led by Ian Tillotson, City Heating Spares – the spare parts division of City Plumbing Supplies – was formed.

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 Kieran Griffin who joined the Group in 1995 and progressed via its management training scheme, branch management and regional management roles, to the position of Managing Director.

In 2006 Benchmark 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. Based mainly in the South East, the business is a leading supplier of kitchen and joinery products to the trade through its competitive pricing, quality products and knowledgeable staff. Benchmark is led by Chris Larkin, formerly a Regional Director within Travis Perkins South East, who became Managing Director in July 2009.

# RETAIL DIVISION



Jeremy Bird  
Divisional  
Chairman  
and MD Wickes



Mo Iqbal  
MD Tile Giant

The Retail division comprises two businesses; Wickes, a national chain of DIY retail outlets and Tile Giant, a ceramic tile merchant acquired in 2007.

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 carry out more complete DIY projects. These customers are more demanding in terms of service, quality and price.

The Company meets these 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 in-store showrooms.

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 201 stores nationwide.

The Managing Director of Wickes is Jeremy Bird who joined Wickes eighteen years ago and has fulfilled various roles including that of Commercial Director.

In 2007 Travis Perkins acquired its seventh brand, Tile Giant, whilst in 2008 this business acquired Tile Magic, a 17 store chain and Tile it All a 16 store chain. In 2009, Travis Perkins acquired Tile HQ an internet based retailer of ceramic and stone tiles. The brand is now trading from a total of 101 stores.

Under the leadership of Mo Iqbal, the Managing Director of Tile Giant, up to the end of 2010 and his successor Andy Morrison, the brand offers a strong pipeline for further expansion.

## Toolstation

In 2008, the Group invested in a 30% share of a direct retailer of lightside products. This multi-channel business has a strong internet and catalogue based business and a rapidly expanding store network which has extended to 84 stores throughout Great Britain by the end of 2010.

# BSS DIVISION



## Travis Perkins purchased the entire share capital of The BSS Group plc on 14 December 2010.

The BSS Group plc is a leading distributor to specialist trades and its 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 446 branches. 443 branches are located in the United Kingdom and 3 in the Republic of Ireland.

The Group's business comprises three divisions, Domestic, Industrial and Specialist. Its principal brands are PTS, BSS and F & P Wholesale.

PTS operates from 317 branches and supplies a wide range of customers from national contractors to sole trading plumbers and heating engineers. Merchant heating, plumbing and sanitary ware is supplied through the 11 branches of F & P Wholesale. The industrial, commercial and process industry, construction and warehouse markets are serviced by the 61 branches of BSS Industrial in the UK and Ireland.

The specialist division of BSS comprises Buck and Hickman, one of the UK's leading distributors of tools, maintenance and health and safety products, and Birchwood Price Tools a wholesaler of power tools and accessories, hand tools, safety wear and general consumables.

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### FORWARD LOOKING STATEMENTS

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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.

# CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010



Robert Walker,  
Chairman

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## INTRODUCTION

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I am pleased to present my first statement to shareholders as Chairman of Travis Perkins and to report on a year of substantial progress across the Group, in spite of the deepest recession that most of us can remember. Increased revenues, together with a continuing focus on cash generation, cost reduction and margin protection, have produced an excellent set of results in the current economic circumstances.

A further highlight was the acquisition of The BSS Group plc ('BSS') at the end of 2010. As a result, the Group now has a better balanced set of businesses focussed on three segments; merchanting, retail and BSS. All these businesses were characterised by increasing market share, focussed strategies and self-help initiatives.



## WE WILL CONTINUE TO PURSUE OUR ORGANIC GROWTH STRATEGY, WHICH IS DELIVERING INCREASING MARKET SHARE AND SALES PERFORMANCE”

### RESULTS

The Group's reported revenue in 2010 rose by almost 8% to over £3.1bn and our adjusted pre-tax profits climbed by 20% to almost £217m. Adjusted earnings per share before the consolidation of the last two weeks of trading at BSS (through the traditional Christmas shutdown) increased by 5% to 78.8 pence, and on a reported adjusted basis, rose 3% to 77.2p per share. Importantly, every single business in the Group, from Travis Perkins merchants and Wickes DIY through to each individual specialist business, increased market share in its segment and grew sales and profitability.

Once again, underlying net debt fell, this time by £205m, to £262m, before taking account of the acquisition of BSS.

Gross capital expenditure for the year was £65m. In addition, £624m, which included an equity element of £329m, was spent on acquisitions.

I am also pleased to report that as a result of actions taken, including making a £35m one-off special contribution, and improved investment performance, the Travis Perkins final salary pension scheme is now into an accounting surplus of £32m.

### DIVIDEND

In view of the Group's improved prospects and strengthened financial position, I am pleased to recommend to shareholders, on behalf of the Board, a final dividend of 10p per share. Together with the interim dividend of 5.0p per share paid last November, the total dividend for 2010 will amount to 15p per share, which will absorb £35m of cash. Our objective is to grow dividends ahead of earnings so as to reduce dividend cover to between 2.5 times and 3.5 times over the medium term.

### ACQUISITION OF BSS

The acquisition of BSS was the significant event of 2010 for the Group, for a total consideration of £624m, a combination of cash and equity. BSS is a well established and proven quality business with excellent people. The prospects for the business are exciting and we look forward to working together to achieve the synergistic benefits from the combination of our two businesses, and to invest in further growth.

On behalf of all employees of Travis Perkins, I am delighted to welcome the BSS team into our Group. We now have the leading plumbing business in the UK to add to the leading positions represented by other group businesses.

### EMPLOYEES

We continue to enjoy the support and loyalty of very committed colleagues. We are investing to develop our people and we go to considerable lengths to ensure that we provide the best incentives and career progression possible. On behalf of the Board, I would like to thank our colleagues throughout the Group for their contributions to the success of the business.

### OUTLOOK

Conditions for the next 12 months remain difficult. There is considerable gloom in the wider economy, but we do not subscribe to the double-dip theory. The merchanting market fell by over 30% from its peak in 2008 and although activity has picked up a little, from a longer term perspective, activity levels are currently around 20% below their peak. Although we will probably see some turbulence in short term trends, we expect activity levels to continue their gradual recovery. In contrast, we expect the retail market to continue to be soft.

We will continue to pursue our organic growth strategy, which is delivering increasing market share and sales performance. This process of continual improvement is supported by many new initiatives that we will implement during the course of the year.

Our key objectives to drive financial performance in 2011 are to continue the Group's strategy of organic growth and to integrate BSS so we get the best out of the acquisition. We have proved we can generate superior returns from businesses in our sector; we will continue to drive all our businesses for cash generation.

We look forward to another year of good progress.

**Robert Walker**

Chairman

22 February 2011

# CHIEF EXECUTIVE'S REVIEW OF THE YEAR

FOR THE YEAR ENDED 31 DECEMBER 2010



Geoff Cooper  
Chief Executive

## INTRODUCTION

The Group made excellent progress in 2010 – a year in which our organic development strategy, against a background of depressed levels of construction activity, produced a strong financial performance, with further market share gains and impressive increases in profits. We also strengthened considerably the Group's strategic position and prospects in the UK through the completion of the BSS transaction at the end of the year.

The prevailing culture within the Travis Perkins Group is to allow managers to manage, to anticipate markets and trends with our customers and to swiftly find sensible and workable solutions to our customers' requirements. Our highly efficient central service functions are there to underpin and support the activity of our branch and operational managers.

This approach has served us well during the past 12 months. It is our ethos. We are a quality business consisting of quality people.

We are also a progressive business. We get on and do things. With an unshakable focus on delivering excellent products and service, we were able to achieve all the main ambitions we set ourselves for 2010, in spite of a challenging economic climate, particularly in the building and refurbishment industry.

The Group outperformed its markets by 4% to 6% in 2010, on a like-for-like basis, in both merchandising and retail. We had good growth in sales, taking market share and, as a result, grew our profit before tax and exceptional items and amortisation by 20%. We have the systems and tools in place to continue our organic growth and we enter 2011 with confidence.

We pursued our acquisition target, BSS, for most of the year, finally succeeding in completing the acquisition in December. We now look forward to working with our new colleagues to grasp the excellent opportunities presented by this transaction.

## PERFORMANCE

All 11 businesses within the Group performed relatively better through the recession than their sector benchmarks. This was largely due to the intensive and wide-ranging groundwork we began in 2008 to ensure we were better equipped than our rivals to cope with changes in the market and the economy.

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. The exceptional operating charge of £19.0m in 2010 relates to costs associated with the Group's acquisition of BSS. In 2009 the exceptional income related to a £32.7m pension scheme curtailment gain which arose when future increases in pension scheme members' pensionable salaries were capped.

For 2010, the Group reported revenue up £222m at £3,153m (2009: £2,931m). Whilst the market overall was broadly flat in value, our revenues increased mainly through the self-help initiatives incorporated within our organic strategy. This revenue increase drove adjusted operating profit up 6% to £239m (2009: £225m), adjusted profit before tax up 20% to almost £217m (2009: £180m), and adjusted earnings per share up 3% to 77.2 pence (2009: 75.2 pence). The revenue increase of 7.6% comprised an increase of 5.0% in like-for-like ('LFL') sales, with network expansion accounting for growth of 2.6%.

Excluding BSS, where we consolidate the last two weeks trading over the Christmas shutdown, adjusted group operating margin rose by 0.1% to 7.8% (2009: 7.7%). This reflects our strategy of investing in





## NO ONE IS BETTER PLACED TO KNOW WHAT OUR CUSTOMERS ARE DOING AND WHAT THEY NEED TO CARRY OUT THEIR WORK THAN OUR BRANCH AND OPERATIONAL MANAGERS"

improvements to our customer propositions. Whilst adjusted operating margin in the retail division improved by 0.1% to 5.9% (2009: 5.8%), merchandising division adjusted operating margin remained at 8.8%. Including the effect of the BSS acquisition, adjusted operating margin (including BSS' post acquisition loss of £2.6m) fell by 0.1% to 7.6% (note 5c).

After including exceptional items and amortisation of intangible assets in both years, the Group recorded a decrease of 7% in PBT to £196.8m (2009; £212.7m) and a decrease of 21% in earnings per share to 69.6 pence (2009; 88.4 pence).

The Group generated free cash flow of £277.8m in 2010 (2009: £294.4m), a 5.6% decrease year-on-year. Overall, including the cash outflow relating to the acquisition of BSS of £476.9m, net debt increased to £773.6m (2009: £467.2m). For covenant purposes net debt was £701.4m (2009: £413.1m), giving a net debt / EBITDA ratio of 1.92 times (2009: 1.47 times) and interest cover of 18.9 times (2009: 10.7 times).

Including the effect of our £624m acquisition of BSS Group, shareholders' funds increased by £491m.

The Group has started the year well with LFL sales in January up 22% in merchandising, 8% up in BSS and 12% in Retail on a delivered basis (Wickes core up 12%, kitchen and bathroom ('K&B') up 15%), reflecting the weak comparatives from the snow affected January 2010. The first 3 weeks of February have also traded well with a 10% increase in LFL sales in merchandising, 5% in BSS, and a 2% increase in Retail on a delivered basis (Wickes core up 3%, K&B down 2%).

In January, Wickes' K&B orders were down 3% and in February they were down 36%. This reflects a combination of pre-VAT increase advanced ordering in late 2010, rather than early 2011, and recent competitor discounting. In this weak K&B market our K&B gross margins are ahead of 2009.

These strong performance ratios are directly related to our managers' expertise and experience. Our direction is heavily influenced by our operating managers who tell us what is really going on in the market. No one is better placed to know what our customers are doing and what they need to carry out their work than our branch and operational managers. Gathering intelligence from customers is the only way we can really know what is happening at ground level. Thanks to our regular customer surveys and the experience and knowledge of our managers, our antennae are highly developed.

As a result, the Group was able to identify key turns in the course of the economic cycle, and as a consequence:

- Take quick action to reduce costs as construction activity fell at the

outset of the recession;

- Begin a programme of investing in growing our business as markets began to stabilise;
- Identify swiftly the opportunity and benefits of acquiring BSS.

We combine systems and processes, which track a range of lead indicators, with our managers' instinct and close knowledge of customers' views. As a result of those relationships, we know what drives our market and we know how to adapt and respond to changing market conditions.

### MARKETS AND OUR RESPONSE

We predicted, in merchandising, a gradual recovery in 2010 from the sharp contraction of activity, caused by the recession, which started towards the end of 2008. In contrast, we expected a contraction in retail markets in 2010 following the fading of the artificial support consumers received from a fall in housing costs in 2009. We were broadly correct, with the aggregate value of these two segments of the market being broadly flat despite continued relatively high product cost and price inflation.

Our tracking of lead indicators told us that construction activity levels were improving at the end of 2009 and the beginning of 2010. When the UK went into the recession at the end of 2008, builders were doing more and more 'second fix' internal work, but less and less heavy-duty foundation, and block and brick building work. In effect, the builders were completing projects that were already underway. This changed towards the end of 2009 when a slow recovery in mortgage activity encouraged more housing related building works, including the opening up of many new housing sites. Whilst this directly boosted the merchandising market, the retail market had a tough time as inflation bit into consumers' purchasing power.

We responded to this turn in the market by re-starting many of the improvement programmes that drive our organic growth strategy. The main programmes boosted at the beginning of 2010 cover product availability, ranging, delivery services, multi channel trading and account management. Behind these programmes significant support is provided by our central technology, supply chain, procurement and marketing functions.

Successful deployment of these programmes meant we were able to outperform in both merchandising and retailing sectors by anticipating what was likely to confront us and be sufficiently flexible in our working operations to manage fluctuations in the market.

So what is behind this quality of flexibility that we have? It is because of the culture of our managers and the way we organise ourselves. We try to give our managing directors, boards and branch managers as much autonomy as possible. In effect, we leave our businesses and branches



Robert Newton, Branch Manager



Robert Steward, Yard Sales Assistant



Kevin Hancock, Driver

with the freedom to trade in the best way they deem appropriate. They decide on the hiring of staff, on remuneration, on the products they stock, and the pricing of products. Our key colleagues in branches have day-to-day working relationships with all their customers, from householders and sole traders to major construction businesses, and they can determine how to manage those customers and on what terms. Those decisions are not set in stone from a head office policy-maker. Each individual business board and branch manager has the freedom to work within a sensible business plan, aimed at delivering performance on a broad range of financial and service metrics.

The central functions are made to report to the business, rather than the other way round. If the managing director of a business has identified a significant issue or a potential problem, he or she has the ability to contact a senior director at head office and demand an immediate response.

It is our culture of 'getting on and doing things' that makes all our businesses flexible and quick to respond. Every day we see many examples of our people getting on with fixing things, solving problems on behalf of our customers and suppliers and improving our businesses.

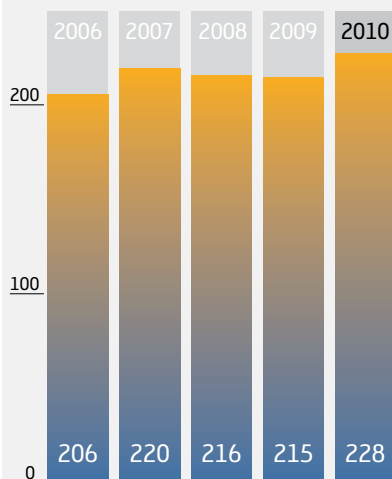
## MERCHANTING DIVISION

The four businesses that operate under the Travis Perkins brand all performed strongly during 2010. Joe Mescall, Chairman of the general merchenting division, a superb merchant who has been with the Group since 1974, and his four managing directors and their boards, have all had an outstanding year.

Merchanting division sales increased by 8.0%, with sales from new branch openings contributing 0.7%, and LFL sales improving 7.3%. The LFL increase comprised 3.6% of price inflation and 3.7% increase in volumes. We estimate that both our general and specialist merchenting operations recorded a performance of around 4% ahead of the market, with LFL sales in general merchenting increasing by 6.7% and specialist merchenting increasing by 8.5%.

These performances were achieved by improvements in our overall service to builders, including better product availability to ensure that constructors and builders had sufficient stock to complete entire projects. A great deal of effort has been concentrated on being able to supply products in the right quantity and at the right price. Our regular customer research indicates that over the year we have consolidated our reputation for being the merchant who can supply what customers need, when they need it. Because of our growing international sourcing expertise, we can increasingly supply both unique and routine products at more competitive

### MERCHANTING PRODUCTIVITY PER EMPLOYEE (£k)



FOCUS ON ORGANIC GROWTH

# The general merchandising business produced strong like-for-like sales



Robert Steward, Yard Sales Assistant

The general merchandising business produced strong like-for-like sales growth and increased market share, whilst eight new branches were opened in 2010



Left: Robert Newton, Branch Manager. Right: Eliot Linzey-Jones, Senior Sales Assistant



Paul Dancer, Tool Hire Manager



Kelli Pennells, Branch Assistant



Matt Hastings, Sales Assistant



Lisa Massey, Assistant Branch Manager



prices than our rivals. This aspect of our work relies on the vital support of our buying and supply chain teams, working in tandem.

As activity levels began to increase, the Travis Perkins branches were there to support customers and we saw strong sales growth and an increase in operating profits. In general terms, when you ask a builder why they go to a particular supplier, they give a dozen or so reasons for their choice. Travis Perkins likes to be the number one choice in seven or eight of those decision-making criteria. And we make sure we are.

Arthur Davidson, another great merchant with many years experience, chairs our specialist division. He and his team produced a superb performance from their four businesses whilst strengthening their strategic position with significant development activity

### Keyline

Our heavy building materials and civils and drainage specialist experienced the toughest year of all 11 of our businesses as a result of the obvious squeeze in the new construction market. Our customers needed to repair a house, but they didn't have to build a new property. But in line with our Group ethos, Keyline responded imaginatively and instantly with a boost to its customer service under the banner 'Best In Town'. Even though the market was undeniably challenging, Keyline, under the direction of Managing Director Andrew Harrison, led the market by supplying the best range of products to satisfy demand from customers. This initiative enabled Keyline to convince customers that they were first choice for civils products, with Keyline recording like-for-like sales growth ahead of the general merchanting division, and a healthy increase in profits.

### City Plumbing

Our acquisition of BSS after a protracted nine-month process overshadowed the activity of City Plumbing, since the two businesses compete in the same market. However, we were delighted by the team's ability to maintain their enthusiasm and focus throughout. The result is that Managing Director John Frost and his team completed an impressive year, improving their sales, outgrowing their market and increasing profits. In fact, CPS recorded the highest like-for-like sales growth of any of our mature merchant businesses. That was a considerable achievement under the circumstances. The team put together a progressive and exciting initiative to focus on what plumbers really require under the banner 'What Good Looks Like'. This ethos swept through the whole operation.

### Benchmarkx

Our specialist kitchen and joinery business which sells to the trade, under the guidance of Managing Director Chris Larkin, is only four years old.

Having completed the first two phases in growing the business, namely its launch and then its refinement, Chris took over in the third phase – to drive profits. This involved looking at fresh opportunities to attract new customers to Benchmarkx. Chris did an excellent job, performing beyond our expectations, motivating his team and strengthening the engagement of management. Chris also created and led a new initiative to install Benchmarkx 'implants' in other group trading brands offering good cross-selling opportunities. This has been successful, and will be pursued in 2011. Sales growth has been very strong, outstripping the market leader by some considerable distance. Our budgets suggested that the business would make a small loss in its third year; Benchmarkx has reached profitability ahead of schedule.

### CCF

Our specialist distributor of building materials for interiors contractors had another excellent year, led by Kieran Griffin, its recently appointed managing director. Kieran spearheaded efforts to further widen CCF's product range under its 'one stop shop' concept. This, together with a range of other operational initiatives, enabled CCF to significantly outperform the market in like-for-like sales growth and increase operating profits.

## RETAIL

All retail markets were tough in 2010, with non-food, particularly our own segment of DIY, badly affected by falling consumer confidence. Against this backdrop our retail division outperformed its market by around 6%, with further improvements to our customer proposition, particularly in our multi-channel operations, where our superior technologies and fulfilment operations have helped us make significant gains in revenues. We are pleased that, with increasing use of retail channels by tradesmen, our market share gains have been greatest in that segment of the market.

Retail division total sales were up by 2.3% to £1,003m (2009: £981m), with sales from new branch openings contributing 2.1%. A 3.3% sales increase arising from price inflation was offset by a 3.1% volume decrease resulting in a LFL sales increase of 0.2%. Within the retail division's overall LFL performance, LFL sales for the full year of Wickes' core products were down by 2.0%, and on the same basis K&B sales were ahead by 9.5%.

### Wickes

We continued to develop the Wickes nationwide comprehensive television advertising campaign. 'Wickes: It's Got Our Name On It' was introduced at the end of 2008 and has continued to establish huge brand

FOCUS ON ORGANIC GROWTH

# CCF widened its product range under its 'one stop shop' concept



Mark Smith, Warehouse Assistant



Chris Williams, Warehouse Assistant

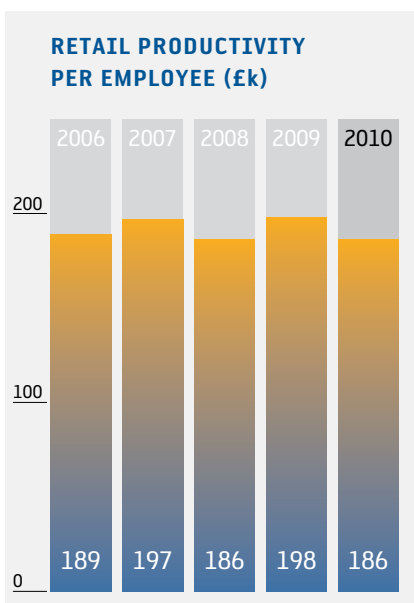




Mark Davis, Branch Manager

recognition and awareness. Managing Director, Jeremy Bird, and his team, have seen a considerable uplift in Wickes' sales and market share as a result. We were initially reluctant to embark on this campaign since Wickes is not represented in every town and city in the UK. However, the advertisements were impactful from the start. The early concentration was on kitchens and bathrooms, before moving to a broader range of general DIY products.

The advertising campaign was accompanied by improvements to ranges, pricing and delivery options, and complemented by an increasingly powerful multi-channel approach. As a result, Wickes achieved like-for-like sales growth and improved operating profits in a falling market – a remarkable performance, and a tribute to the attractiveness of Wickes as a no-nonsense home improvement retailer.



#### Tile Giant

Mo Iqbal started the business and continues to drive it forward with great passion and effort. Travis Perkins acquired the company in late 2007 when it had 29 stores, mainly in the Midlands. There are now 101, and Tile Giant is a serious challenger in the market. The main focus has been to develop an outstanding product range. Initially, Tile Giant concentrated on ceramics, but following the acquisition of two other businesses that specialised in other segments of the market, its product offering has been strengthened significantly. The result is Tile Giant offers its growing number of customers a wide range of excellent products at great prices, all under one roof. This has driven a positive and market-leading like-for-like sales performance in 2010.



## BRANCH MANAGERS ARE HIGHLY MOTIVATED INDIVIDUALS WHO ARE KEEN TO PERFORM AT THEIR OPTIMUM LEVEL”

### ToolStation

It was another outstanding year for ToolStation, driven by the entrepreneur Mark Goddard Watts. When the Group acquired a 30% stake in the business in April 2008, ToolStation had 12 stores, but as a result of the concept being rolled out so effectively, there are now 84. Based on its world-class in-house developed technology, it continues to be a low-cost business that delivers outstanding product availability and value to its customers.

### INVESTORS

Throughout the course of the recession, the Group has been strongly backed by investors. The decision to bring stability to our balance sheet with the rights issue in May 2009 has been of great benefit to the Group. Investors taking up their rights will have seen an excellent return for their support to the Company. We meet our investors at least twice a year and we continue to benefit from their support.

Our banks and US note holders continue to be similarly very supportive of the Group. When there was a great deal of uncertainty in the economy and in the construction industry in particular, we informed investors and bankers what we thought would happen and what we could do to counter the conditions. We performed ahead of our targets and retained confidence in our ability to run our businesses robustly and effectively.

### ACQUISITION OF BSS

We approached the BSS opportunity with great confidence because we believed BSS was strategically strong and financially very attractive. Although we had a considerable amount of plumbing business through our various brands, we were in the second tier of national companies operating in the market. By acquiring BSS and combining our activities, the Group has been promoted to a leading position in the market, making us a powerful force in serving customers and helping suppliers meet their own strategies.

The Group's published target for synergies arising from the BSS acquisition is £25m, which comprises £19m in respect of goods for resale and £6m of overhead savings. We remain confident of achieving these targets.

The integration programme has commenced, but it is too early to provide any further meaningful insight about the synergies available to the Group. However, it is clear that achieving the target will require a substantial effort from teams across the business and in particular the allocation of considerable resource to, and investment in, supply chain

and IT. We aim to provide an update at the interim stage this year on our progress towards achieving these synergies.

### MANAGEMENT

Because of our scale and our focus on supplying what our customers want, we have consistently achieved the highest return on sales amongst our peers. The Group's pre-recession operating margin was typically more than half as much again when compared to our national competitors. In the more recent tougher economic climate, whilst our operating margin has come down by about a quarter, our peers have suffered proportionately larger falls.

We put a great deal of this difference down to the attitude of our managers. As I discussed earlier, they are highly skilled at anticipating problems and finding sensible and swift solutions. They are on top of their business, so that they respond to tough times by closely managing gross margin and reducing costs. The disaggregated culture of decision making and the prevailing ethos of running our business has taken many years to establish.

Our positive management environment makes for a more rewarding place to work. Following the actions we took to slim down our top management resources at the start of the recession, we have not seen many departures from our director group of 202 people since then.

Every single branch in the Group is subject to a detailed review of its performance, analysing sales contributions from all of them. Branch managers are highly motivated individuals who are keen to perform at their optimum level. We reward our staff well and they are incentivised through effective bonus schemes.

### TRAVIS PERKINS IN THE COMMUNITY

Characteristic of how the Group operates, driven from the ground upwards, we continue to move forward our '1000 projects' community programme.

Every branch is encouraged to establish a community project, inspired by a personal contact, completed in their spare time and using our own materials. It's not mandatory, but the response rate has been exceptionally high. The projects create a tremendous sense of team-work and goodwill. The initiative was launched when we reached the milestone of 1,000 branches. With the inclusion of BSS, we now operate from over 1,800 branches, and we are reviewing what the next version of this programme looks like.

I believe the work in our '1,000 projects' initiative contributes greatly



to improving engagement of staff. In a vast majority of cases, employees want to be recognised for what they do and many like being part of a winning and harmonious team. The '1,000 projects' works were innovative and helped us to do things that move beyond clichés about business in the community.

The Board of Directors was also encouraged to take part in a community project. Last year, board members spent a day at Battersea Park in London digging and creating a community garden.

The Group's charitable donations were in the region of £200,000 five years ago. Last year we together with our colleagues, customers and suppliers, contributed £1.7m.

Our charity fundraising activity continues to play a key role in engaging our colleagues across the Group, enabling colleagues to take time to support charitable causes that are close to their hearts. Our individual businesses selected their own charitable causes in 2010, after the Group devolved its centrally-managed fundraising model to better fit with our decentralised business model. We now partner with 11 UK based charities.

Each Managing Director leads fundraising for his own business, assisted by a charity committee of employee representatives. Team building and charity fundraising activities are combined powerfully. Strong colleague engagement has led to more than £1.7m being raised in 2010, an uplift of more than double the 2009 total – despite the recession.

Fundraising has been particularly visual in our Travis Perkins brand, which adopted the Breast Cancer Campaign and Children's Hospices UK charities on a two-year partnership and in our Wickes brand which raised nearly £655,000 for its adopted charity Leukaemia and Lymphoma Research. The Travis Perkins business re-sprayed 12 of its delivery vehicles pink, sourced and sold pink products in its branches, and even changed its name to 'Travis Pinkins' for a national day of fundraising. Keyline's partnership with The Prostate Cancer Charity has been beneficial to the charity in terms of fundraising, and substantially raised public awareness of prostate cancer in the male-dominated building and construction sector. Other beneficiaries of charity partnerships with Travis Perkins' businesses include Clic Sargent, Childline, Whizz-Kidz, and the Warwickshire and Northamptonshire Air Ambulance.

More than £225,000 was donated through the company's Payroll Giving facility in 2010. All of the partner charities benefited from a share of the donations, together with other charitable causes personally chosen by employees. Much of this was raised through a popular and fully licensed Colleague Lottery. Colleagues donate £1 per month from their salary, with up to 50% going to the charity of their business. More than

70% of employees donate through the Lottery, with over £60,000 raised for the partner charities in 2010.

## STRATEGY

We are determinedly pursuing our vision of ensuring that anyone in the UK who wants to be supplied with materials to construct, repair or improve the built environment will have a Travis Perkins business as their first choice. Our strategy to achieve this is relatively simple:

- Through a low risk programme of continuous improvement, have the best offer to customers in each market; and
- By applying our business model of disciplined margin management, tight cost control, clear focus on capital returns and a strong alignment of accountability and incentives, have the highest operating margin in each sector.

This approach has produced sector-leading performances in revenue growth and returns, and has enabled us to grow our asset base to achieve powerful positions in each sector of our market.

Over the last four years we have seen three clear turning points in the course of the recession in construction markets – a sharp downturn, a return to stability in activity at low levels, and a gradual but choppy recovery, which still has a long way to go. At each turn we decisively adapted our stance to trading, investment and cash. We took costs out rapidly and decisively at the downturn, put more investment back in as the market stabilised, and, of course, committed to a major acquisition as growth returned last year. These actions mean we are now positioned with a larger footprint in the sector, a leading position in plumbing and heating to add to our longstanding leading position in heavyside and timber, and with our branch network intact having seen closures elsewhere.

We are now poised to use our management resources to exploit this position and achieve further growth in returns to shareholders.

As I have noted, the course of the recovery is likely to be choppy and conditions for the next 12 months remain challenging. There is considerable gloom in the wider economy, but we don't subscribe to the double-dip theory. The construction market fell by over 30% in 2008/09 and although activity has picked up a little, on a longer term perspective, activity levels remain low.

The Group's organic growth strategy is based on a combination of self-help initiatives and external expansion. In particular, the Group will extend its direct sourcing operations in the Far East and enhance its supply chain whilst at the same time investing in the IT resource necessary to support those and many other activities.



FOCUS ON ORGANIC GROWTH

# Keyline's 'Best in Town' programme delivered improved performance



Left: Andy Marr, Branch Manager. Right: Scott Richardson, Sales Assistant



Scott Richardson, Sales Assistant



Keith Ward, Driver



Dale White, Forklift Driver

Rhianon Rickard, Senior Cashier

We will continue to pursue this organic strategy, which is delivering increasing market share and sales performance whilst we monitor very closely both our performance and market conditions to keep ahead of our competitors. We will retain our policy of continuous improvement of our businesses, taking many small steps in a large number of areas of our business. This process of continual improvement is supported by many new initiatives that will be implemented during the course of the year.

Our acquisition of BSS was the stand out event at Travis Perkins last year. Our commercial analysis indicated we would be acquiring a strong company with quality people and that the prospects for the business are excellent and exciting. This has proven to be the case.

We are realistic about market prospects, but are positive about the future because we have the strategy, market position, execution skills and scale to respond quickly to market changes and to deliver outstanding service to our customers.

Our three main targets for 2011 to create value are to:

- continue the Group's strategy of organic growth. We have more initiatives in gestation to bring to market;
- use our strong cash generation to pay down debt, maintain investment in continuous improvement, selectively continue network expansion and increase dividends;
- integrate BSS and get the best out of the acquisition. We have proved we can generate superior returns from businesses in our sector, and will work hard to apply those skills to the BSS businesses.

We look forward to another year of good progress.

**Geoff Cooper**

Chief Executive

22 February 2011

FOCUS ON ORGANIC GROWTH

# Wickes achieved significant additional sales



Wickes achieved significant additional sales, thanks to its next day delivery service, six days per week, its stand-alone kitchen and bathroom stores and its new paint range

Leanne Pointon,  
Customer Assistant



# CHIEF OPERATING OFFICER'S REVIEW OF THE YEAR

FOR THE YEAR ENDED 31 DECEMBER 2010



John Carter  
Chief Operating Officer

## INTRODUCTION

The Group's strength is based on the commitment, dedication and motivation of an outstanding team of people who work towards a common goal. There are 22,500 of us, and we are excited going into 2011 about the prospects of sharing best practice between our existing businesses and the 5,000 BSS colleagues who have recently joined us.

Last year was tough, but our competitors experienced even harsher times. We continued to grow our 11 merchanting and retail businesses thanks to our proven and detailed systems of operation and we are equipped to respond rapidly to change. We gained from an initial increase in house-building in early 2010 and even when that activity levelled off, we were able to cope with changing conditions. As a result, all of our businesses reported excellent results under challenging circumstances.

## OUTPERFORMANCE FROM RESULTS-DRIVEN PEOPLE

I have no hesitation in repeating our driving vision – that the Travis Perkins Group is a great place to work and a great place for our customers and suppliers to do business.

We place staff engagement and fulfilment at the very heart of what we set out to achieve. I firmly believe in the mantra that happy, well-motivated people are more productive. Our overarching vision is to create an environment that gets the best from all colleagues, and that is a great and safe place to work.

Our business priorities drive our people initiatives. During 2010, this was clearly illustrated by our pioneering approach to flexible working in the merchanting sector. The economic downturn gave us the impetus to review and improve the flexibility of our branch teams in our merchanting business. We studied our customer flow rates and instigated a process to ensure that we were operating our branches more appropriately. The objective of improving sales, customer service and operating standards by ensuring the right people were at the right place at the right time has been a challenge, but a very worthwhile one. It will enhance our productivity and will contribute to attracting and retaining our people.

Our people initiatives gained real momentum last year and have opened a new world of improved flexibility in employment models and working patterns to reflect our early morning peak hours in the trade sector. Wickes has been operating this system for many years and we will now embrace this flexibility throughout the Group where appropriate.

## IMPORTANCE OF AN IMPROVING SAFETY RECORD

Our 'Stay Safe' culture is central to the entire management team's approach. By the very nature of our business, there is considerable movement of heavy machinery and transport on a daily basis in our warehouses, depots and operational sites. In a determined effort to protect our people, we have continued to concentrate on our 'Keep Your Feet on the Ground' programme to avoid accidents. Over 2,500 drivers were trained last year in our on-going effort to meet the spirit, as well as the letter, of the current safety legislation.

## BUILDING ENGAGEMENT AMONG OUR COLLEAGUES

In 2010 we employed a bespoke independent research company to carry out our detailed staff survey, which indicated very satisfactory levels of colleague engagement. The results showed that a majority of our people



## THE ECONOMIC DOWNTURN GAVE US THE IMPETUS TO REVIEW AND IMPROVE THE FLEXIBILITY OF OUR BRANCH TEAMS IN OUR MERCHANTING BUSINESS”

wanted the Group to:

- Reward staff appropriately;
- Communicate effectively;
- Help develop their careers.

We believe that engaged colleagues are more likely to drive customer service delivery and, in turn, to create sustainable and profitable growth. Our survey, called ‘You Talk, We Listen’, produced a significant 25% improvement in engagement scores across all respondents. Over 70% of our people took the time to complete the questionnaire.

The survey found that 82% of colleagues are proud to work in their particular branch or department and 70% were proud to be part of the Company. This harmony has undoubtedly led to all 11 of our businesses outperforming the sector in which they operate.

Unlike 2009 when we had to reduce the workforce, last year we maintained our staffing level in a carefully controlled way.

There are many ‘stars’ in the Group. There are far too many to mention them all here, but I would like to recognise the work by individuals who have led the achievements of our many teams: our category management director Norman Bell, supply chain director Robin Proctor, global sourcing director Ian Preedy and the Group’s human resources director Carol Kavanagh, plus our divisional chairmen Joe Mescall, Arthur Davidson and Jeremy Bird.

Many of those individuals have very many years of loyal service and we have benefited from the dedication of a stable and robust merchanting team and a fusion of new blood and new skills from the senior figures in our retail businesses.

The Group thrives on the selection, recruitment and induction of its people. During challenging times, we have used our training and development resources to keep our people motivated and engaged.

It is critical to my role that I walk the branches and the warehouses. I am continually proud and encouraged by the commitment shown in all areas of our businesses.

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### INFRASTRUCTURE INVESTMENT & PRODUCT AVAILABILITY DISCIPLINES

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The working environment across the Group is results-orientated. Last year we continued to drive our self-help programme. On the merchanting side, we identified up to a dozen work streams where we could make a significant difference, delivering goods quickly, speeding up our service and ensuring we stocked sufficient quantities of product to suit our customers’ demand.

On the retail side, and with Wickes in particular, we focussed on

three main strands of activity: to be a specialist kitchens and bathrooms distributor, to be more focussed on the trade element of DIY (i.e. the small trader) and to become a multi-channel business by adopting an approach of ‘anything, anywhere, anytime’ with three routes to market via stores, telephone sales or online. This gives our customers the option to access our goods in a variety of ways.

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### SUPPLY CHAIN GAINS & GLOBAL SOURCING

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The essence of the Group’s supply chain is to have the right products in the right place at the right time. Through detailed research and consultation with customers, we have developed a core range of goods, called the mandated range. This comprises about 1,500 products (or Stock Keeping Units) that MUST be stocked in sufficient quantity for a customer to complete an entire project purchase, rather than a single unit being classed as meeting a customer’s needs. As a result, our availability targets are more challenging to meet, however, as we improve our performance the sales rewards are much greater. We started extending this programme in September 2010 and will increase its coverage from 50% of our sales to 75% of sales (our expected maximum) during 2011. We have significantly improved the utilisation of our 2,000 commercial vehicles through GPS tracking, which has helped reduce our vehicle CO<sub>2</sub> emissions by 812 tonnes. The addition of a 500,000 sqft warehouse to the distribution network and the opening of a ‘heavyside’ regional distribution hub have greatly improved our efficiency in moving goods to the right locations at the right times.

Another critical innovation has been the introduction of a new daily IT alert. All of our branch managers receive a daily communication informing them of product quantity and availability in their branch. In addition, the senior managers of our suppliers are also notified of their product availability. This tells our suppliers about their missed opportunities for potential sales throughout our branches. We set tough targets, but it has proved to be a highly-effective self-managing process.

Our sourcing is a truly global activity. Sixty countries manufacture goods for the Group, covering every continent, except Antarctica.

We buy a significant quantity of product direct from between 15 and 20 countries, including ceramics and plywood from Brazil, timber from Scandinavia, pottery from Morocco and stone and variety of other goods from India. Increasingly we deal directly with the manufacturers, rather than engaging specialist ‘intermediaries’. Often we take responsibility for the product once it comes off the production line and have a team of people who are in charge of quality control at the manufacturing source. In these cases we are totally in control of packing and distributing the



Wayne Meads, Manager

goods from the 14 factories who supply us back to our own distribution hubs in the UK.

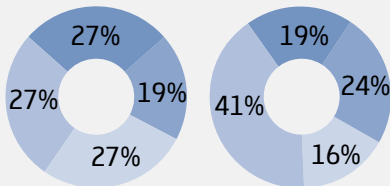
Our sourcing activity has had a positive effect on our margins. It has also been a great learning curve, dramatically changing the way we operate and requiring many administrative departments within the Group to adapt their systems accordingly.

We have opened a consolidation centre in Shanghai, which has greatly improved our trading in China. The Group buys products from 85 manufacturers in China, but often in insufficient quantities to fill a container for immediate transport back to the UK. However, the new centre enables us to store goods safely and securely until the time there is sufficient stock to fill a freight container.

We want to buy the best possible products at the best possible price, but we are not prepared to compromise our standards by dealing with unethical companies. We do not trade with suppliers who fail to meet our strict standards in staff welfare, health and safety and care for the environment. We are proud to set the standard for our sector.

**GEOGRAPHICAL SALES**

% of total 2010 sales



MERCHANTING

RETAIL

■ NORTH ■ MIDLANDS  
■ SOUTH EAST ■ SOUTH WEST

**BSS INTEGRATION**

I lead the integration team for BSS. A detailed integration plan was developed during the drawn-out negotiation with the OFT last year. A four-phase plan was initiated on December 14 2010:

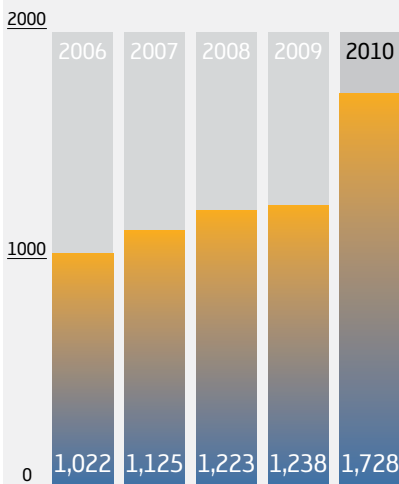
- Phase 1: Communication. In the first few days we had meetings with as many BSS personnel as possible to brief them on our plans and to welcome them to the Travis Perkins Group;
- Phase 2: Definition. This involved understanding and prioritising the key projects – particularly the early synergy-bearing opportunities;
- Phase 3: Synergies and overheads – our current activity;
- Phase 4: Long-term structural projects, such as IT and harmonising supply chains.

**MERCHANTING**

All four Travis Perkins branded businesses produced strong like-for-like sales growth and increased market share, while trading margin was maintained and good profit growth was achieved.

Eight new branches were opened and key sales projects were successfully undertaken to increase the number of accounts opened. Product availability continued to increase and strong productivity growth was achieved, together with enhanced multi-skill training for branch colleagues.

**NUMBER OF BRANCHES**



FOCUS ON ORGANIC GROWTH

# Tile Giant opened 15 new branches in 2010



Jim Smith, Assistant Manager





Sophie Buchanan, Assistant Branch Manager

### City Plumbing Supplies

Thanks to improved sourcing, City Plumbing improved its gross margin and showed a strong growth in profits. The business achieved a consistently high sales performance and its own label, iflo, performed well.

### CCF

The business extended its flooring range and, with the help of improved supply chain initiatives, CCF enjoyed strong growth. Three branches relocated to better premises.

### Keyline

The 'Best in Town' programme delivered improved performance, with strong growth in the civils and drainage sector in the second half of the year. Trading margins were maintained and good profit growth was achieved.

### Benchmarkx

Twenty-one new businesses were opened on existing group sites and a further two stand-alone branches. The company achieved very strong like-for-like sales growth.

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## RETAIL

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### Wickes

Wickes achieved significant additional sales, thanks to its next-day delivery service six days per week, its stand-alone kitchen and bathroom stores and a new paint range. There continues to be considerable investment in the online and catalogue side of the business.

### ToolStation

Turnover increased by 70% to £70m with an increase in its customer base of 479,000. There are now 84 stores, serving 85,000 customers each week.

### Tile Giant

There were 15 new branch openings last year, taking the total number to 101. Market share has grown to over 4% of the UK tile market.

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## THE YEAR AHEAD

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2011 will again be a difficult year, but we have invested a great deal of time in developing operational systems that enable us to compete in the marketplace better than our rivals. We have innovative and exciting projects and work streams ready to roll out this year and we feel confident about being able to outgrow our competitors by being better.

We have the best teams in the sector. It will be a year for integrating BSS, achieving synergies and giving our businesses the support they need.

### John Carter

Chief Operating Officer  
22 February 2011



FOCUS ON ORGANIC GROWTH

# Benchmark opened 21 new businesses on existing group sites



Matthew Carberry,  
Kitchen Designer

# FINANCE DIRECTOR'S REVIEW OF THE YEAR

FOR THE YEAR ENDED 31 DECEMBER 2010



Paul Hampden Smith  
Finance Director

## INTRODUCTION

The acquisition of BSS, finally completed on 14 December, was the key highlight of 2010. The acquisition process took from April to December, longer than we initially anticipated, and absorbed much management time, but was completed on satisfactory terms. But it was not the only highlight of last year.

We produced a healthy 20% increase in adjusted pre-tax profits to £217m with the merchanting division performing ahead of our expectations at the beginning of the year.

Our working capital management was also very strong and, with tight controls on capital expenditure, we were able to deliver a substantial reduction in underlying debt of £205m, which showed considerable progress in the light of the challenging economic climate.

## STRONGEST LIKE-FOR-LIKE PERFORMANCE ON RECORD

Our concentration on achieving further gains in market share at satisfactory profit margin led to the strongest relative like-for-like trading performance, around 4% ahead of the trade market and around 6% ahead of the retail market, since I became Finance Director fifteen years ago. In such difficult economic circumstances, this was a major achievement.

## FINANCIAL OBJECTIVES ACHIEVED

Our principal objectives for 2010 were to reduce group borrowings through cash generation, continue the creation of shareholder value by increasing profits and increase the Group's market share via like-for-like sales growth, expansion through acquisitions and in-store developments. We exceeded those targets, when the effect of the acquisition of BSS is excluded from net debt.

Thanks to better market conditions in Q2 and Q3 last year, our merchanting businesses performed very strongly due to a programme of sustainable organic growth, while our retail businesses also performed well.

The Group's operating margins were very healthy, with merchanting operating at 8.8%, while in retail we achieved a 5.9% margin. Both merchanting and retail were the highest in their respective sectors.

The Group incurred net exceptional operating charges of £19m in 2010. £21m of exceptional costs related to the acquisition of BSS, which comprised £13m of professional and bank fees and £8m of charges arising from post acquisition adjustments to assets and liabilities in the books of BSS. There was a £2m exceptional credit to operating profit due to the partial release of exceptional onerous lease provisions established in 2008. After charging these exceptional operating items, operating profit was £220m (2009: £257m).

Overall, lower interest rates combined with significantly lower borrowings following the rights issue have reduced net finance charges, excluding the effects of an exceptional bank fee write-off and other finance income and charges associated with the pension scheme, by £13m (31%). The average interest rate during the year was 3.1% (2009:3.7%).

Excluding the effect of exceptional items the adjusted tax charge was £60m, an effective rate of 27.6% compared with £46m (25.6%) in 2009. The increase was due mainly to the non-recurrence of the reduced IFRS 2 share option charge in 2009.

Basic earnings per share were 69.6 pence (2009: 88.4 pence). Adjusted earnings per share (note 12b) were 77.2 pence (2009: 75.2 pence) a 2.7% increase. This reflects the 13% dilution of the £300m



## OUR MERCHANTING BUSINESSES PERFORMED VERY STRONGLY DUE TO A PROGRAMME OF SUSTAINABLE ORGANIC GROWTH"

rights issue in the middle of 2009. There is no significant difference between basic and diluted earnings per share.

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

### FINANCIAL REVIEW

RESULTS	2010	2009	2008	2007
Revenue growth / (decline)	7.6%	(7.8)%	(0.3)%	11.9%
LFL revenue growth / (decline)	5.0%	(8.6)%	(4.5)%	8.1%
Adjusted operating profit to sales ratio	7.6%	7.7%	8.5%	10.0%
Profit before tax (decline) / growth	(7.5)%	45.4%	(44.0)%	12.7%
Adjusted profit before tax growth / (decline)	20.3%	(11.3)%	(22.5)%	18.7%
Net debt to adjusted EBITDA (note 38)	1.9x	1.5x	2.8x	2.5x
Adjusted interest cover (note 10)	18.9x	10.7x	4.3x	5.4x
Adjusted return on capital (note 37)	12.2%	10.9%	12.9%	15.9%
Free cash flow (note 36)	£277.8m	£294.4m	£185.3m	£157.8m
Adjusted dividend cover (note 13)	5.1x	-	8.5x	3.3x

The Directors remain 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;
- Improving profitability with a medium term target for profit growth in percentage terms exceeding that for sales;
- Investing in projects and acquisitions where the post-tax return on capital employed exceeds the weighted average cost of capital of the Group by a minimum of 4%;
- Generating sufficient free cash flow to enable the Group to expand its operations whilst funding attractive returns to shareholders, reducing its debt and pension deficit;
- Operating an efficient balance sheet, by structuring sources of capital to minimise the Group's weighted average cost of capital consistent with maintaining an investment grade financial profile with the ratio of net debt to EBITDA being between one and two and a half times;
- Maintaining long-term dividend cover at between two and a half and three and a half times earnings.

### CONTINUED FOCUS ON STRONG CASH GENERATION

Despite the tough operating conditions, the Group still managed to generate £343m from operations, before exceptional and special pension cash flows of £53m. Free cash flow for the year was £278m (2009: £294m).

Before including the £295m cash element of the BSS acquisition and disposal proceeds of £17m, gross capital expenditure and investment totalled £65m. £24m was spent on capital replacements, and £41m on expansion, including £13m on ToolStation. We believe our culture of undertaking small incremental improvement projects with strict return criteria for each expansion project is a major strength of the Group.

Excluding the £477m effect of acquiring BSS and the £35m one-off pension payment, net debt reduced by £205m to £262m at the end of 2010. At 31 December total debt was £774m.

At 31 December 2010, the Group had committed UK bank facilities of £857m and \$525m of \$US private placement notes in issue. In agreement with its lenders, during the year the Group bought in, but did not cancel £84m of its £1,000m revolving credit facility in return for a profit



of £3m, which has benefited finance charges in the income statement.

At the instigation of one of the Group's counterparty banks, the Group realised £14m cash from cancelling an in the money cross currency swap associated with its US private placement borrowings. This derivative has been replaced by four US Dollar forward contracts.

The peak and minimum levels of daily borrowings on a cleared basis during the year ended 31 December 2010 was £876m and £551m respectively (2009: £1,083m and £438m). The maximum month end cleared borrowings were £736m (2009: £1,035m). At 31 December 2010 the Group had undrawn committed facilities of £493m (2009: £515m).

Note 31 gives details about the Group's operating lease commitments, most of which relate to properties occupied by the Group for trading purposes.

## PENSION FUND INTO SURPLUS

At 31 December 2009 the gross deficit of the Travis Perkins' final salary pension scheme was £43m which following negotiations with the Scheme Trustee, the Group has agreed to eliminate over an eight-year period.

In June 2010 we reached a further agreement to fund £35m of the deficit using a group controlled special purpose vehicle ('SPV'). 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, and this income is backed by the security of 16 Travis Perkins' freehold properties. The existing cash contributions to reduce the deficit of the pension scheme will fall from £18m in 2010 to £16m in 2011.

Due to the combination of the one-off £35m contribution to the fund and the strong performance of the fund, the capping of pensionable salaries at 3% in December 2009 and the increase in employees' contributions in April 2009, the Travis Perkins pension scheme now has an accounting surplus of £32m. The BSS pension schemes have an accounting deficit of £60m, using the same actuarial assumptions as the Travis Perkins' scheme.

## EXTRACTING VALUE FROM OUR PROPERTY PORTFOLIO

The Group currently owns about 341 freehold sites, giving us flexibility operationally. One example of this is our site in Guildford, where we have located Travis Perkins and City Plumbing branches. We are now also building a new Wickes store and selling some of the excess land for £11m. Capital expenditure on this project will be £6m.

Our property team makes a very important contribution to our operations. We now expect to make approximately £10m of property profits and generate £15m to £20m of cash from this activity each year. At the year-end, the carrying value of our freehold and long leasehold property portfolio was £262m compared to £247m at the end of 2009.

## CAPITAL EMPLOYED AND BALANCE SHEET

Capital employed at the end of 2010 was £1,952m and the Group's adjusted return on capital for the year was 12.2%, which continues to be above our weighted average cost of capital of 8.1%.

Our business volumes continue to run at around 20% below the peak at the high part of the cycle – and at the low point were some 30% lower – but our returns throughout this period have continued to exceed our weighted average cost of capital.

Our balance sheet remains very strong and once again there were no impairments to the carrying values of goodwill and other intangible assets. Across the Group, our operating assets continue to be highly cash and profits generative.

During the year, the daily closing share price ranged between 665p and 1,058p. The shares closed the year at 1,058p, 466p above the June 2009 theoretical rights issue price of £592p, which resulted in a total market value or market capitalisation of £2.56bn.

## EFFECTIVE FINANCIAL RISK MANAGEMENT

The principal risks and uncertainties of the business are covered under a separate summary report on pages 49 to 54. In summary, the key points of our financial risk management are:

- The Group seeks to maintain a strong balance sheet;
- Effective cash and working capital management is accorded top priority;
- We retain significant headroom of over £200m in our borrowing facilities and we have good relationships with our bankers;
- We operate within comfortable margins to our banking covenants:
  - The ratio of net debt to EBITDA (earnings before interest, tax and depreciation) has to be lower than 3.5; it was approximately 1.9 at the year-end; and
  - The number of times operating profit covers interest charges has to be a least 3.5 times and it was nearly 20 times in 2010.
- We serve over 150,000 'live' customer accounts and no one customer accounts for more than 1% of our sales; the bad debt charge was 0.59% of credit sales;

FOCUS ON ORGANIC GROWTH

# City Plumbing put together a progressive and exciting initiative



Stephan Towers, Showroom Manager



Dan Cuchi, Sales Assistant

City Plumbing put together a progressive and exciting initiative to focus on what plumbers require under the banner 'What Good Looks Like'





- Our product selling prices tend to reflect inflation in materials prices;
- We conducted extensive due diligence on BSS ahead of acquiring the business.

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### INTEGRATING BSS

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BSS was a financially and operationally well-managed company, but not unexpectedly, there is a great deal of work to do to bring our two systems together. This work is well underway and we expect a relatively smooth and swift integration process for our financial reporting, analysis and management systems.

In 2011 we have embarked on driving out the synergy benefits from combining BSS with Travis Perkins and on integrating information flows and reporting.

*P. M. Hampden Smith*

**Paul Hampden Smith**

Finance Director  
22 February 2011

# ENVIRONMENT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## OUR VISION IS...

*"To become the best providers of responsibly sourced, resource efficient products, fit for low carbon building and refurbishment, delivered with a low carbon footprint and minimal waste by people who care. In doing this, we will become the most trusted group for providing environmentally sustainable solutions".*

We believe that taking responsibility for our impact on the natural environment in this way creates added business value and is compatible with operating a successful business. We seek to anticipate changes in demand for products and services that are driven by environmental considerations, and invest to develop our offer where we can see reasonable prospects of economic return. This requires us to adopt an inclusive approach involving colleagues, customers and suppliers to deliver environmental improvement.

Our vision is actively used to help guide decisions on our business priorities and consult other stakeholders.

We know that being green makes us money. In 2010, we have estimated that 5% of our Earnings Before Interest & Tax ('EBIT') comes from profit on the sale of environmental technologies (including insulation), profit from timber product sales to customers requiring responsibly sourced product and reduced waste and energy costs net of environmental operating costs. We also see opportunities in developing additional services that will help customers negotiate an ever increasingly complex sustainability agenda. We expect to see significant growth in the environment contribution to EBIT over the next 2 years.

## CONTINUOUS IMPROVEMENT

### Management Systems

This year has seen a doubling of the resources we deploy to pursue our environmental vision. In particular, we have strengthened our environmental management system, energy management activities and the development of commercial sustainable solutions. We have increased the breadth of representation in our Non Executive Environmental Advisory Panel, which now comprises nine members, meeting twice a year. The panel remains an important touchstone for us in determining how we approach each aspect of our environmental vision and has been especially useful in its advice on matters of engaging our people. In 2010 we asked all our branch and store managers to share their environmental innovations via an internal 'crowdsourcing' website and embarked on activity to encourage green thinking in our day-to-day practice.

### Engagement

We stepped up our engagement activities in 2010, talking to more people and organisations about our environmental performance. In total, we initiated or responded to 87 consultations in addition to those we routinely had with our trade body and Non Governmental Organisation ('NGO') partnerships, the Construction Product Association ('CPA'), British Retail Consortium and WWF's Global Forest and Trade Network ('GFTN-UK').

We sponsored, and were involved in the production of, a Sustainable Housing Action Plan report on the Community Green Deal advising in particular on how the supply chain might structure itself to deliver low carbon refurbishment via local authorities in the West Midlands. Earlier in the year we provided a case study for the CPA's low carbon refurbishment guide. We also provide the chairman to the CPA's pallet repatriation working group.

We continue to supply detailed information and plans to the Carbon Disclosure Project, Forest Footprint Disclosure Project, Waste and Resources Action Plan ('WRAP') and the GFTN-UK. In return we receive





Samantha Hodkin, Sales Coordinator, F &amp; P Wakefield



Sulayman Cham, Senior Warehouse Person, F &amp; P Wakefield

information to benchmark our environmental performance. In 2010 we extended our engagement with WRAP by signing the Halving Waste to Landfill Commitment and will provide performance information on this to them in future years. In 2010 we were awarded the Carbon Trust Standard, certifying that we have genuinely reduced our carbon footprint and are committed to making further reductions year on year.

### Metrics

This year we have accounted for the environmental impact of our investment (30%) in ToolStation by including relevant performance data in this report proportionate to our investment in them. We have installed over 1,000 new electricity meters and increased the number of sites on a central waste contract to 97%. All of these improvements allow us to report our environmental performance with greater accuracy, with the last two allowing us to disaggregate environmental performance to site level and target site-by-site improvements.

The increased importance of multi-channel retailing, including ToolStation, and direct sourcing increase the requirement to look at our carbon footprint beyond country and company boundaries, and in 2011 we intend to estimate carbon dioxide equivalent emissions for the products journey from factory gate to construction site.

When measuring performance we combine and convert information from across the Group to create a common base. This produces indicators comprising a combination of measured, averaged and estimated performance. Wherever possible, we use external standards for data collection and reporting techniques and continue to work to improve the accuracy of the measures reported.

We have again asked Lloyds Register of Quality Assurance ('LRQA') to verify the materiality and accuracy of our environmental performance indicators. A copy of their statement can be found in the environment section of the Travis Perkins' web site.

### Incidents & Complaints

During 2010 Travis Perkins received an increase in complaints and incidents from previous years. The majority of the increase in complaints were from customers relating to our timber chain of custody system. Details of the reportable incidents and complaints can be found in the relevant sections of this report.

### BSS

The purchase of BSS in December 2010 presents growth opportunities in sales of renewables and other low impact solutions and will change the environmental footprint of the expanded group. BSS previously published

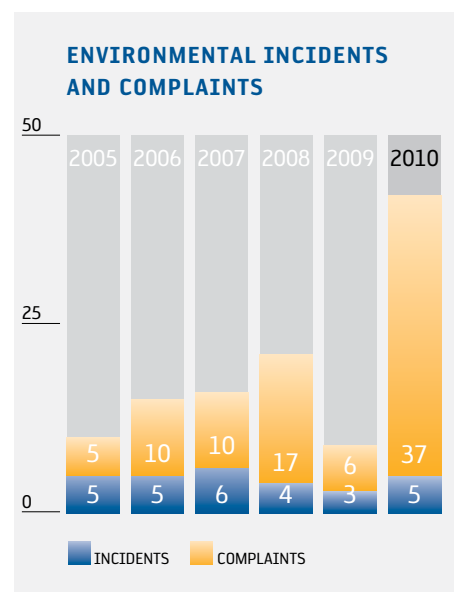
indications of their environmental performance along similar lines to our own. This will help us understand quickly where there may be environmental efficiencies across the expanded group. In 2011 we will seek to realise these opportunities whilst ensuring group policies, legal compliance, pollution prevention and continuous improvement are consistently applied in all operating sites. It is our aim that all BSS sites will operate with ISO14001 certified management system tools by early 2012.

The environmental impact from BSS for the 16 days that they were part of the expanded group is not included in the figures presented in this report.

Following the inclusion of BSS we will consider whether the current key performance targets we have remain appropriate for the enlarged Group, and would aim to publish revised targets, if appropriate, by the end of the year. This review will also consider the validity of the time scale for targets and a potential need to set targets for a 10 – 15 year time line compared to our current 5 years horizon.

### ToolStation

During 2010, our equity share in ToolStation was accountable for 274 tonnes of waste of which 37% was recycled, 1,029 tonnes of carbon emissions, 2,678 litres of water and 114 tonnes of packaging. ToolStation did not receive any environmental complaints or have any reportable environmental incidents during 2010.





## BSS – The newest addition to the Travis Perkins Group



Carl Adcock, Branch Manager, F & P Wakefield





## MARKET PLACE

### Responsible Supply

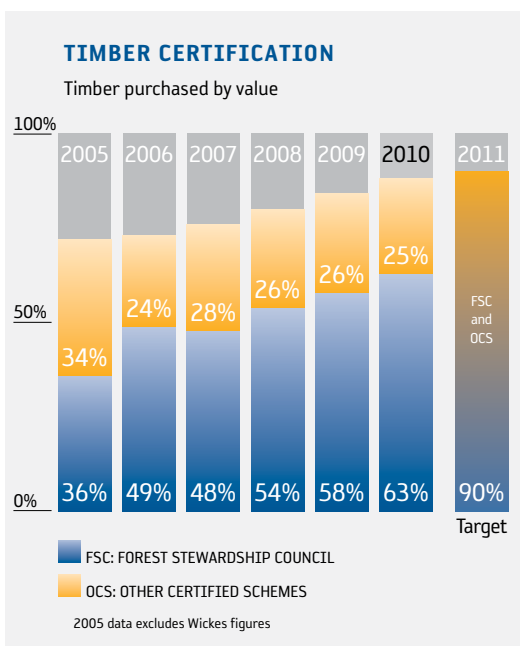
The demand for responsibly sourced products in 2010 remained strong. We were asked to provide certified timber for £17m of sales (9% of total timber sales). We also detected a growing awareness of the Building Research Establishment ('BRE') framework standard for the responsible sourcing of construction products (BES 6001) amongst our largest customers; although we have seen very little change in awareness of any aspect of responsible sourcing from smaller building firms.

As one of the largest multi-site holders of FSC and PEFC Chain of Custody and the only multiple merchant that offers certified timber at every branch selling timber, we strive to ensure that our supply chain operates at the highest levels of integrity. However, in 2010 we recorded 16 complaints about our Chain of Custody system and responded to all of them. This level of complaint has prompted us to think again about how we organise our controls. In 2011 we are determined to improve the service we give to discerning customers seeking responsibly sourced product.

### Low Impact Products

At the end of 2010, Wickes, in partnership with the Mark Group, launched an insulation and renewable power installation service. The service takes advantage of the subsidies on offer from Feed in Tariffs and Carbon Emission Reduction Targets to offer a highly attractive and professional service. In 2011 Wickes will look to grow this service on an internet only platform before moving into a multi-channel offer in 2012 and beyond.

Excluding the installation service, the group sells over 3,000 products that have either a beneficial or reduced 'in use' impact on the environment. These products appear across categories and brands and sales growth in these products has outperformed average sales growth across all the group's product categories. In 2011 we will apply category management principles to this eclectic mix of product with the expectation of even greater sales growth.





## THE DEMAND FOR RESPONSIBLY SOURCED PRODUCTS IN 2010 REMAINED STRONG. WE WERE ASKED TO PROVIDE CERTIFIED TIMBER FOR £17 MILLION OF SALES”

### Waste Services

We are already providing a number of waste services to our customers, most notably in pallet repatriation and waste brokering. By 2012 we see waste services providing a significant revenue stream for us as customers increasingly look to lower their costs, constrain vehicle movements to site, and comply with site waste management plans. In 2011 we will be expanding the number and complexity of joint take back trials with our customers and looking to launch a full service before the end of the year.

In some waste categories, such as batteries and electrical and electronic equipment, we have an obligation to either take back our customers' waste or provide waste disposal advice. Towards the end of 2010 the regulator asked us to improve the availability of advice for the disposal of electrical and electronic items and will be checking to see that we have done this in early 2011.

### Packaging

With close to a quarter of a million active individual items for sale it is important for us to prioritise packaging reduction activity. Approximately two thirds of our merchandising product range and a third of our Wickes product range is currently sold without any primary packaging, save perhaps for a returnable pallet. Some of our supplier partners are looking to remove packaging from more of their products. We are improving the cycle of recovering pallets from many customers and getting them back into circulation. In 2011 we plan to incentivise branches to collect more pallets, including damages, and to encourage suppliers to re-use more repatriated pallets. We believe that good pallet repatriation could reduce the amount of packaging we leave with the customer on a per million pound of adjusted sales basis by as much as 10% and contribute half of the reduction we are targeting in this measure.

Measuring progress on making packaging reductions is complicated by poor baseline data, and our first priority has been to establish a truer baseline from which to judge improvements. We do not yet feel that we have had enough data from suppliers to be able to retrospectively establish a 2008 baseline, or to be able to measure our suppliers' reduction activities. The inclusion of products unique to BSS is likely to mean that we will not be in a position to accurately measure packaging reduction performance across the expanded group before mid 2012. In the mean time, we will continue to work with our principal suppliers in identifying primary packaging reductions. There has been some notable activity in 2010 with a trial of a reusable cartridge gun system with an 80% reduction in packaging using a sealant pouch. We have also trialled the use of lower gauge bags for our bagged aggregate products that, if rolled out, would lead to a 5% packaging reduction. We have also identified 30%

weight reductions that can be achieved in nails and screw packaging.

In 2010 we were contacted by a regulator of the essential requirements for packaging, concerned that one of our retail products may be over packed. The regulator confirmed they were satisfied with the corrective actions taken and will not be taking any enforcement action. We have recorded this as a complaint.

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### RESPONSIBLE SOURCING

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This is a core element of our environmental vision. We continue to make measured progress towards our 2011 target and 2013 ambition to purchase only timber and timber products from fully certified or controlled sources. We estimate that in 2010 we purchased 88% by value of timber products from material that came from certified well managed or controlled forests. Joinery, flooring and kitchens remain our weakest categories where more work is still required. In addition, we keep a watchful eye on global sheet material markets and the availability of certain certified sheet materials where we perceive risk to be higher. For example, in 2010 we moved producer country, for much of our certified hardwood plywood, from Brazil to South East Asia due to lack of supply of certified timber. We would expect to achieve our target by the end of 2011 and will be reviewing future targets before the end of the year.

Whilst we had many conversations with stakeholders over the year about responsible sourcing only one person did not agree with our approach and wrote to tell us so. Whilst we are disappointed to receive any letters, we responded and addressed the concerns being raised.

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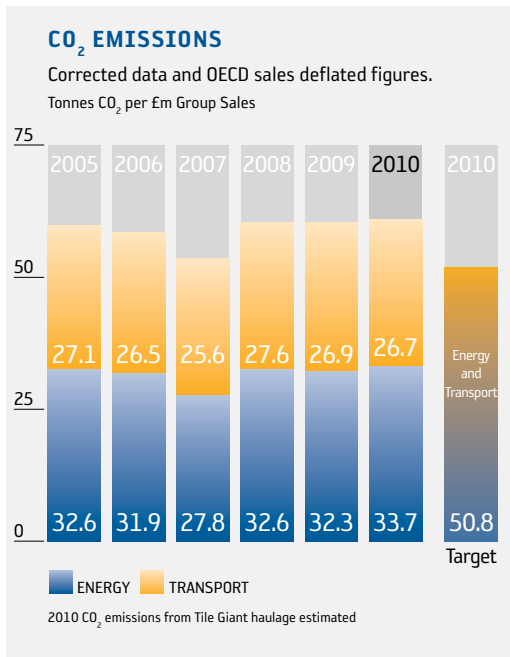
### CARBON

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Our monitoring and targeting of truck idling times continues to deliver carbon and financial savings. With over 1,800 trucks on the road every day, the savings are appreciable. We will use our practice of targeting specific behaviours to reduce our costs and carbon emissions from lighting, heating and electrical appliance consumption in 2011, now that most stores and branches have installed the necessary metering equipment.

Absolute carbon dioxide emissions in 2010 were 159,548 tonnes. When normalised against adjusted turnover, this represented 60.4 tonnes per million pounds of sales. Unfortunately, this means that, as predicted last year, we have not met our 2010 interim target of a 15% reduction in intensity from 2005.

The increase in carbon dioxide emissions in 2010 was mainly due to an increase in gas consumption for heating during the extreme and exceptional temperatures in December 2010.



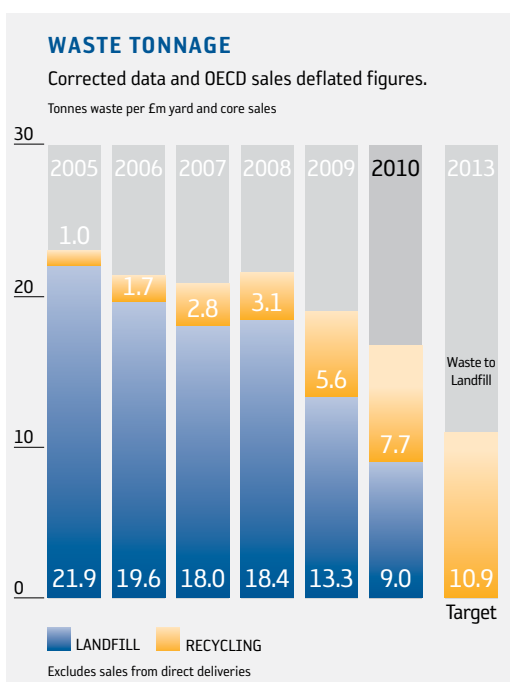
We will be looking at all our environmental performance indicators in the second half of 2011 in light of the expansion to the Group. However, this will not result in a scaling back of ambition in our carbon reduction plans and they will at least be equal to the current 20% intensity reduction target we have set ourselves for 2013.

## RESOURCE EFFICIENCY

### Waste

In December 2010 we launched the third iteration of our waste back haul service from distribution centres to branches and stores. We now ask our sites to segregate thirteen waste streams. We are following up the improved back haul service in early 2011 with a downgrading of bin capacity at most operating sites. Waste budgets in 2011 have already been reduced in line with the expected savings that will result.

By the end of 2010, out of 36,765 tonnes of waste produced, we had recycled or recovered 16,905 tonnes. When this performance is normalised by turnover, it represents a 59% reduction from the level of waste sent to landfill in 2005. This means we have exceeded our 50% reduction target three years ahead of time. We will announce a new reduction target by the end of 2011, following the assessment of BSS environmental metrics.



### Water

By examining bill payments in 2010 we estimate that we used 112 litres of water per million pounds of adjusted turnover. Our colleague engagement activities, which started in 2010, suggest that there is an appetite and appreciation for water efficiency and we will look to capitalise on this in 2011.

## POLLUTION PREVENTION

We called the Environment Agency twice in 2010 due to spillages threatening to enter controlled waters. We talked to Highway authorities twice because of spills on public roads.

There are no ongoing investigations by any environmental regulator and we have had no environmental prosecutions in 2010.

**Geoff Cooper**

Chief Executive

22 February 2011

# HEALTH & SAFETY REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

Health & safety ('H&S') is a Group priority, integrated into everything we do, from the Group Board to every colleague in every branch, store, warehouse and office. Our underlying philosophy is that all injuries are avoidable, however, we do not under-estimate the challenge of achieving this in a group that now includes almost 1,800 branches and 20,000 colleagues making in excess of 8 million deliveries per annum. We aim to be industry leaders in our sector for the reduction and elimination of injuries.

During 2010, we continued improving our standards, with the leaders in each of our businesses continuing to own and drive our Stay Safe culture change programme. Stay Safe requires effective leadership, a focus on the eight key risks in our business and the desire to have everyone return home safely at the end of each working day. We are still in the early stages of our Stay Safe programme, but we continue to make considerable progress in achieving our vision of making injuries a rare occurrence. We are putting considerable emphasis on finding new ways to engage the colleagues in our branches, to increase their personal ownership of Stay Safe.

## HEALTH & SAFETY PERFORMANCE AND INITIATIVES

Our 2010 H&S performance continued the improvements started in 2009, with further reductions in both the frequency and severity of lost time injuries as measured according to industry standards. The group frequency rate of 9.7 lost time injuries per million hours worked is an 8% improvement on the 2009 level whilst the group severity rate of 0.156 days lost per thousand hours worked also shows an 8% improvement on the 2009 level. Despite these overall improvements, we recognise there is no quick fix to reducing injuries, and that this is very much 'work in progress' to make injuries rare. We intend to further reduce both the frequency and severity rates over the next five years, by continuing our focus on high-risk areas, and also by targeting the working behaviour of our colleagues, customers and suppliers. 2010 saw the launch of the extremely successful Wickes' National Delivery Service. This resulted in a significant change in the risk profile of the Wickes' stores, and increased support was provided to counter this. Despite this support, a few colleagues have suffered injuries in the delivery service in 2010, and as a result, we only managed to slightly improve both the frequency and severity rates during the year. We intend to continue with the investment in training and support for the Wickes delivery service, with the intention to create the benchmark for safe delivery standards.

External enforcement officer inspections of branches continued to

show a favourable improvement in performance and standards, with numerous complimentary letters received. The Group received no legal notices in 2010.

EHO NOTICES	2006 No.	2007 No.	2008 No.	2009 No.	2010 No.
Prohibition	7	8	-	-	-
Improvement	29	9	8	4	-

The reductions in 2010, were achieved as a result of numerous initiatives under the Stay Safe development programme, led personally by each business unit management team and supported by the group health and safety team. The overall theme is one of colleague engagement, with a focus on improved communication, increased buy-in from colleagues and personal ownership of Stay Safe with more individual involvement. Several ongoing themes from 2009 were further supported by new initiatives in 2010.

The *Stay Safe* quarterly newsletter is an important tool in the communication campaign. It is now incorporated into the group internal magazine, *The Bridge*, and has introduced personal stories written by branch colleagues to the circulation of c15,000, as well as the usual mix of updates on current initiatives or incidents.



Regular presentations and briefings for directors, managers and all branch colleagues, at in-house conferences and meetings, on topics such as enforcement officer formal interview procedures, Stay Safe mystery shopper observations, updated safe systems, safety bulletins, etc have supported this communication strategy.

Ongoing development and updating of training programmes, including new e-learning packages for controlling contractors and 'grabbing' bulk bags, combined with online quizzes to test learning following internal briefings has maintained the consistent approach to communicating with our colleagues. Stay Safe is also an integral part of all driver Continuing Professional Competence ('CPC') training.

'Keep your feet on the ground', the initiative introduced at the end of 2009, has gathered momentum during the year, and is a great example of involving colleagues and developing their own ideas, to increase their



## THE SIMPLE PRINCIPLES, BEHIND 'KEEP YOUR FEET ON THE GROUND', LIKE MANY OF THE BEST IDEAS, WERE SUGGESTIONS FROM OUR OWN DRIVERS"

personal commitment to the Stay Safe programme. This is centred around basic vehicle loading and unloading techniques, designed to minimise or remove the need for the driver to access the vehicle bed. The simple principles, behind 'keep your feet on the ground', like many of the best ideas, were suggestions from our own drivers.

Continuing this theme, following suggestions from our own drivers, detailed testing of the lorry mounted crane 'grab' and the bulk bags used for all our loose aggregates, has resulted in a new approach to unloading bulk bags at the customer site in 2011. As part of the 'keep your feet on the ground' initiative, we are investing in modifications to every crane 'grab' so that it can be safely used to actually grab the bulk bag, and therefore remove the need to climb onto the vehicle bed to attach the bag to it. To support this Stay Safe programme of modifying over 1,000 crane 'grabs', we have produced a short DVD and online quiz to supplement the safe working procedures for our drivers. This initiative alone should more than halve the number of times the driver is expected to climb up onto the vehicle bed.

The Stay Safe communication board and quarterly branch committee meetings have continued to provide a simple structure to support this two-way flow of information, updating of risk assessments and discussion of local issues.

To further maintain the momentum of the Stay Safe programme, we have developed a bespoke training programme for all operational directors and key senior managers in support functions, based around the Institution of Occupational Safety and Health ('IOSH') Managing Safely programme, but with additional significant elements added, including behavioural psychology and safety leadership. This has proven successful in exploring different personal strategies for achieving culture change, and is currently being considered as an option to support the Stay Safe journey for all branch managers.

All businesses developed their own personal approach to driving the Stay Safe programme in 2010, an example of one approach being the CCF 'Line in the Sand' engagement programme. The CCF Board engaged with all branches

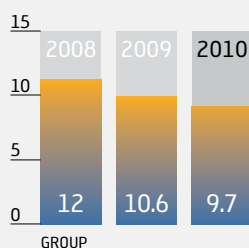


and colleagues to develop the model, which included closing the branch for an afternoon to hold team meetings to discuss the way forward.

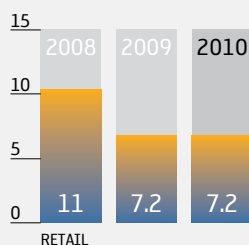
Group Supply Chain has added an additional dedicated Health and Safety advisor to the team, who is assisting in developing H&S initiatives

### LOST TIME INJURY FREQUENCY RATE

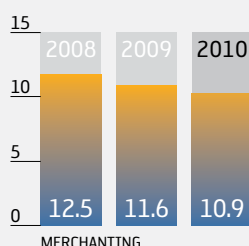
Lost time injuries per million man hours



GROUP



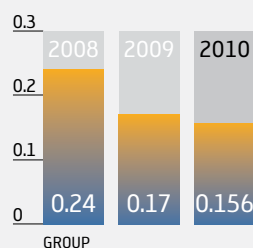
RETAIL



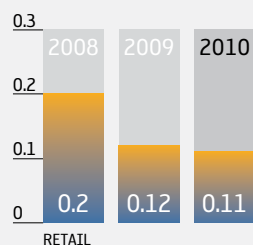
MERCHANTING

### LOST TIME INJURY SEVERITY RATE

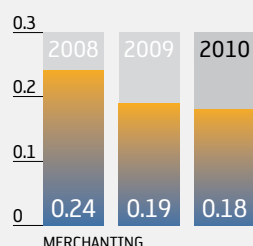
Lost time injuries per million man hours



GROUP



RETAIL



MERCHANTING



Scott Richardson, Sales Assistant

to suit supply chain's specific requirements. These include their own interpretation of 'Keep Your Feet on the Ground', using supply chain expertise to assist and develop branch unloading procedures, and tackling specific supply chain issues such as unloading the shipping containers now regularly received as part of the global sourcing expansion.

These initiatives and many others across the individual businesses are increasing the personal ownership of Stay Safe and resulting in the increasing engagement of colleagues. This has also been recognised in 2010 by two individual training awards. Stay Safe was commended by the National Training Awards and also by the IOSH Training Awards.

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#### GROUP PLC AND GROUP TRADING BOARD STAY SAFE COMMITTEES

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Both established committees continue to drive and oversee the ongoing Stay Safe journey following the format established over the last few years. Further details of their composition and terms of reference are available, on the investor centre section of the company website.

**Andrew Simon**

Chairman, Plc Board Health and Safety Committee

22 February 2011

# DIRECTORS



Robert Walker

Geoff Cooper

Paul Hampden Smith

John Carter

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## CHAIRMAN

Robert Walker (aged 66) was appointed as a non-executive director in September 2009 and succeeded Tim Stevenson as Chairman after the AGM on 17 May 2010. He is chairman of Americana International Holdings Ltd and a non-executive director of Tate & Lyle PLC. He has previously been chairman of W H Smith PLC and Williams Lea Group Ltd, and Chief Executive of Severn Trent Plc and held a number of senior posts with Pepsi Co Inc. He has also been a non-executive director of BAA plc, Signet Group Plc, Thomson Travel Group Plc, British Car Auctions and Wolseley plc. He is Chairman of the Nominations Committee and a member of the Remuneration and Health and Safety Committees.

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## CHIEF EXECUTIVE

Geoff Cooper (aged 56) joined the Company in February 2005 and was appointed Chief Executive on 1 March 2005. He is a chartered management accountant and worked in management consultancy before joining Gateway (now Somerfield plc) as Finance Director in 1990. In 1994 he became Finance Director of UniChem plc, subsequently Alliance UniChem plc (which later became part of Alliance Boots plc), where he was appointed Deputy Chief Executive in 2001. He is non-executive Chairman of Dunelm Group Plc. He is Chairman of the Executive Committee.

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## FINANCE DIRECTOR

Paul Hampden Smith (aged 50) is a chartered accountant and joined Sandell Perkins in 1988. Following the merger with Travis & Arnold, he was appointed regional finance director. In 1992, he became Finance Director of Travis Perkins Trading Company Limited and was appointed Finance Director of Travis Perkins plc in 1996. He is a non-executive director of Redrow plc.

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## CHIEF OPERATING OFFICER

John Carter (aged 49) 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 is a member of the Health and Safety Committee.





Chris Bunker

John Coleman

Philip Jansen

Andrew Simon O.B.E.

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## NON-EXECUTIVE DIRECTORS

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**Chris Bunker** (aged 64) was appointed as a non-executive director in 2004. He is a chartered management accountant and was Finance Director of Thames Water plc, from 2000 until March 2004. He was previously Finance Director of Tarmac PLC and Westland Group PLC. He is a non-executive director of D S Smith Plc and formerly was a non-executive director of Mowlem plc, Baltimore Technologies plc and Xansa PLC. He is the Senior Independent Director and Chairman of the Audit Committee and a member of the Nominations and Remuneration Committees.

**John Coleman** (aged 58) was appointed as a non-executive director in 2005. He is a chartered management accountant and Chairman of AGA Rangemaster Group plc and Holiday Break plc. He was Chief Executive of House of Fraser plc from 1996 to 2006 and previously Chief Executive of Texas Homecare and of a number of businesses within Burton Group PLC. He is a member of the Remuneration, Audit and Nominations Committees.

**Philip Jansen** (aged 44) was appointed as a non-executive director in April 2009. He is Group Chief Executive of Brakes Group. 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 was also a non-executive director of the Professional Cricketers' Association. He has also held senior positions with Procter & Gamble and Dunlop Slazenger Group. He is a member of the Audit Committee.

**Andrew Simon O.B.E.** (aged 65) 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 and Safety Committees.

# COMMITTEES AND PROFESSIONAL ADVISERS

## Secretary:

A. S. Pike

## Audit Committee:

C. J. Bunker (Chairman), J. Coleman, P. Jansen

## Remuneration Committee:

A. H. Simon (Chairman), C. J. Bunker,  
J. Coleman, R. Walker

## Nominations Committee:

R. Walker (Chairman), C. J. Bunker, J. Coleman

## Health and Safety Committee:

A. H. Simon (Chairman), J. P. Carter, R. Walker

## Executive Committee:

G. I. Cooper (Chief Executive and Committee Chairman),  
J. P. Carter (Chief Operating Officer),  
P. N. Hampden Smith (Finance Director),  
N. G. Bell (Category Managing Director),  
J. Bird (Managing Director, Wickes),  
A. J. Davidson (Chairman, Specialist Merchanting),  
C. Kavanagh (Group HR Director),  
M. R. Meech (Group Property Director),  
J. Mescall (Chairman, General Merchanting),  
A. S. Pike (Company Secretary & Lawyer),  
R. D. Proctor (Supply Chain Director)

## Investment Bankers/Advisors:

HSBC Bank plc; Nomura International plc

## Corporate Broker:

Citibank; Credit Suisse

## Bankers:

The Royal Bank of Scotland plc; Barclays Bank plc

## Solicitors:

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

## Auditors:

Deloitte LLP, London

## Registrars:

Capita Registrars, Huddersfield

# CORPORATE RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

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:

<b>Environment</b>	Environment report on pages 37 to 42
<b>Health &amp; safety</b>	Health & safety report on pages 43 to 45
<b>Supply chain</b>	Chief Operating Officer's review of the year
<b>Employees</b>	Chief Operating Officer's review of the year
<b>Community relations</b>	Chief Executive'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 2010.

# STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

FOR THE YEAR ENDED 31 DECEMBER 2010

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 risk factors considered by the Directors to be material. 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.

## FINANCIAL RISKS

### Going Concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 14 to 24 of the Chief Executive's review of the year. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes in the financial statements. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found below.

After reviewing the Group's forecasts 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 forecast and revenue projections;
- Reasonably possible changes in trading performance;
- Committed facilities available to the Group to early 2013 and covenants thereon;
- Group's robust policy towards liquidity and cash flow management; and;
- Group's abilities to manage its business risks successfully during periods of uncertain economic outlook and challenging macro economic conditions.

### Financial Risk Management

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to liquidity risk, interest rate risk, foreign exchange risk, credit risk, capital risk and tax risk. 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 the day-to-day responsibility of the Finance Director, are managed centrally under a framework of policies and

procedures approved by and monitored by the Board. The policies in respect of interest and currency hedging, the investment of surplus funds and the quality and acceptability of financial counterparties were reviewed and re-approved by the Board during the year.

The treasury department is not a profit centre. Its objectives are to protect the assets of the Group and to identify and then manage financial risk. In applying these policies, the Group will utilise derivative instruments, but only for risk management purposes.

The Board receives monthly reports on cash flows, debt levels and covenant compliance with comparisons to budgets and forecasts. In addition, all derivative related activity is reported to the Board at the immediate next board meeting. As described in the Corporate Governance Report on page 55, the Board receives regular reports on specific areas of risk. As part of these risk reviews papers are presented on areas such as budgeting and planning, debt strategy (including derivative policy) and banking relations and working capital control.

### Liquidity and Net Debt (Note 25)

#### LIQUIDITY RISK

The Group's policy on liquidity risk is to ensure that sufficient cash is available to fund on-going operations. The Board manages exposure to liquidity risk by maintaining adequate facilities to meet the future needs of the business. Those needs are determined by continuously monitoring forecast and actual cash flows taking into account the maturity of financial assets and liabilities included in the balance sheet.

The Group's principal borrowing facilities are provided by a group of core relationship banks in the form of a term loan and a revolving credit facility and by US institutions in the form of US\$ denominated notes. The quantum of committed borrowing facilities available to the Group is reviewed regularly and is designed to comfortably exceed forecast peak gross debt levels.

#### LIQUIDITY MANAGEMENT

The Group's treasury team are responsible for monitoring the Group's short and medium term liquidity requirements using a combination of annual budgets which have been analysed on a daily basis using historical trends, quarterly trading and cash flow re-forecasts and short-term forecasts adjusted for actual events as they occur. They are then charged with drawing down sufficient funds to meet those needs whilst minimising borrowing costs and reducing the incidences of investing surplus funds.

Medium term borrowing and hedging requirements (up to 5 years) are determined from the Group's annual budget and three-year plan, which are prepared to show monthly trading, cash flows and debt requirements for the entire period, and are updated and approved by the Board each year.

To ensure the Board takes pre-emptive action where necessary, the Group re-forecasts profits and cash flows on a quarterly basis.

#### FACILITIES

The Group has a £1bn syndicated credit facility provided by 14 banks. By 31

# STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

FOR THE YEAR ENDED 31 DECEMBER 2010

December 2010, repayments and the debt buy back referred to on page 33 had reduced the facility to £846m of which £371m is in the form of a fully drawn amortising term loan, the remainder being a revolving credit facility, which can be drawn down as required. In addition the Group had access to £70m of uncommitted overdraft facilities at 31 December 2010.

In early 2006 the Group issued \$400m of fixed rate guaranteed unsecured notes (the 'Notes') with a broad range of US financial institutions. The debt comprises \$200m of Notes repayable in 2013 and the remainder in 2016. At inception, the fixed interest rate net proceeds were swapped into Sterling 6-month LIBOR determined variable rate debt.

On 14 December 2010 the Group adopted \$125m of fixed rate guaranteed unsecured notes as part of the BSS acquisition. Whilst \$75m of the notes are due to be repaid in 2013 and \$50m in 2016, the Group is currently determining the future of the notes.

Liquidity headroom is expected to remain high with the term loan due to be repaid in four £35m tranches in April and October each year, with the balance falling due in April 2013. The revolving credit facility is available to the Group until April 2013.

Tranches of the syndicated facility can be drawn down for weekly, monthly, three monthly and six monthly terms, with the actual duration of draw downs being dependent upon management's interest rate expectations. For all of 2010, due to the high differential between 6 month LIBOR and weekly and monthly LIBOR the Group has drawn funds on a weekly or monthly basis.

## COVENANT COMPLIANCE

The Group's borrowings are subject to covenants set by the lenders. Covenant compliance is measured semi-annually using financial results prepared under IFRS extant at 31 December 2007.

The key financial covenants are the ratio of net debt to earnings before interest tax, depreciation and amortisation 'EBITDA' which must be less than 3.5 times, and the ratio of earnings before interest, tax and amortisation 'EBITA' to net interest which must be above 3.5 times. At 31 December 2010 the Group achieved a net debt to EBITDA ratio of 1.9x (note 38) and interest cover of 18.9x (note 10).

In addition to these financial covenants the Group's borrowing agreements include general covenants and potential events of default. At the date of this report there had been no breaches of the financial covenants and the Group had complied in all other respects with the terms of its borrowing agreements.

## Interest Rate and Currency Derivatives (Note 26)

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.

## INTEREST RATE RISK

One of the principal risks facing the Group is an exposure to interest rate fluctuations. The Group has borrowed in Sterling at floating rates, whilst its

US\$ denominated Notes have fixed rates of interest.

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

The Group has entered into a number of interest rate derivatives designed to protect it from fluctuating interest and exchange rates on its borrowings. At the year-end, the Group had ten interest rate derivatives fixing interest rates on approximately 65% of the Group's cleared debt. The maturity of the Group's derivatives is as follows:

	Term	Maturity	Notional value
Vanilla interest rate swaps	Amortising	May 2011	£300m
Vanilla interest rate swaps	Bullet	May 2011	£100m
Cancellable swap	Bullet	October 2013	£50m

## CURRENCY RISK

Having taken out:

- 3 cross currency swaps and 4 forward contracts, to protect it from exchange rate fluctuations, in respect of its \$400m fixed rate guaranteed unsecured notes;
  - 3 cross currency swaps to protect it from currency fluctuations on the BSS \$125m fixed rate guaranteed unsecured notes;
- the Group is not exposed to significant foreign exchange risk.

Whilst the majority of purchases of goods and services are invoiced in Sterling, goods acquired from overseas either directly from manufacturers or through UK based distributors continue to increase. Overseas originated purchases currently approximate to 4% of group purchases and so adverse movements in Sterling, could, to the extent they cannot be passed on to customers, affect profitability.

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 2010 the nominal value of currency contracts, most of which were \$US denominated, was \$94m and €8m. At 31 December 2010, based upon forecast currency requirements for 2011, a US\$10c change in the exchange rate would impact costs, before any corresponding selling price amendment, by approximately £3m.

## Credit Risk

### FINANCING

Credit risk refers to the risk that a counterparty will default on its contracted obligations resulting in loss to the Group. It arises on financial instruments such as trade receivables, short-term bank deposits, banking facilities, interest rate derivatives and foreign currency hedging transactions. To reduce the risk

# STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

FOR THE YEAR ENDED 31 DECEMBER 2010

of loss arising from counterparty default, the Group has a policy of dealing with credit-worthy counterparties. The Group has policies and procedures to ensure that customers have an appropriate credit history and that account customers are given credit limits appropriate to their circumstances, which are regularly monitored.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics (other than banks providing banking facilities, interest rate derivatives and cross currency swaps). The Group defines counterparties as having similar characteristics if they are connected entities. The credit risk in liquid funds and derivative financial instruments is limited because the counterparties used are banks with high credit-ratings assigned by international credit-rating agencies.

At the year-end, the Group had open currency hedging contracts with four banks, open interest rate derivative contracts with 6 banks and had 14 banks within its banking syndicate. There were 18 companies holding the Travis Perkins US\$ denominated Notes, of which the largest held 21% by value (11 held the BSS US\$ denominated Notes of which the largest held 15% by value). All currency hedging contracts and swaps are held with members of the banking syndicate.

On 22 February 2010, the Group's banking counterparties had ratings of:

Rating	Number of banks No.	Amount of UK Bank Facilities £m	Notional Value of Interest Rate Derivatives £m	Notional Value of Cross Currency Swaps \$m	Notional Value of Currency Forwards £m
AA+ to AA-	7	£398m	£220m	£87m	£45m
A+ to A-	4	£378m	£230m	£139m	£10m
Below A-	2	£77m	-	£14m	£18m
Not rated	1	£4m	-	-	-

## CUSTOMER CREDIT

Within the Group's trade businesses, one of the key aspects of service is the provision of credit to customers, with the Group carrying the associated credit risk.

Trade receivables consist of a large number of customers, none of which represents more than 1% of sales, spread across diverse industries and geographical areas. However, the nature of the industry is such that there is a risk that some of these customers will be unable to pay outstanding balances.

Ongoing evaluation of the financial condition of accounts receivable and reviews of the total credit exposure to all customers is performed monthly, using external credit risk services where necessary. Increased credit levels are approved by both operational and financial management with personal guarantees being obtained, where appropriate, before credit is advanced. Whilst day-to-day credit control is the responsibility of the centrally based teams, the Group also operates an in-house debt recovery team, headed by a qualified solicitor that is responsible for recovering debt that remains unpaid.

The Group does not have credit insurance.

During the recession of 1990/91, the Group experienced bad debt levels of up to 1.35% of credit sales. Over the past 10 years, the bad debt charge has averaged below 0.5%. The charge for 2010 was 0.59% of credit sales (2009: 0.8%).

Debtor days at 31 December 2010 were 55 days (2009: 54 days). An increase in one debtor day at 31 December would have reduced cash flow by approximately £7m.

## Capital Risk

The Group manages its capital risk by ensuring it has a capital structure appropriate to the ongoing needs of the business that ensures it remains within the covenant limits that apply to its banking arrangements. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 22 to 24.

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

The Group's capital structure is aimed at balancing equity and debt in a way which comfortably maintains the Group's investment grade status in the view of its lenders, whilst optimising the efficiency of its finance costs given that the cost of debt is below the cost of equity. This equates to a maximum Net Debt/EBITDA target of 2.5 times post any acquisition (against 3.5 times bank covenant) with the aim of paying down debt down to achieve a 1 times ratio. For the purposes of this calculation and of setting the target, any pension related debt, bank debt and the amount of any operating lease commitments are included (see note 31).

Our current preferred sources of debt financing include bank debt and US private placement notes. We are regularly reviewing the sources of debt with the aim of maintaining both diversified sources and diversified maturities.

## Tax Risk

The Group seeks to efficiently manage its tax affairs whilst at the same time complying with the relevant laws and disclosure obligations placed upon it. However, the complexity of tax legislation means that there will always be an element of uncertainty when determining its tax liabilities.

To minimise compliance risk the Group utilises qualified in-house expertise and takes external advice when making judgements about the amount of tax to be paid and the level of provisions required.

Future tax charges and payments could be affected by changes in legislation and accounting standards beyond the control of the Group.

## Pension Risk

The risks in this area relate to the potential for contributions required to

# STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

FOR THE YEAR ENDED 31 DECEMBER 2010

meet the benefits promised in the final salary schemes rising to a level that restricts other corporate activity. The Schemes' Trustees and the Group obtain independent actuarial advice and formal valuations are carried out at least every three years. The Trustees receive reports on the investment performance quarterly. The Travis Perkins' final salary scheme was closed to all new members in April 2006 and in 2009 pensionable salary inflation was capped at 3% per annum. The three BSS final salary pension schemes were closed to new members between October 2001 and October 2003.

The combined accounting deficit at 31 December 2010 on all group schemes is £28m. The Group currently has arrangements in place to eliminate the funding deficit on the Travis Perkins defined benefit scheme over a period of 8 years and on the BSS defined benefit schemes by 2019. Any deterioration in the schemes' funding position could impact the Group's liquidity.

## Insurance Risk

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 historic 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 historic trends to determine the level of expected claims. To the extent that the estimates are inaccurate, they may be underprovided in respect of claims, which could result in an adverse effect on the Group's results of operations and on cash flows which could adversely affect future prospects or financial condition.

## OTHER OPERATIONAL RISKS

### Market Conditions and Competitive Pressures

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. 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. 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.

Market trends, particularly in respect of Multi-channel offerings, could also affect the Group's performance if they continue to move towards greater internet purchasing so making traditional branch based operations less

relevant. In addition, competitor activity could affect group performance. These are tracked on an ongoing basis and reported to the Board each month.

### Product Availability and Product Prices

Security of supply of products and product quality are monitored by product category directors in the trade and retail businesses. Supplier financial strength, capacity availability, product quality and service levels are monitored on a continuous basis. An annual risk assessment with recovery plans is prepared for the major suppliers across the Group. The Group is not significantly exposed to one supplier or product type with no supplier accounting for more than 4% of total goods purchased in 2010. An established QA process is in place throughout the business.

The ability to pass on price increases to customers is affected by competitor activity and the economic climate. An inability to raise selling prices could reduce margins.

The expansion of direct sourcing increases the Group's reliance on overseas factories and so exposes the group to greater risk due to both potential lack of availability and from product quality, which could affect the reputation of the Group's brands. The market price of products distributed by the Group, particularly commodity products, can vary significantly and affect operating results particularly those sourced from overseas which also may be impacted by currency fluctuations. To mitigate these potential risks the Group's businesses actively take steps to protect themselves from anticipated price rises and currency fluctuations, invest in quality assurance and maintain sensible stock levels.

Any restrictions on third party credit insurance available to suppliers could result in them reducing their own credit exposure to the Group. If this were to occur, it could adversely affect the Group's working capital and therefore its debt levels.

### Information Technology and Business Continuity

The operations of the Group depend on a wide range of IT systems operating efficiently. An IT strategy committee reviews the strategic demands of the business, resources available to it, performance levels of the key systems and systems security and prioritises development work. Maintenance is undertaken on an ongoing basis to ensure the resilience of group systems and escalation procedures are in place to resolve any performance issues at an early stage. Our two data centres mirror each other with data processing switched from one to the other on a regular basis. An IT disaster recovery plan exists and is tested regularly together with the business continuity plan with arrangements in place for alternative data sites for both trade and retail businesses. Off-site back-up routines are in place.

The Group distributes products from 27 central distribution centres in Great Britain. The loss of any single warehouse through fire or other major incident could have a material effect on the availability of product in the trade and retail outlets. Each warehouse has fire detection and alarm systems and a business continuity plan.

# STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

FOR THE YEAR ENDED 31 DECEMBER 2010

## Human Resources

The ability to recruit and retain staff at all levels of the Group is an important driver of our overall performance. Salaries and other benefits are benchmarked annually to ensure that the Group remains competitive. A recruitment toolkit is available for both trade and retail outlets. A wide-range of training programmes are in place to encourage staff development and management development programmes are used to assist those identified for more senior positions. The Group Human Resources Director monitors staff turnover by job type and reports to the Board annually. Succession plans are established for the most senior positions within the Group and these are reviewed annually.

## Leased Property

The majority of the Group's branch portfolios are held through leasehold interests, which are generally subject to periodic rent reviews, lease expiries and renegotiations. As a result, the Group is susceptible to changes in the property rental market, such as increases in market rents, which are cost increases to the Group that they may not be able to pass on to customers in the form of higher prices. Any such rental increases may negatively affect the Group's margins and could have an adverse effect on the Group's future prospects, financial condition or results of operations.

The Group has assigned a limited number of leases on surplus properties in the course of its business, and the Group has acquired businesses, which also have assigned leases prior to acquisition. In certain circumstances, the Group may be contingently liable for performance of leasehold and other obligations relating to the assigned leases. Particularly in the current market environment, there is a risk of such liability crystallising in the event of the insolvency of, or other default by, an entity or entities to which a number of the leases on those properties were assigned.

## Acquisitions and Other Expansion

Growth by acquisition continues to be an important part of the long-term strategy of the Group. Significant risk can arise from acquisitions in terms of the initial valuation, the integration programme and the ongoing management of the acquisition. Detailed internal analysis of the market position of major acquisition targets is undertaken and valuations are completed using discounted cash flow financial models. Independent advisors are used to comment on the strategic implications and the assumptions in valuation models for larger acquisitions. A rolling programme of post acquisition audits is completed and reviewed by the Board each year.

## Legislation

The Group is affected, both positively and negatively, by the legislative environment within which it operates. Planning and building legislation affects its customers, and consequently the Group, whilst health and safety, employment, environmental and competition laws together with the rules of the Financial Services Authority and the Listing Rules influence its day-to-day operations.

The Group has an in-house legal team headed by the Group Company Secretary, which together with health and safety and environmental experts, monitor changes in legislation that affect the Group and enable it to take timely action to ensure any impacts are reduced.

## Reputation and Litigation

The Group is potentially exposed to litigation, including that related to product liability, asbestos and environmental pollution or contamination. Where this relates to a supplier or the actions of third parties, the Group would seek to pass such liability back to them, but were this not possible it would seek to rely on its insurance policies.

Some Group companies up to the 1970s included asbestos-based products in their product ranges. On occasions when handling these products, employees may have been exposed to the potentially harmful effects of asbestos, with the result that their health may have suffered. Occasionally, the Group receives a claim for damages from a former employee, or from his or her estate, in respect of their ill-health. For the majority of cases where liability is proven against the Group, the claim is paid by the insurers of the employing company at the time the exposure to asbestos occurred. However, occasionally, where, due to the passage of time and the lack of records, particularly for companies subsequently acquired by the Group, it is not possible to identify the insurer, the Group may be directly liable for settling the claim.

Historically, the level of such claims has not been material either individually or in aggregate and the Board currently has no reason to believe that the situation will change. However, if there was a significant increase in the number of such claims for which insurance cover could not be traced, the future prospects, financial condition or results of operations of the Group could be adversely affected.

The Group's property portfolio includes properties of various ages and a number of their properties were constructed in areas that have historically been the subject of commercial or industrial use. It is possible that on-site pollution or contamination could have been caused by any such previous uses, or in limited circumstances by current uses, for which the Group could be held liable. Although the Board is not aware of any relevant liability, claims or actions, a claim or regulatory action against the Group pollution or contamination could have a material adverse effect on the Group.

Any litigation carries an inherent risk of an adverse outcome. Any successful product liability, asbestos or environmental claim could have a material adverse effect on the Group's future prospects, financial condition or results of operations. In addition, even if the Group successfully defends any such claim, claims of this nature could have a negative impact on customer confidence in the Group's products and on the Group itself.

## Environmental

Failure to operate within the highest environmental standards may reduce the Group's profitability if such action causes it to come into conflict with legislative requirements. Furthermore, with heightened environmental awareness,

# STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

FOR THE YEAR ENDED 31 DECEMBER 2010

companies that fail to meet environmental standards may find their ability to trade or gain access to capital markets reduced.

The Group has accreditation for its environmental management system to the ISO 14001 standard. Further details of the Group's environmental policies and performance are given in the Environmental report on pages 37 to 42. However, to mitigate the potential environmental risks, the Group undertakes comprehensive reviews across all its businesses involving independent external advisers. External verification of environmental performance is undertaken and repeated on an annual basis.

Government pressures to reduce carbon emissions may result in significant changes to the new build and RMI building market. Regulations may drive substantial changes to the products that are specified by customers, which could affect the builders merchanting industry if those customers move towards more direct sourcing from the manufacturers or installers.

## **Climate**

The building materials industry provides customers with products used largely in construction and RMI. These activities are typically undertaken less during inclement weather, and, as a result, the Group's operations are characterised by weather-affected fluctuations in demand. Prolonged periods of poor weather can adversely affect the Group's future prospects, financial condition and results of operations.



# CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2010

## COMBINED CODE

The London Stock Exchange issued the Combined Code on Corporate Governance ('the Code') in 1998 and it was revised most recently in June 2008. Section 1 of the Code is applicable to companies. A statement explaining how the Company has applied the principles and the extent to which it has complied with the provisions of the Code appears below. The Company will report on its compliance with the new UK Corporate Governance Code in its 2011 annual report.

The Code contains fourteen main principles of governance, which are divided into the following four areas:

### 1. Directors

The Company is controlled through a board of directors, which presently comprises the Chairman, three executive and four non-executive directors. Robert Walker (having succeeded Tim Stevenson on 17 May 2010) is Chairman and Geoff Cooper is Chief Executive. Chris Bunker is the Senior Independent Director. John Coleman, Philip Jansen and Andrew Simon are also independent non-executive directors. Appointments of new directors are made by the Board on the recommendation of the Nominations Committee. All directors will submit themselves for re-election at least every three years.

The Board has a formal schedule of matters reserved to it and meets at least ten times a year. It is responsible for overall group strategy, policy on corporate governance matters, acquisition policy, approval of major capital expenditure and consideration of significant financial and operational matters. It monitors the exposure to key business risks and reviews the strategy of the trading subsidiaries, their annual budgets and progress towards the achievement of those budgets and their capital expenditure programmes. It also considers legislative, environmental, health and safety and employment issues. The Board has approved a written statement of the division of key responsibilities between the Chairman and the Chief Executive.

The Chairman leads the Board, ensuring that each director is able to make an effective contribution. He also monitors the information provided to the Board to ensure it is sufficient, timely and clear, and from time to time, the Board reviews the adequacy of this information.

The Board held sixteen meetings during 2010, five of which were by conference telephone call. One meeting dealt with consideration of the Company's long-term strategy and seven meetings either included visits

to parts of the Company's operations or included presentations by senior executives on their areas of responsibility. Individual visits to operational sites by non-executive directors also took place. In addition to the regular board meetings, key financial information is circulated to directors outside of meetings. The Chairman has regular direct contact with the executive directors and keeps the non-executive directors informed of material developments between board meetings. The Chairman held two meetings during the year with all the non-executive directors, without the executive directors being present.

All directors have direct access to the Company Secretary and may take independent professional advice in the furtherance of their duties if necessary. The Company maintains directors & officers' insurance in respect of the risk of claims against directors.

The Board has an induction process for new directors, which is facilitated by the Company Secretary. The Chairman ensures 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. They are also regularly provided with information on forthcoming legal and regulatory changes and corporate governance developments, and briefings on the key risks facing the Company, including those identified in the Corporate Responsibility statement on page 48.

The Board has established five committees: the Audit Committee, the Remuneration Committee, the Nominations Committee, the Health and Safety Committee and the Executive Committee, which operate within defined terms of reference, which are available on the Company's website or may be obtained from the Company Secretary. The minutes of committee meetings are available to all the directors. The reports of the Audit Committee, Health & Safety Committee, Remuneration Committee and Nominations Committee are on pages 58 to 60, 43 to 45, 61 to 71 and 72 respectively.

The Executive Committee's members are listed on page 48. Other executives are invited to attend from time to time in relation to specific matters. The principal purpose of the 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.

# CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2010

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

	PLC BOARD	REMUNERATION AUDIT	NOMINATION	HEALTH & SAFETY	EXECUTIVE	
<b>Number of meetings</b>	<b>16</b>	<b>4</b>	<b>7</b>	<b>1</b>	<b>3</b>	<b>11</b>
<b>Attendances:</b>						
C. J. Bunker	16	4	7	1	-	-
J. P. Carter	16	-	-	-	3	11
J. Coleman	13	4	6	1	-	-
G. I. Cooper	16	1	7	1	-	11
P. N. Hampden Smith	16	4	1	-	-	11
P. Jansen	16	4	-	1	-	-
A. H. Simon	14	-	7	1	3	-
R. Walker	16	4	7	1	3	-
T. E. P. Stevenson*	6	1	2	1	1	-

\* Retired from the Board in May 2010.

If a director was unable to attend a meeting of the Board or a committee of which he is a member, the Chairman discussed the meeting papers with him to obtain his views prior to the meeting.

During the year, the Board undertook an evaluation of its performance and the performance of its committees and the individual directors. This consisted of completion of a questionnaire followed by interviews by the Chairman with each other director and the Company Secretary separately. These interviews formed the basis of a report by the Chairman that was the subject of a discussion by the Board, which was satisfied that the process showed that the Board and its committees worked effectively. However, it agreed a number of measures, all aimed at further improving its performance. The focus of these measures was on:

- Ensuring that there was adequate and timely review of succession planning for the Board, including providing for appropriate diversity among non-executive board members and for management posts below board level;
  - Improving the Board's identification and review of high level risks to the business;
  - Enhancing non-executive directors' knowledge of the Group's businesses by arranging for them to 'mentor' particular businesses, on a rotating basis.
- A board evaluation process will be carried out in 2011, using the services of an external facilitator. It is the Board's policy to engage such a facilitator at least every 3 years.

## 2. Directors' Remuneration

The Remuneration Committee consists of the Chairman and three independent non-executive directors, and meets at least four times a year. 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 salary. No director plays a part in the discussion about his own remuneration.

The Remuneration Report is set out on pages 61 to 71.

## 3. Accountability and Audit

A review of the performance of the Group's trading subsidiaries and the financial position of the Group is included in the reports of the Chief Executive, the Chief Operating Officer and Finance Director set out on pages 14 to 36. The Board uses them, together with the Chairman's statement on pages 12 and 13 to present a full assessment of the Company's position and prospects. The Directors' responsibilities for the financial statements are described on page 77.

### INTERNAL CONTROL

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

The day-to-day operation of the system of internal control has been delegated to executive directors and senior management, but the effectiveness of the system is regularly reviewed by the Board in a process that accords with the Turnbull Guidance. The Board and the Executive Committee receive regular reports on specific areas of risk and the results of Internal Audit analysis. If appropriate, these reports include recommendations for improvement in controls or for the management of those risks. Measures to integrate risk management processes into the Group's operations, to extend awareness of the importance of risk management and to ensure that recommended improvements are implemented, are regularly reviewed and refreshed. Senior executives are asked, twice a year, to confirm the adequacy of internal controls in their areas of responsibility, identify any control weaknesses, and to confirm the accuracy and completeness of information given to the directors and to the external auditors. This confirmatory process will be extended further through the management structure in 2011.

# CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

#### AUDIT COMMITTEE AND AUDITORS

The report of the Audit Committee is set out on pages 58 to 60.

#### 4. Relations with Shareholders

The Company encourages two-way communication with both its institutional and private investors and responds promptly to all enquiries received. During the year the Chairman, the Senior Independent Director and the executive directors, either separately or together, attended a number of meetings with analysts, and with shareholders representing circa 60% of the issued share capital. 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 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, two further trading updates and sent a circular to shareholders in July 2010 concerning its proposed acquisition of The BSS Group plc. All shareholders receive at least twenty working days notice of the Annual General Meeting at which all directors are available for questions and a short business presentation takes place. Each substantive issue is the subject of a separate resolution. The numbers of proxy votes for and against each resolution are announced at the meeting, after the voting has taken place, and are subsequently published on the Company's website.

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#### GOING CONCERN

This matter is dealt with in the Statement of Principal Risks and Uncertainties on page 49.

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#### CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Company is pleased to report that it has complied throughout the year ended 31 December 2010 with the provisions set out in Section 1 of the Code.

# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## ROLE OF THE AUDIT COMMITTEE

The Audit Committee is 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, unless expressly addressed by the Board itself, the Company's internal control and risk management systems;
- Monitoring and reviewing the effectiveness of the Company's internal audit function;
- Reviewing the audit plans of the external auditors and for monitoring the conduct of the audit;
- Reviewing the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Reviewing the Company's policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by an external audit firm;
- Making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, in relation to the appointment and remuneration of the external auditors.

The Audit Committee is required to report its findings to the Board, identifying any matters in respect of which 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

Chris Bunker was Chairman and John Coleman and Philip Jansen were members of the Committee throughout 2010. All members of the Committee are considered to be independent. The Company Secretary, Andrew Pike, is secretary to the Committee. The Board considers that Chris Bunker has the recent and relevant financial experience required by the Combined Code (see also the board profiles on pages 46 and 47).

## MEETINGS AND ATTENDANCE

The Committee met four times during 2010 to consider inter alia, the annual and interim results. Attendance at the meetings is shown on page 56. The Chairman of the Committee also invited the Group Chairman, the Chief Executive, the Finance Director, the Chief Operating Officer, the Group Financial Controller, the Group Head of Business Risk and Assurance and the external auditors to attend the meetings. When present, the external auditors and the Group Head of Business Risk and Assurance were given the opportunity to discuss with the Committee, any matters which they wished

to raise without the presence of management. In addition, during the year, the Committee Chairman held a number of meetings with the Group Head of Business Risk and Assurance and with the external auditors, all without management being present.

## MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

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

- An evaluation of its work carried out as part of the Board evaluation process referred to on page 56; the Chairman of the Committee subsequently reported to the Board on this evaluation;
- The Committee's terms of reference; no changes were recommended to the Board;
- Any comments received on its 2009 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 strategy, staffing, processes and effectiveness of the internal audit department; minor changes to the terms of reference of that department were recommended to the Board;
- The demands on the Group's I.T. systems and the constraints imposed by having different systems in certain parts of the Group;
- The status of actions taken in response to recommendations arising from internal and external audit work;
- The operation of the Group's 'whistleblowing' policy;
- The policy on engagement of the external auditors for non-audit work, as referred to below, and its policy on the employment of anyone previously employed by the external auditor;
- The plans presented by the external auditors for conduct of the year-end audit including terms of engagement, fees and letters of representation;
- The plans for the audit of the BSS Group companies at the year end; it was agreed that due to the close proximity of the acquisition to the year-end, the existing auditor, PricewaterhouseCoopers, would be retained for this work;
- The effectiveness, independence, and objectivity of the external auditors, taking into account written assurances provided by Deloitte LLP with regard to its quality and independence controls, and its ethical standards, and the results of a survey among stakeholders;
- The Group's accounting policies, forthcoming changes to International Financial Reporting Standards and other regulatory changes and various

# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

guidance notes issued by the Financial Reporting Council;

- The Group's policies and processes for fraud prevention;
- The Group's tax planning.

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 Audit Committee are also members of the Remuneration Committee. The Audit Committee is satisfied that the Group's compensation policies are compatible with a robust control environment and good stewardship and also that the Committee received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities.

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

## EXTERNAL AUDITORS

The Company places great importance on the effectiveness and independence of its external auditors and together with them is careful to ensure their objectivity is not compromised. At its October meeting, the auditors presented to the Committee their plans for the forthcoming audit together with details of their proposed fees and how they ensure that their objectivity and independence are not compromised. These plans reflected a review by the new audit partner (see below) of the methods used to perform each element of the audit.

Deloitte LLP (or its predecessor firms) a leading international audit partnership, was first appointed as auditor to Group companies more than 30 years ago. There are no contractual restrictions on the Group with regard to their appointment. In accordance with professional standards, the partner responsible for the audit is changed every 5 years, and changed in 2010.

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

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

### General Principles

There is a presumption against the external auditors providing non-audit services and they should only be selected for such work where its nature

makes it more timely and cost effective to select advisors who have a good understanding of the Group or the work is of a particularly confidential or specialist nature. The external auditors should not provide non-audit services where either the nature of the work or the extent of such services might impair their independence or objectivity. Any assignment to the external auditors of non-audit work with a fee over £25,000 requires the approval of the Chairman of the Committee.

### Areas of Work

The policy lists certain non-audit services where it would be usual to engage the external auditors, such as regulatory reviews and certain tax services, and those where their engagement is not permitted, such as work that would conflict with ethical guidance to auditors, or work relating to the design of financial information systems. The Committee Chairman is consulted in relation to any proposed work not covered by the list.

### Value of Work

Non-audit services require approval as follows:

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

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

### Reporting

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

As shown in note 5 to the accounts, during the year the Auditors were paid £404k (2009: £338k) for audit-related work, and £689k (2009: £522k) for non-audit work. Of the non-audit fees, £445k related to work required to be undertaken by the Company's auditors on the prospectus and associated reports in respect of the acquisition of The BSS Group plc; the balance of £244k mainly comprised specialist taxation advice. In accordance with the Group's policy on non-audit fees, a project worth £145k was awarded following a competitive tender, whilst £62k related to work started in 2008.

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 the non-BSS, non-audit related, work previously described. In addition, £514k of fees was paid to other accounting firms for non-audit work.

The Committee understands that the total fees paid by the Group to Deloitte in 2010 amount to less than 0.06% of Deloitte's UK fee income and considers that the Auditors independence has not been impaired by the non-audit fees paid in 2010.

# AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

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## INTERNAL AUDIT

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As well as its reviews of the internal audit department's strategy and processes, as described above, during its meetings in 2010, the Committee received presentations from the Group Head of Business Risk and Assurance, about the results of work undertaken by the department, and approved its plans for work in 2011. The Committee was satisfied with the overall effectiveness of the department.

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## OVERVIEW

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As a result of its work during the year, and taking into account the result of the Board and Committee evaluation process described on page 56, the Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence, objectivity and effectiveness of the external and internal auditors.

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



**Chris Bunker**

Chairman, Audit Committee

22 February 2010

# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## 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

Highlights of 2010:

- Stretching annual performance targets exceeded, resulting in bonus payments being made to our strong management team;
- 25% of annual bonus deferred for three years held in the form of shares;
- Same base salary percentage increases applied to all levels, including executive directors, for the fourth year in succession;
- All employees continue to share in the Group's success through participation in short term incentive plans and longer term share plans; and
- Alignment of our CEO's pension remuneration going forward to fit with the Company's pension policy, keeping his fixed pay the same.

### Remuneration Committee Chairman's Statement

In addition to its standard remit, the Remuneration Committee has spent much time reviewing the pension provision for the group executives affected by legislation changes as well as keeping an eye on the proposed changes for 2012, which will affect all employees.

Our remuneration principles for all employees remain the same for the following financial year:

- Remuneration should be competitive and contribute to the delivery of short and long-term shareholder value;
- Remuneration should contain significant performance related incentive elements whose proportion increases with seniority;
- All employees should share in the success of the Group through participation in both annual bonus schemes and longer term share plans.

Maximum bonus awards have been made to our executive directors as a result of the Group exceeding the stretching targets set for 2010, (which are described in more detail later in this report) being exceeded. In contrast, the recession has continued to impact maturing long term incentive plans and, as anticipated, no awards vested in 2010.

### Remuneration Policy for Executive Directors

Our incentive structure is designed to support the Group goal of consistently outperforming in our markets.

In order to attract, motivate and retain high quality executives to achieve this goal, we continue to focus our efforts in ensuring that we have the right mix of fixed and variable pay, with more than 50% of total remuneration being performance related.

In determining the overall policy for executive remuneration, we consider all associated risks arising throughout the Company are considered, thereby

ensuring that the overall remuneration structure and variable scheme targets are set so that they do not give rise to any undue risk taking. Further, in formulating our policy, we consider pay and employment conditions elsewhere in the Company.

In addition, we encourage our most senior executives to build up a shareholding in the Company over a five-year period via formal shareholding guidelines. The target shareholding for the executive directors is 100% of salary and 50% for our most senior managers. Senior executives are aware that the Remuneration Committee may scale back future long-term incentive awards for individuals who have not consistently met the target level. Share options which have vested, but not been exercised, count towards this target. As at 31 December 2010, all three executive directors had a shareholding valued in excess of their salary guideline, as did all but two of the Group's top 23 senior managers.

### Base Salaries and Benefits

Base 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 2011.

In line with the majority of employees, the executive directors were awarded a 2.5% base pay increase in January 2011. This means that for the fourth successive year the same salary increase percentage has been applied to all employee levels. In addition to their basic salary, directors receive a benefits package which includes a car or car allowance (in the case of John Carter and Paul Hampden Smith), private medical insurance, life assurance, an incapacity benefits scheme and membership of a company pension scheme or a cash allowance in lieu.

From 1 January 2011, the executive directors' salaries are:

John Carter	£384,400
Geoff Cooper	£639,405
Paul Hampden Smith	£384,400

In respect of pension arrangements, Geoff Cooper agreed upon joining the Company that he would be pensioned within the defined benefits scheme on his salary up to the Earnings Cap, and receive a cash allowance on salary above the Earnings Cap. In 2006, when the Lifetime Allowance was introduced, he elected to cease being a member of the scheme for further service accrual, and to receive a cash allowance in lieu. This allowance was calculated with regard to the cost the Company would have incurred in providing continuing pension accrual. In contrast, for any executive now choosing such a cash allowance, the rate is equal to the percentage of salary payable by the Company to the DC pension plan (25% for executive directors).

Recognising this mismatch and following shareholder consultation, the excess of Geoff Cooper's cash allowance over 25% has been consolidated into salary. Whilst there is no change to the value of his fixed pay, it is recognised

# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

that this increases his variable pay opportunity. In making the decision to effect the change, the Remuneration Committee undertook an independent review of Geoff Cooper's position on base and variable pay versus the market (against the 50-150 FTSE companies) and was satisfied that the position of Geoff Cooper's remuneration (at between median and upper quartile) versus this group of comparator companies is entirely appropriate for a Chief Executive of his calibre and proven delivery of results. There were no other changes in the basis of directors' pension entitlements during the year.

During 2010, Paul Hampden Smith and John Carter were both members of the Group's defined benefits pension scheme. As described in detail in last year's report, increases in defined benefit members' pensionable salaries after 1 December 2009 were capped at 3% per annum, irrespective of any future salary increases which may, at some time, exceed 3%. There are no unfunded pension commitments or similar arrangements for directors.

As a result of the announced changes in the taxation of pensions at April 2011 and April 2012 we anticipate that Paul Hampden Smith and John Carter, together with a number of other senior executives, may choose to cease accrual in the Group's pension schemes during 2011. Senior executives may

choose to receive a cash allowance in lieu of pension benefits or to have DC pension contributions up to the level of the Annual Allowance and a cash allowance above. Where an executive receives a cash allowance in lieu of pension benefits, this is not taken into account for the purposes of bonuses, long-term incentives or other benefits.

## Annual Bonus

Executive directors are eligible for an annual bonus. The Remuneration Committee sets targets linked to board approved annual budgets. Maximum bonus payments are only awarded when performance for the year in question significantly exceeds the agreed annual budget targets. The maximum bonus levels remain unchanged for 2011 at 120% of salary for the Chief Executive and 100% of salary for the Finance Director and the Chief Operating Officer.

## 2010 Annual Bonus

As a result of the very strong performance of our Merchanting businesses compared with their competitors, all group financial and individual business related targets have been exceeded as outlined in the table below. Consequently, and as a reflection of this sector leading annual performance, bonus payments at maximum levels have been approved for 2010.

The targets and achievement in relation to the 2010 bonus scheme are below:

Element	Purpose	Performance measure	Weighting	Maximum bonus target (rights restated)*	Achieved actual
Annual Bonus	Rewards achievement of annual financial and personal performance targets	EPS	50%	73.1p	77.2p
		ROCE	30%	11.2%	12.2%
		Personal objectives*	20%	20%	20%

\* The main personal objectives which were achieved covered the following areas:

- Market outperformance
- Risk monitoring
- Health and safety
- Pricing strategy
- 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.



# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## 2011 Annual Bonus

For 2011, there are no changes to the bonus metrics and relative weightings and the potential bonus maxima (as a percentage of salary) remain unchanged, despite a greater 'stretch' in the Group's targeted financial performance in its annual budget for 2011.

Performance measure	Weighting	CEO Plan		COO / FD Plans	
		Maximum	On target	Maximum	On target
EPS	50%	60%	30%	50%	25%
ROCE	30%	36%	18%	30%	15%
Individual objectives	20%	24%	0-24%	20%	0-20%
Total	100%	120%	48-72%	100%	40-60%

## Long Term Incentive Plans

As anticipated, the performance measures attached to the long term incentive awards made in 2007 were not achieved, resulting in no awards vesting under these schemes in 2010. However, reflecting the sector leading performance of the TP Group since 2008, it is likely that there will be partial vesting in 2011 of the Share Matching plan made in 2008. The 'one off' Executive Share Option Scheme awarded to the senior management group in November 2008 is also still on target to vest in full. The Executive Directors were not included in this award.

## Performance Share Plan ('PSP')

For 2011, the Remuneration Committee has reviewed the relative weighting for the performance conditions and recalibrated the weighting by increasing the EPS element. This change is designed to reflect the significant change in the group's focus due to the BSS acquisition and shareholders' interests. The Remuneration Committee believes that the recalibrated weightings are more appropriate for this 2011 award, taking these factors into account.

PSP Element	Rationale	Weighting
Aggregate cashflow	Key measure to take account of the importance of cash generation in the current climate	40%
Relative Total Shareholder Return ('TSR')	External measure of shareholder value creation	20%
EPS growth	Profits generated for shareholders	40%

The targets proposed for 2011 PSP awards are as follows:

**EPS** – No change to the current EPS growth targets as set out below (the 2010 base year EPS for the 2011 awards will be increased on a 'perfect foresight' basis to reflect the proforma Group 2010 performance including BSS).

EPS Growth	% of EPS element that vests
RPI + 10% p.a.	100%
RPI + 3% p.a.	30%

These targets will continue to prove to be stretching in the current climate.

**Relative Total Shareholder Return ('TSR')** – The Company's TSR will be measured against the TSR of the constituent companies of the FTSE 250 Index, excluding Investment Trusts.

Travis Perkins plc TSR relative to FTSE 250 Index	% of TSR element that vests
Upper quartile (Top 25%)	100%
Median (Top 50%)	30%
Straight-line vesting between these points	

A three month averaging period at the start and end of the performance period will be used to calculate TSR.

# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

**Aggregate Cashflow** – To reflect the importance of effective working capital management and of generating cash from assets, three-year aggregate cash flow targets will apply, based on the Company's three-year plan. The Committee will, if appropriate, adjust for the impact of items such as major capital investments or disposals. The proposed target range for this PSP element in the 2011 award is £884m – £977m with 0% vesting at less than £884m and 100% of this element vesting at £977m on a straight line basis.

The Committee will continue to review annually whether the performance targets and their percentage weightings described above remain appropriate and challenging, or whether they should be recalibrated taking into account economic expectations, the industry's outlook and shareholder interests.

The maximum PSP award level for all executive directors is 150% of basic salary. However, for awards made in 2010 and those proposed for 2011 the maximum award is restricted to 120% for the CEO and 100% of salary for the other executive directors.

## Share Matching Scheme

The maximum personal investment in the Share Matching Scheme in 2011 is 50% of post tax salary. The performance targets for the matching share awards are based on Cash Return On Capital Employed ('CROCE'). The targets for awards planned for 2011 are set by the Remuneration Committee and determined by the Company's three-year business plan. 30% of the matching award (0.6 for 1) vests if the target set is met with a straight line increase required above target for a 2 for 1 match. The target range planned for the 2011 award is 10.75% – 11.89% where none of the matching award will vest over the three-year period unless the average CROCE is at least 10.75% and the whole of the matching award will vest if the average CROCE is 11.89% or more. The proposed targets for 2011 also take into account the impact of the BSS acquisition and are considered to be appropriately stretching in the current environment, with the target range for matching awards being significantly higher than that attached to the 2010 awards.

## All-employee Share Plans

The Company also operates two all employee share schemes; the Sharesave Scheme and a Share Incentive Plan: the Travis Perkins Buy As You Earn Plan.

## Non-executive Directors

The policy of the Board is to recruit non-executive directors of the highest

calibre, with a breadth of skills and experience appropriate for the Company's business. Non-executive directors are appointed for a period of three years, at the end of which the appointment may be renewed by mutual agreement. It is the Board's policy that non-executive directors should generally serve for six years (two three year terms) and that any term beyond this should be subject to a rigorous review. This review would take into account both the need for progressive refreshing of the Board, and the particular requirements of the Company at the time of the possible extension. Non-executive directors do not have a service contract, but each has received a letter of appointment expiring on the following dates:

Chris Bunker	January 2012
John Coleman	February 2014
Philip Jansen	April 2012
Andrew Simon	February 2012
Robert Walker	September 2012

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

The remuneration of the non-executive directors is determined by the Board (in the case of the Chairman, on the recommendation of the Remuneration Committee). Each non-executive director receives an annual fee. In addition, Chris Bunker and Andrew Simon receive additional fees for, in the case of the former, the role of Senior Independent Director and for chairing the Audit Committee and, in the case of the latter, for chairing the Remuneration and Health & Safety Committees. During 2010, these fees were subject to an external benchmarking review as a result of which, from 1 July 2010, annual fees were increased for the first time since 2007 to the following:

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

Non-executive directors do not receive any other benefits 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.

# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## Committee Details

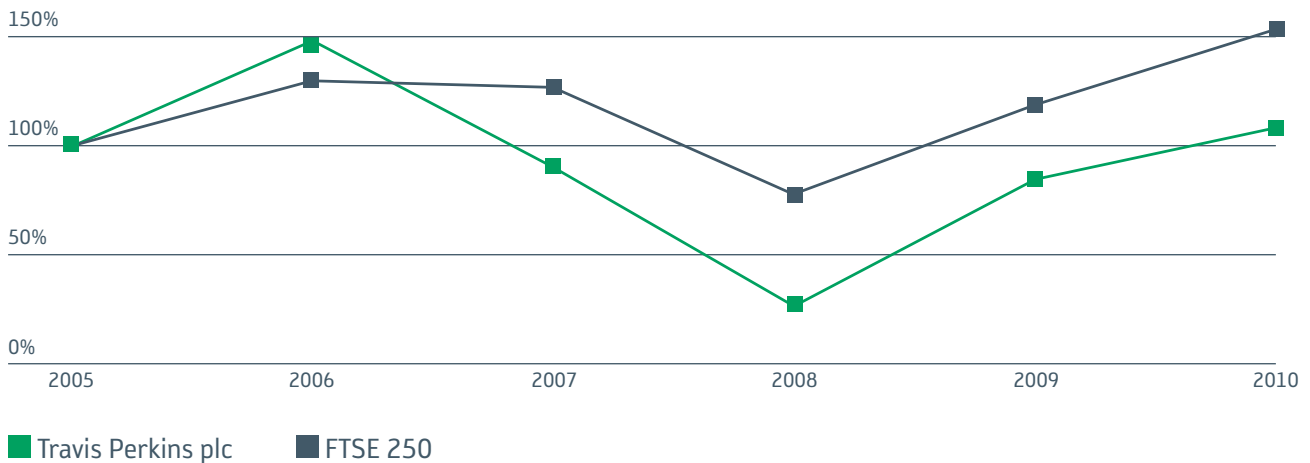
During the year the Committee comprised Andrew Simon (Chairman), Chris Bunker, John Coleman, all of whom are independent non-executive directors together with Tim Stevenson (until his retirement in May 2010) when he was replaced by Robert Walker. It met 7 times in 2010. Attendance at the meetings is shown on page 56. 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, which are available on our website or from the Company Secretary, require it to give due regard to the best practice contained in the Code.

The Committee keeps itself fully informed of relevant developments and best

practice in remuneration matters and seeks advice where appropriate from external advisors. Hewitt New Bridge Street (a trading name of Aon Corporation) provided advice to the Committee during the year on executive remuneration, including the proposed incentive scheme in respect of synergies arising from the BSS acquisition, and also gave an update on trends in executive remuneration to the Board. Hewitt New Bridge Street did not provide other services to the Company during the year, but another part of AON Corporation provides insurance broking services. Deloitte LLP also gave some advice on the Performance Share Plan and they also provide audit and taxation services to the Company. These advisors were appointed by the Committee. In addition, Geoff Cooper (Chief Executive), Paul Hampden Smith (Finance Director), Andrew Pike (Group Company Secretary), Carol Kavanagh (Group Human Resources Director) and Stella Girvin (Deputy Company Secretary) have assisted the Committee in its work, but never in respect of their own remuneration.

## Total Shareholder Return

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



# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## AUDITED INFORMATION

### Contracts of Executive Directors

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

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

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

### Amount of Directors' Emoluments

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

	Basic salary		Annual bonus		Benefits in kind		Total remuneration	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
<b>Executive</b>								
Geoff Cooper <sup>1</sup>	780	750	643	636	1	26	1,424	1,412
Paul Hampden Smith <sup>2</sup>	390	377	375	371	1	1	766	749
John Carter	375	363	375	371	31	29	781	763
<b>Non-executive</b>								
Chris Bunker	60	52	-	-	-	-	60	52
John Coleman	44	38	-	-	-	-	44	38
Phillip Jansen	44	28	-	-	-	-	44	28
Andrew Simon	55	46	-	-	-	-	55	46
Tim Stevenson <sup>3</sup>	68	180	-	-	-	-	68	180
Robert Walker	162	25	-	-	-	-	162	25
	<b>1,978</b>	1,859	<b>1,393</b>	1,378	<b>33</b>	56	<b>3,404</b>	3,293

#### Notes:

- Highest paid director – Basic salary includes a cash allowance of £244,007 (2009: £231,167) which replaced continuing pension accrual from April 2006. This does not count when calculating annual bonus and granting share incentives. Geoff Cooper also received, and retained, in 2010, £92,840 (2009: £84,840) in respect of his non-executive chairmanship of Dunelm Group Plc.
- Basic salary includes a £13,000 'cash for car' allowance and a £1,500 fuel allowance, which do not count when calculating annual bonus and granting share incentives. Paul Hampden Smith also received, and retained, in 2010, £40,000 (2009: £16,558) in respect of his non-executive directorship of Redrow plc.
- Retired 17 May 2010.

# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## Directors' Pension Entitlements

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

	John Carter	Paul Hampden Smith	Geoff Cooper
Age at 31 December 2010	49	50	56
	£'000	£'000	£'000
Accrued pension at 31 December 2009	260	72	5
Accrued pension at 31 December 2010	290	82	5
Increase in accrued pension in 2010	30	10	-
Real increase in accrued pension in 2010	17	6	(5)
Transfer value of the real increase in accrued pension net of member's contributions	234	40	-
Value of increase in accrued benefit	268	74	(5)
Member's contributions towards pension	33	33	-
Increase in transfer value net of member's contributions	501	102	8
Transfer value of benefits accrued at 31 December 2009	4,074	1,104	108
Transfer value of benefits accrued at 31 December 2010	<b>4,608</b>	<b>1,239</b>	<b>116</b>

Notes:

1. Only base salary is pensionable for service from 1 December 2004.
2. Geoff Cooper ceased future accrual on 5 April 2006, but benefits up to that date retain a link to current salary (subject to the Earnings Cap, which applied up to April 2006). This was cost neutral for the Company.
3. Salary Sacrifice was introduced for member contributions in April 2006. The figures above include the sacrificed amounts.
4. Any pensions paid on early retirement are subject to abatement.

## Travis Perkins' Share Price Information

	2010	2009
Mid-market price at the year end	<b>1,058p</b>	852p
Highest mid-market price during the year	<b>1,058p</b>	880p
Average mid-market price during the year	<b>817p</b>	592p
Lowest mid-market price during the year	<b>665p</b>	229p

## Directors' Shareholdings

The Directors' holdings of ordinary 10p shares of Travis Perkins plc at 31 December 2010 and 2009 were as follows:

Director	Interest	2010 No.	2009 No.
Chris Bunker	Beneficial owner	<b>11,900</b>	11,900
John Carter	Beneficial owner	<b>52,062</b>	45,510
John Coleman	Beneficial owner	<b>2,465</b>	2,465
Geoff Cooper	Beneficial owner	<b>165,094</b>	135,904
Paul Hampden Smith	Beneficial owner	<b>208,883</b>	186,593
Philip Jansen	Beneficial owner	-	-
Andrew Simon	Beneficial owner	<b>3,400</b>	3,400
Robert Walker	Beneficial owner	<b>65,000</b>	25,000

Between 31 December 2010 and the date of this report, the only change to the above Directors' shareholdings is to Paul Hampden Smith's whose shareholding had increased to 208,907 because of his monthly contribution to the Travis Perkins' Buy As You Earn Plan.

# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## Share Matching Scheme

Participation by directors is as follows:

Grant date		Outstanding 1 Jan 2010 No.	Granted during year No.	Lapsed during year No.	Vested during year No.	Outstanding 31 Dec 2010 No.
<b>Geoff Cooper</b>						
2 April 2007	Deferred shares <sup>5</sup>	7,634	-	-	7,634	-
	Deferred matching shares	7,634	-	(7,634)	-	-
	Investment matching shares	16,031	-	(16,031)	-	-
1 April 2008	Investment matching shares	103,988	-	-	-	<b>103,988</b>
19 May 2009	Investment matching shares	157,785	-	-	-	<b>157,785</b>
16 March 2010	Investment matching shares	-	71,853	-	-	<b>71,853</b>
<b>Paul Hampden Smith</b>						
2 April 2007	Deferred shares <sup>6</sup>	5,213	-	-	5,213	-
	Deferred matching shares	5,213	-	(5,213)	-	-
	Investment matching shares	13,091	-	(13,091)	-	-
1 April 2008	Investment matching shares	72,787	-	-	-	<b>72,787</b>
19 May 2009	Investment matching shares	110,450	-	-	-	<b>110,450</b>
16 March 2010	Investment matching Shares	-	50,296	-	-	<b>50,296</b>
<b>John Carter</b>						
2 April 2007	Deferred shares <sup>6</sup>	5,213	-	-	5,213	-
	Deferred matching shares	5,213	-	(5,213)	-	-
	Investment matching shares	10,687	-	(10,687)	-	-
19 May 2009	Investment matching shares	63,974	-	-	-	<b>63,974</b>
16 March 2010	Investment matching shares	-	50,296	-	-	<b>50,296</b>

Notes:

- Vesting is on the third anniversary of the grant date.
- Award/purchase prices (restated for the rights issue) are: 2 April 2007, 1,586p, 1 April 2008, 840p, 19 May 2009, 553p, 16 March 2010, 740p
- Performance criteria apply. For the share matching shares granted in 2007 which lapsed during 2010 minimum vesting required EPS to exceed inflation by 4% a year. For investment matching shares granted in 2008, 2009 and 2010 a condition based on a three year average of cash return on capital employed ('CROCE') applies as described on page 64. For 2008 the target range was 11.5% – 12.5%, for 2009 the target range was 6.45% – 8.82% and for 2010 the target range was 7.5% – 9.0%.
- The share price on the date the deferred shares vested was 835p.
- The gross gain realised on awards vesting in the year was £50,728.
- The gross gain realised on awards vesting in the year was £34,640.

# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## Performance Share Plan

Participation by directors is as follows:

Grant date	Outstanding 1 Jan 2010 No.	Granted during year No.	Outstanding 31 Dec 2010 No.
<b>Geoff Cooper</b>			
5 March 2008	73,015	-	<b>73,015</b>
23 June 2009	131,289	-	<b>131,289</b>
5 March 2010	-	92,437	<b>92,437</b>
<b>Paul Hampden Smith</b>			
5 March 2008	42,591	-	<b>42,591</b>
23 June 2009	76,585	-	<b>76,585</b>
5 March 2010	-	53,921	<b>53,921</b>
<b>John Carter</b>			
5 March 2008	42,591	-	<b>42,591</b>
23 June 2009	76,585	-	<b>76,585</b>
5 March 2010	-	53,921	<b>53,921</b>

Notes:

- Vesting is on the third anniversary of the grant date.
- Award prices (restated for the 2009 rights issue) are: 5 March 2008, 850p, 23 June 2009, 473p, 5 March 2010, 695.5p.
- Performance criteria apply. For performance shares granted in 2008 and 2009, vesting is at 33 1/3% if EPS exceeds inflation by 3% a year, pro rata between 100% & 33 1/3% if EPS exceeds inflation by between 3% and 10%, and 100% if EPS exceeds inflation by 10%. Performance conditions for the 2010 award are: vesting is at 30% if EPS exceeds inflation by 3% a year, TSR is in top 50% and Aggregate Cashflow is at least £470m, vesting is at 100% if EPS exceeds inflation by 10% a year, TSR is in top 25% and Aggregate Cashflow is at least £520m. There is straight line vesting between these points.

## Deferred Share Bonus Plan

Participation by directors is as follows:

Grant date	Outstanding 1 Jan 2010 No.	Granted during year No.	Outstanding 31 Dec 2010 No.
<b>Geoff Cooper</b>			
5 March 2008	13,564	-	<b>13,564</b>
3 March 2010	-	19,862	<b>19,862</b>
<b>Paul Hampden Smith</b>			
5 March 2008	7,743	-	<b>7,743</b>
3 March 2010	-	11,586	<b>11,586</b>
<b>John Carter</b>			
5 March 2008	7,743	-	<b>7,743</b>
3 March 2010	-	11,586	<b>11,586</b>

Notes:

- Vesting is on the third anniversary of the grant date.
- The award price (restated for the 2009 rights issue) for 5 March 2008 was 998p. For 3 March 2010 the award price was 801.1667p.

# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## Share Award for John Carter

Grant date	Outstanding 1 Jan 2009 No.	Granted during year No.	Outstanding 31 Dec 2010 No.
10 November 2009	47,612	-	<b>47,612</b>

### 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 agreed procurement improvement initiatives agreed annually together with delivery of John Carter's objectives as part of Travis Perkins' strategic plan.

## Executive Share Options

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

	Outstanding 1 Jan 2010 No.	Lapsed during year No.	Outstanding 31 Dec 2010 No.	Exercise price	Exercise period
<b>Geoff Cooper</b>	17,980	-	<b>17,980</b>	1,320p	Anytime until 31/3/15
	64,399	(64,399)	-	1,553p	
<b>Paul Hampden Smith</b>	49,923	-	<b>49,923</b>	596p	Anytime until 3/7/11
	39,368	-	<b>39,368</b>	845p	Anytime until 9/4/12
	51,994	-	<b>51,994</b>	841p	Anytime until 10/4/13
	23,787	-	<b>23,787</b>	1,033p	Anytime until 15/3/14
	10,489	-	<b>10,489</b>	1,320p	Anytime until 31/3/15
	39,444	(39,444)	-	1,553p	
<b>John Carter</b>	37,296	-	<b>37,296</b>	845p	Anytime until 9/4/12
	41,594	-	<b>41,594</b>	841p	Anytime until 10/4/13
	22,058	-	<b>22,058</b>	1,033p	Anytime until 15/3/14
	10,487	-	<b>10,487</b>	1,320p	Anytime until 31/3/15
	39,444	(39,444)	-	1,553p	

### Notes:

1. Performance conditions apply. For the grant still to vest, 25% of the options vest at EPS growth of RPI plus 9% and full vesting requires EPS growth plus 15%.



# DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## Sharesave Options

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

	Outstanding 1 Jan 2010 No.	Outstanding 31 Dec 2010 No.
Geoff Cooper	3,670	3,670
Paul Hampden Smith	3,670	3,670
John Carter	3,670	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 (rights restated).

## Share Dilution

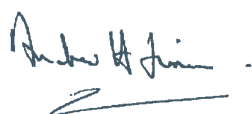
At 31 December 2010, shares under grant for executive share schemes over a 10 year period represented 1.48% of issued share capital and shares under grant for all employee share schemes over the previous 10 years represented 4.31%. There were 6,672,788 (2.76% of issued share capital) unallocated shares 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 Combined Code on Corporate Governance.

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

22 February 2011

# NOMINATIONS COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

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. It is required to prepare a description of the role, and capabilities required, for any appointment, and to maintain contact with major shareholders about appointments to the Board. It also keeps the structure, size and composition of the Board under review, and considers succession planning for both executive and non-executive directors and for other senior executive posts. The terms of reference of the Committee are available on the Company's website or from the Company Secretary.

During the year, the Committee members were Tim Stevenson (Chairman) (until his retirement in May 2010 when he was replaced as Chairman by Robert Walker), together with Chris Bunker and John Coleman, both of whom are independent non-executive directors.

The Committee met once in 2010, in February, to agree on the scope of a review of the Group's succession plans. This review was then the subject of a meeting of all the non-executive directors in May, which was attended in part by the Chief Executive and the Group HR Director. Further work was planned as a result of that meeting which, together with an assessment of succession plans and capabilities in BSS, will be the subject of a number of Committee meetings in 2011.

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



**Robert Walker**

Chairman, Nominations Committee  
22 February 2011

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

The Directors present their annual report and audited accounts for the year ended 31 December 2010.

## PRINCIPAL ACTIVITIES

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

## BUSINESS REVIEW

A review of the Group's position, developments and future prospects is contained in the Chairman's statement on pages 12 and 13, the Chief Executive's review of the year on pages 14 to 24, the Chief Operating Officer's review of the year on pages 26 to 30 and the Finance Director's review of the year on pages 32 to 36. A review of the Group's environmental performance is on pages 37 to 42.

## RESULTS AND DIVIDENDS

The Group results for the year ended 31 December 2010 and dividends for the year ending 31 December 2010 are set out on page 80. If approved, the final dividend will be paid on 31 May 2011 to those shareholders on the register at the close of business on 6 May 2011.

## BALANCE SHEET AND POST BALANCE SHEET EVENTS

The balance sheet on pages 82 and 83 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 49 to 54.

## DIRECTORS AND THEIR INTERESTS

The names of the Directors at 31 December 2010, together with their biographical details, are set out on pages 46 and 47. All of those Directors held office throughout the year. In accordance with the Company's Articles of Association, Andrew Simon, Philip Jansen and John Carter will retire and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting. John Carter has a rolling 12 month notice period in his contract. As non-executive directors, Andrew Simon and Philip Jansen do not have service contracts. In the light of the evaluation of their performances as a

result of the process described on page 56, Robert Walker, Chairman, confirms on behalf of the Board that Andrew Simon and Philip Jansen continue to be effective in, and committed to, their roles as non-executive directors.

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

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

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

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

The disclosable interests of Directors at 31 December 2010, including holdings, if any, of wives and of children aged under 18, were as detailed in the Directors' Remuneration Report on pages 67 to 71.

## SUBSTANTIAL SHAREHOLDINGS

As at 22 February 2011, the Company had received notification under the Disclosure Transparency Rules that the holdings and voting rights exceeding the 3% notification threshold were as follows:

	Number	%
Sprucegrove Investment Management Ltd.	13,706,676	5.67
Standard Life Investments Ltd.	12,260,926	5.07
Morgan Stanley	9,334,607	3.86
Legal & General Investment Management Ltd.	8,804,059	3.64
Pzena Investment Management LLC	8,533,159	3.53
AXA	8,147,201	3.37
BlackRock Advisors	7,322,733	3.03

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

## 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 21 and 22, respectively.

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

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

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

## POLITICAL DONATIONS

The Group did not give any money for political purposes in the UK nor did it make any donations to EU political organisations or incur any EU 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 2010 represented 55 days (31 December 2009: 52 days) of average purchases of goods and services. The Company's trade creditors at 31 December 2010 represented 30 days (2009: 30 days).

## AUDITORS

Resolutions to re-appoint Deloitte LLP as the Company's auditors and to

authorise the Directors to fix the auditors' remuneration will be proposed at the Annual General Meeting.

## STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS

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

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

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

## SHARE CAPITAL AND CHANGE OF CONTROL

As at 31 December 2010 the Company had an allotted and fully paid share capital of 241,701,917 ordinary shares of 10 pence each, with an aggregate nominal value of 24,170,192 (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 22 to the financial statements.

The Travis Perkins Employee Share Ownership Trust owns 6,961,930 shares in the Company (2.88%) 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 purchase its own shares and is seeking renewal of that power at the forthcoming Annual General Meeting 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 to be significant in the context of the Company as a whole.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

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 66, 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 26 May 2011 at 11.45 am. 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 reappointment of certain of the Company's directors and the Company's auditors and to give the directors authority to fix the auditors' remuneration, the following items are to be proposed at the forthcoming Annual General Meeting, and the Board recommends that shareholders vote in favour of all resolutions put before the Annual General Meeting.

### Resolution 8: Directors' Remuneration Report

In accordance with the Directors' Remuneration Report Regulations 2002, this resolution seeks shareholders' approval of the Directors' Remuneration Report as set out on pages 61 to 71.

### Resolution 9: 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 £8,057,284 (representing 80,572,842 ordinary shares of 10 pence each). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 22 February 2011, 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 £16,114,568 (representing 161,145,685 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 22 February 2011, the latest practicable date prior to publication of this Notice. If this authority is exercised, the Directors intend to follow ABI guidance issued from time to time (including as to the re-election of directors).

The authorities sought under paragraphs (a) and (b) of this resolution will

expire at the earlier of 30 June 2012 (the last date by which the Company must hold an annual general meeting in 2012) and the conclusion of the annual general meeting of the Company held in 2012.

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 10: 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 £1,208,593 (representing 12,085,926 ordinary shares). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 22 February 2011, 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 9 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 2012 (the last date by which the Company must hold an annual general meeting in 2012) and the conclusion of the annual general meeting of the Company held in 2012. Any issue of shares for cash will, however, still be subject to the requirements of the UK Listing Authority.

### Resolution 11: Notice of Meetings

Under the Shareholders' Rights Regulations 2009, the notice period for general meetings of a company has been extended to 21 days unless certain requirements are satisfied. The Company has met the requirements and accordingly this resolution is proposed to allow the Company to continue to call general meetings 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 the meeting. The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. The approval will be effective until the Company's Annual General Meeting in 2012, when it is

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

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 12: 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 129, 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 24,171,853 (representing 10% of the issued ordinary share capital of the Company as at 22 February 2011) and sets minimum and maximum prices. This authority will expire no later than 30 June 2012.

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 22 February 2011, there were options over 12,810,861 ordinary shares in the capital of the Company, (including 1,969,082 Investment Matching Shares, 203,322 Deferred Bonus Share Plan shares and 1,474,383 Performance Share Plan shares – these are described in the Directors' Remuneration Report on pages 61 to 71), which represent 5.3% 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 5.89% of the Company's issued ordinary share capital (excluding any treasury shares). As at 22 February 2011, 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  
22 February 2011

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

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

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

## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

By order of the Board



**Geoff Cooper**  
Chief Executive  
22 February 2011



**Paul Hampden Smith**  
Finance Director  
22 February 2011

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAVIS PERKINS PLC

FOR THE YEAR ENDED 31 DECEMBER 2010

We have audited the financial statements of Travis Perkins plc for the year ended 31 December 2010 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 Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

## 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 2010 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.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAVIS PERKINS PLC

FOR THE YEAR ENDED 31 DECEMBER 2010

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## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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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 statement of principal risks and uncertainties, in relation to going concern;
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on directors' remuneration.



**Colin Hudson F.C.A. (Senior statutory auditor)**

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

22 February 2011

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

THE GROUP							
	Notes	2010 Pre-exceptional items £m	2010 Exceptional items £m	2010 Total £m	2009 Pre-exceptional items £m	2009 Exceptional items £m	2009 Total £m
Revenue	4	3,152.8	-	3,152.8	2,930.9	-	2,930.9
Operating profit before amortisation	5	239.0	(19.0)	220.0	224.6	32.7	257.3
Amortisation of intangible assets		(0.2)	-	(0.2)	-	-	-
Operating profit	5	238.8	(19.0)	219.8	224.6	32.7	257.3
Finance income	10	17.5	-	17.5	5.6	-	5.6
Finance costs	10	(39.8)	(0.7)	(40.5)	(50.2)	-	(50.2)
Profit before tax		216.5	(19.7)	196.8	180.0	32.7	212.7
Tax	11	(59.8)	4.3	(55.5)	(46.1)	(9.2)	(55.3)
Profit for the year		156.7	(15.4)	141.3	133.9	23.5	157.4
Earnings per ordinary share	12						
Basic				69.6p			88.4p
Diluted				67.2p			86.2p
Total dividend declared per ordinary share	13			15.0p			-

All results relate to continuing operations. Details of exceptional items are given in notes 5, 8, 10 and 11.

THE COMPANY			
	Notes	2010 £m	2009 £m
Revenue	4	47.2	129.3
Operating profit before exceptional items	5	31.8	112.6
Exceptional items		(13.4)	-
Operating profit after exceptional items		18.4	112.6
Finance income	10	15.5	4.9
Finance costs	10	(42.1)	(43.9)
(Loss) / profit before tax		(8.2)	73.6
Tax	11	10.4	15.1
Profit for the year		2.2	88.7

All results relate to continuing operations.

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Profit for the year</b>	<b>141.3</b>	157.4	<b>2.2</b>	88.7
Cash flow hedges:				
(Losses) / gains arising during the year	<b>(4.4)</b>	14.7	<b>(4.4)</b>	14.7
Transferred to income statement	<b>6.8</b>	0.4	<b>6.8</b>	0.4
	<b>2.4</b>	15.1	<b>2.4</b>	15.1
Actuarial gains / (losses) on defined benefit pension schemes	<b>15.9</b>	(28.3)	-	-
	<b>18.3</b>	(13.2)	<b>2.4</b>	15.1
Movement on cash flow hedge cancellation payment	<b>4.8</b>	(14.0)	<b>4.8</b>	(14.0)
Tax relating to components of other comprehensive income	<b>(6.7)</b>	12.5	<b>(2.0)</b>	4.6
<b>Other comprehensive income / (loss) for the year</b>	<b>16.4</b>	(14.7)	<b>5.2</b>	5.7
<b>Total comprehensive income for the year</b>	<b>157.7</b>	142.7	<b>7.4</b>	94.4

# BALANCE SHEETS

AS AT 31 DECEMBER 2010

	Notes	THE GROUP		THE COMPANY	
		2010 £m	2009 £m	2010 £m	2009 £m
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	16	<b>526.0</b>	499.0	<b>0.1</b>	0.1
Goodwill	14	<b>1,690.4</b>	1,352.8	-	-
Other intangible assets	15	<b>411.5</b>	162.5	-	-
Derivative financial instruments	26	<b>56.9</b>	44.7	<b>0.3</b>	44.7
Investment property	17	<b>0.4</b>	3.3	-	-
Interest in associates	18	<b>45.7</b>	31.7	<b>52.3</b>	36.3
Investment in subsidiaries	18	-	-	<b>2,697.8</b>	1,895.1
Loans and receivables	26	-	-	<b>174.4</b>	-
Available-for-sale investments	18	<b>1.5</b>	1.5	-	-
Deferred tax asset	28	<b>16.4</b>	12.0	<b>14.7</b>	9.0
<b>Total non-current assets</b>		<b>2,748.8</b>	2,107.5	<b>2,939.6</b>	1,985.2
<b>Current assets</b>					
Inventories		<b>571.6</b>	312.7	-	-
Trade and other receivables	19	<b>692.5</b>	375.4	<b>208.4</b>	50.8
Derivative financial instruments	26	<b>0.1</b>	-	<b>0.1</b>	-
Assets held for resale	20	<b>2.3</b>	-	-	-
Cash and cash equivalents	21	<b>62.9</b>	347.2	<b>12.4</b>	317.0
<b>Total current assets</b>		<b>1,329.4</b>	1,035.3	<b>220.9</b>	367.8
<b>Total assets</b>		<b>4,078.2</b>	3,142.8	<b>3,160.5</b>	2,353.0

# BALANCE SHEETS

AS AT 31 DECEMBER 2010

	Notes	THE GROUP		THE COMPANY	
		2010 £m	2009 £m	2010 £m	2009 £m
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Issued capital	22	24.2	20.9	24.2	20.9
Share premium account	24	471.5	471.2	470.4	470.1
Merger reserve	24	325.9	-	325.9	-
Other reserve	24	21.3	21.3	-	-
Hedging reserve	24	(6.9)	(12.1)	(6.9)	(12.1)
Own shares	24	(83.4)	(83.7)	(83.4)	(83.7)
Accumulated profits	24	1,199.2	1,042.8	178.7	178.7
<b>Total equity</b>		<b>1,951.8</b>	1,460.4	<b>908.9</b>	573.9
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	25	760.9	739.1	686.8	717.1
Derivative financial instruments	26	4.2	6.1	124.7	6.1
Retirement benefit obligations	8	27.9	43.0	-	-
Long-term provisions	27	36.0	43.7	-	-
Amounts due to subsidiaries		-	-	1,335.7	958.5
Deferred tax liabilities	28	126.9	62.8	-	-
<b>Total non-current liabilities</b>		<b>955.9</b>	894.7	<b>2,147.2</b>	1,681.7
<b>Current liabilities</b>					
Interest bearing loans and borrowings	25	72.3	71.5	71.9	74.0
Unsecured loan notes	25	3.3	3.8	3.3	3.8
Trade and other payables	29	999.9	638.7	26.7	19.6
Derivative financial instruments	26	2.5	-	2.5	-
Tax liabilities		39.4	28.1	-	-
Short-term provisions	27	53.1	45.6	-	-
<b>Total current liabilities</b>		<b>1,170.5</b>	787.7	<b>104.4</b>	97.4
<b>Total liabilities</b>		<b>2,126.4</b>	1,682.4	<b>2,251.6</b>	1,779.1
<b>Total equity and liabilities</b>		<b>4,078.2</b>	3,142.8	<b>3,160.5</b>	2,353.0

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 22 February 2011 and signed on its behalf by:

  
Geoff Cooper, Chief Executive

  
Paul Hampden Smith, Finance Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	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 2009	12.3	179.5	-	23.8	(17.8)	(83.7)	904.1	1,018.2
Profit for the year	-	-	-	-	-	-	157.4	157.4
Cash flow hedge gains	-	-	-	-	15.1	-	-	15.1
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	-	(28.3)	(28.3)
Unamortised cash flow hedge cancellation payment	-	-	-	-	(14.0)	-	-	(14.0)
Tax relating to comprehensive income	-	-	-	-	4.6	-	7.9	12.5
<b>Total comprehensive income for the year</b>	-	-	-	-	5.7	-	137.0	142.7
Issue of share capital	8.6	304.9	-	-	-	-	-	313.5
Costs of issuing shares	-	(13.2)	-	-	-	-	-	(13.2)
Realisation of revaluation reserve in respect of property disposals	-	-	-	(2.1)	-	-	2.1	-
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	-	-	(0.4)	-	-	0.4	-
Debit to equity for equity-settled share based payments	-	-	-	-	-	-	(0.8)	(0.8)
<b>At 31 December 2009</b>	<b>20.9</b>	<b>471.2</b>	<b>-</b>	<b>21.3</b>	<b>(12.1)</b>	<b>(83.7)</b>	<b>1,042.8</b>	<b>1,460.4</b>
Profit for the year	-	-	-	-	-	-	141.3	141.3
Cash flow hedge gains	-	-	-	-	2.4	-	-	2.4
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	-	15.9	15.9
Unamortised cash flow hedge cancellation payment	-	-	-	-	4.8	-	-	4.8
Tax relating to comprehensive income	-	-	-	-	(2.0)	-	(4.7)	(6.7)
<b>Total comprehensive income for the year</b>	-	-	-	-	5.2	-	152.5	157.7
Dividends	-	-	-	-	-	-	(10.1)	(10.1)
Issue of share capital	3.3	0.3	325.9	-	-	0.3	(0.3)	329.5
Realisation of revaluation reserve in respect of property disposals	-	-	-	(0.2)	-	-	0.2	-
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	-	-	(0.2)	-	-	0.2	-
Deferred tax rate change	-	-	-	0.4	-	-	-	0.4
Credit to equity for equity-settled share based payments	-	-	-	-	-	-	13.9	13.9
<b>At 31 December 2010</b>	<b>24.2</b>	<b>471.5</b>	<b>325.9</b>	<b>21.3</b>	<b>(6.9)</b>	<b>(83.4)</b>	<b>1,199.2</b>	<b>1,951.8</b>

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

## THE COMPANY

	Issued share capital £m	Share premium account £m	Merger reserves	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 1 January 2009	12.3	178.4	-	(17.8)	(83.7)	87.2	176.4
Profit for the year	-	-	-	-	-	88.7	88.7
Cash flow hedges	-	-	-	15.1	-	-	15.1
Tax relating to comprehensive income	-	-	-	4.6	-	-	4.6
Unamortised cash flow hedge cancellation payment	-	-	-	(14.0)	-	-	(14.0)
Total comprehensive income for the year	-	-	-	5.7	-	88.7	94.4
Issue of share capital	8.6	304.9	-	-	-	-	313.5
Costs of issuing shares	-	(13.2)	-	-	-	-	(13.2)
Credit to equity for equity-settled share based payments	-	-	-	-	-	2.8	2.8
At 31 December 2009	20.9	470.1	-	(12.1)	(83.7)	178.7	573.9
Profit for the year	-	-	-	-	-	2.2	2.2
Cash flow hedges	-	-	-	2.4	-	-	2.4
Tax relating to comprehensive income	-	-	-	(2.0)	-	-	(2.0)
Unamortised cash flow hedge cancellation payment	-	-	-	4.8	-	-	4.8
Total comprehensive income for the year	-	-	-	5.2	-	2.2	7.4
Dividend paid	-	-	-	-	-	(10.1)	(10.1)
Issue of share capital	3.3	0.3	325.9	-	-	-	329.5
Movement in own shares	-	-	-	-	0.3	(0.3)	-
Credit to equity for equity-settled share based payments	-	-	-	-	-	8.2	8.2
At 31 December 2010	<b>24.2</b>	<b>470.4</b>	<b>325.9</b>	<b>(6.9)</b>	<b>(83.4)</b>	<b>178.7</b>	<b>908.9</b>

# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Operating profit before exceptional items</b>	<b>238.8</b>	224.6	<b>31.8</b>	112.6
Adjustments for:				
Depreciation of property, plant and equipment	<b>57.5</b>	58.7	<b>0.1</b>	0.1
Other non cash movements	<b>8.0</b>	(1.5)	<b>2.3</b>	2.1
Amortisation of intangible fixed assets	<b>0.2</b>	-	-	-
Impairment of investment	-	0.5	-	-
Losses of associate	<b>2.1</b>	3.2	-	-
Write down of value of investments	-	-	-	4.1
Gain on disposal of property, plant, equipment and investments	<b>(11.3)</b>	(12.0)	-	-
<b>Operating cash flows before movements in working capital</b>	<b>295.3</b>	273.5	<b>34.2</b>	118.9
(Increase) / decrease in inventories	<b>(62.3)</b>	9.2	-	-
(Increase) / decrease in receivables	<b>(3.2)</b>	12.4	<b>(125.0)</b>	19.7
Increase in payables	<b>112.8</b>	52.3	<b>353.9</b>	308.8
Payments on exceptional items	<b>(7.6)</b>	(2.5)	<b>(7.8)</b>	-
Payments to the pension scheme in excess of the charge to profits	<b>(52.7)</b>	(25.1)	-	-
<b>Cash generated from operations</b>	<b>282.3</b>	319.8	<b>255.3</b>	447.4
Interest paid	<b>(25.4)</b>	(30.5)	<b>(27.5)</b>	(28.9)
Swap cancellation payment	-	(28.7)	-	(28.7)
Income taxes paid	<b>(42.4)</b>	(27.3)	-	-
<b>Net cash from operating activities</b>	<b>214.5</b>	233.3	<b>227.8</b>	389.8
<b>Cash flows from investing activities</b>				
Interest received	<b>9.4</b>	1.5	<b>8.0</b>	1.0
Acquisition of shares in unit trust and subsidiaries	-	-	-	(101.3)
Proceeds on disposal of property, plant, equipment and investments	<b>17.2</b>	20.8	<b>0.1</b>	-
Purchases of property, plant and equipment	<b>(52.6)</b>	(28.6)	<b>(0.2)</b>	-
Interest in associate	<b>(12.5)</b>	(12.9)	<b>(12.5)</b>	(12.9)
Acquisition of businesses net of cash acquired (note 30)	<b>(294.9)</b>	(1.0)	<b>(481.6)</b>	-
<b>Net cash used in investing activities</b>	<b>(333.4)</b>	(20.2)	<b>(486.2)</b>	(113.2)
<b>Financing activities</b>				
Net proceeds from the issue of share capital	<b>0.3</b>	300.3	<b>0.3</b>	300.3
Swap cancellation receipt	<b>13.7</b>	-	<b>16.3</b>	-
Payment of finance lease liabilities	<b>(1.3)</b>	(1.5)	-	-
Repayment of unsecured loan notes	<b>(0.6)</b>	(0.1)	<b>(0.6)</b>	(0.1)
Pension SPV	<b>34.7</b>	-	-	-
Decrease in bank loans	<b>(214.1)</b>	(160.0)	<b>(50.0)</b>	(160.0)
Dividends paid	<b>(10.1)</b>	-	<b>(10.1)</b>	-
<b>Net cash from financing activities</b>	<b>(177.4)</b>	138.7	<b>(44.1)</b>	140.2
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(296.3)</b>	351.8	<b>(302.5)</b>	416.8
Cash and cash equivalents at beginning of year	<b>347.2</b>	(4.6)	<b>313.0</b>	(103.8)
<b>Cash and cash equivalents at end of year</b>	<b>50.9</b>	347.2	<b>10.5</b>	313.0



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

## 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 134. The nature of the Group's operations and its principal activities are set out in the Chief Executive's review of the year, the Chief Operating Officer's review of the year and the Finance Director's review of the year on pages 14 to 36.

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 so as 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:

- Various amendments to IFRS 2;
- Amendments to various standards arising from annual improvements issued in April 2009.

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:

- Amendment to IFRS 1 (issued January 2010) – Limited exemptions from comparative IFRS 7 disclosures for first time adopters;
- IAS 24 (revised November 2009) – Related Party Disclosures;
- Amendment to IAS 32 (issued October 2009) – Classification of rights issues;
- Amendment to IFRIC 14 (issued November 2009) – Prepayments of a minimum funding requirement.

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

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

The Directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully despite the current uncertain economic outlook and challenging macro economic conditions.

A detailed consideration of going concern, risks and uncertainties is provided in the Statement of Principal Risks and Uncertainties on pages 49 to 54.

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 and 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, investments or individual assets, re-measurement gains or losses arising from changes in the fair value of

derivative financial instruments to the extent that hedge accounting is not achieved or is not effective and pension scheme curtailment gains.

### Business combinations and goodwill

All business combinations are accounted for using the purchase method. The cost of an acquisition represents the cash value of the consideration and/or the fair value of the shares issued on the date the offer became unconditional. The acquiree'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 Payments; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

### Investments in associates

An associate is an entity over which the Group has significant influence, but not control or joint control through participation in the financial and operating policy decisions of the investee. The results and 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 so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease rental payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Reverse lease premia and other incentives receivable for entering into a lease agreement are recognised in the income statement over the life of the lease.

### Impairment of tangible and intangible assets excluding goodwill

The carrying amounts of the Group's tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where the carrying value exceeds the recoverable amount a provision for the impairment loss is established with a charge being made to the income statement.

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

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

**Inventories**

Inventories, which consist of goods for resale, are stated at the lower of average weighted cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price less the estimated costs of disposal.

**Financial instruments**

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

**Trade receivables**

Trade receivables are measured at amortised cost which is carrying amount less provision for irrecoverable amounts. Allowances for the estimated irrecoverable amounts are made in the income statement when the receivable is considered to be 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 either by events or change of circumstance.

**Cash and cash equivalents**

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

**Bank and other borrowings**

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

**Trade payables**

Trade payables are measured at amortised cost.

**Foreign currencies**

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

At the consolidated balance sheet date, unhedged monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

**Derivative financial instruments and hedge accounting**

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

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

Changes in the fair value of derivative financial instruments, that are designated and effective as hedges of the future variability of cash flows,

are recognised directly in equity and the ineffective portion is recognised immediately in the income statement.

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

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

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

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

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

**Financial assets and financial liabilities**

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

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

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

**Financial assets and financial liabilities at FVTPL**

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

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

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

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

**Loans and receivables**

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

**Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair

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

#### **Derecognition of financial assets and financial liabilities**

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

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

#### **Taxation**

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. This is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **Pensions and other post-employment benefits**

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

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

recognised income and expense.

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

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

#### **Employee share incentive plans**

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

#### **Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### **Equity instruments and own shares**

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

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

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

#### **Dividends**

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

### **3. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

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

### Inventory valuation

Inventories are stated at the lower of cost and net realisable value. Provisions for excess or obsolete inventory are recorded based upon assumptions about future demand and market conditions.

The level of inventory provisioning required is sensitive to changes in the forecast sales of particular products which is dependent on changes in conditions in the Group's markets. If changes in actual market conditions are less favourable than those projected, additional inventory provisions may be required; similarly if changes in actual market conditions are more favourable than predicted, it may be possible to release a proportion of the inventory provision.

### Debtor recoverability

The Group provides credit to a significant number of its customers. At each period end an assessment is made of the extent to which those customers may not pay amounts due to the Group and a doubtful debt provision is established accordingly. Determining the likelihood of the Group incurring bad debts requires the Directors to exercise judgement. To the extent this judgement ultimately proves to be inaccurate it would change the profit for the period.

### Provisions for returns and warranty claims

The products sold by the Group are covered by warranties given to it by the suppliers from whom the goods are bought. Should any of those suppliers cease to trade then any liabilities for product warranties would rest with the Group. In such circumstances the Directors would have to estimate the value of any provision required to meet the obligations of the Group. While the Directors believe that the Group's warranty provisions are adequate and that the judgements applied are appropriate, the ultimate cost of product warranty could differ significantly from the estimates.

### Income taxes

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

The process of estimating the Group's tax position requires an assessment of temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in the recognition of deferred tax assets and liabilities. Deferred tax assets are included within the consolidated balance sheet to the extent that the Directors believe they are recoverable. In recognising deferred tax assets, the Group considers profit forecasts including the effect of exchange rate fluctuations on sales and external market conditions.

Management's judgement is required in determining the provision for income taxes, deferred tax assets and liabilities. Deferred tax assets have been recognised where the Directors believe there are sufficient taxable temporary differences or convincing other evidence that sufficient taxable profit will be available in future to realise deferred tax assets. Although the deferred tax assets which have been recognised are considered realisable, actual amounts could be reduced if future taxable income is lower than expected. This can materially affect the Group's reported net income and financial position.

### Goodwill and intangible assets

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

### Pension liabilities

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

### Property leases

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

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

### Insurance provisions

The Group has been substantially self-insured since 2001. The nature of insurance claims is that they frequently take many years to fully crystallise, therefore the Directors have to estimate the value of provisions to hold in the balance sheet in respect of historic 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 historic 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.

### Fair value adjustments

The Directors are in the process of undertaking a fair value exercise in respect of assets and liabilities of The BSS Group plc (note 30). In some circumstances this exercise requires judgements to be made, the accuracy of which will be determined by the passing of time. As the exercise is incomplete, further adjustments may be made in the 2011 annual report and accounts.

#### 4. REVENUE

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Sale of goods	3,152.8	2,930.9	-	-
Management charges	-	-	6.9	6.9
Dividends from subsidiaries	-	-	40.3	122.4
	<b>3,152.8</b>	<b>2,930.9</b>	<b>47.2</b>	<b>129.3</b>
Other operating income	15.4	48.8	-	-
Finance income	17.5	5.6	15.5	4.9
	<b>3,185.7</b>	<b>2,985.3</b>	<b>62.7</b>	<b>134.2</b>

#### 5. PROFIT

##### (a) Operating profit

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Revenue	3,152.8	2,930.9	47.2	129.3
Cost of sales	(2,081.5)	(1,944.4)	-	-
Gross profit	1,071.3	986.5	47.2	129.3
Selling and distribution costs	(675.8)	(649.8)	-	-
Administrative expenses	(189.0)	(125.0)	(28.8)	(16.7)
Other operating income	15.4	48.8	-	-
Share of results of associate	(2.1)	(3.2)	-	-
<b>Operating profit</b>	<b>219.8</b>	<b>257.3</b>	<b>18.4</b>	<b>112.6</b>
Exceptional items	19.0	(32.7)	13.4	-
Amortisation of intangible assets	0.2	-	-	-
<b>Adjusted operating profit</b>	<b>239.0</b>	<b>224.6</b>	<b>31.8</b>	<b>112.6</b>

##### Exceptional items

On 14 December 2010 the group acquired 100% of the issued share capital of The BSS Group plc ('BSS') for total consideration of £623.9m. As required by IFRS 3 (2008), £13m of costs incurred in making the acquisition and £8.1m of non-fair value charges incurred in respect of assets written out of the opening BSS group balance sheet have been charged to the income statement as exceptional items and included in administrative expenses. Offset against the exceptional charges is the release of £2.1m of onerous lease provisions, which were originally established in 2008 as exceptional charges to the income statement. The net total of exceptional items is £19.0m.

With effect from the 1 December 2009 the Company and the Trustees of the Travis Perkins defined benefits pension scheme agreed to amend the terms of the Scheme to include a cap on future pensionable salary increases of 3% per annum. This was treated as a curtailment event and the resulting exceptional reduction of £32.7m in the benefit obligation was included in other operating income in 2009.

As required by IFRS 3 (2008) £13.4m of costs incurred in making the acquisition of BSS have been charged to the company income statement as an exceptional item and included in administrative expenses.

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

## 5. PROFIT CONTINUED

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

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Provisions against inventories	5.7	(0.4)	-	-
Cost of inventories recognised as an expense	2,075.8	1,944.8	-	-
Pension costs in administration expenses	2.9	2.8	1.3	0.3
Pension costs in selling and distribution costs	6.4	6.2	-	-
Depreciation of property, plant and equipment	57.5	58.7	0.1	0.1
Staff costs (see note 7)	412.5	360.3	8.6	9.1
Gain on disposal of property, plant and equipment	(11.3)	(12.0)	-	-
Rental income	(4.3)	(4.9)	-	-
Hire of vehicles, plant and machinery	16.7	13.6	-	-
Other leasing charges – property	137.5	132.4	-	-
Amortisation of intangible assets	0.2	-	-	-
Auditor's remuneration for audit services	0.4	0.3	0.1	0.1

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

	THE GROUP	
	2010 £000	2009 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	108	104
Fees paid to the Company's auditors for other services:		
The audit of the Company's subsidiaries pursuant to legislation	296	234
Other services pursuant to legislation	20	18
Other services relating to taxation – advisory	216	85
Corporate finance transactions – rights issue	-	414
Corporate finance transactions – acquisition of BSS	445	-
Other services	8	5
	<b>1,093</b>	<b>860</b>

Other services pursuant to legislation includes £10,000 (2009: £9,000) which was paid to the auditors by the Travis Perkins Pension and Dependents Benefit Scheme.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 58 to 60 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

### (b) Adjusted profit before and after tax

	THE GROUP	
	2010 £m	2009 £m
Profit before tax	196.8	212.7
Exceptional items	19.7	(32.7)
Amortisation of intangible assets	0.2	-
<b>Adjusted profit before tax</b>	<b>216.7</b>	<b>180.0</b>

	THE GROUP	
	2010 £m	2009 £m
Profit after tax	141.3	157.4
Exceptional items	19.7	(32.7)
Tax on exceptional items	(1.9)	9.2
Amortisation of intangible assets	0.2	-
Effect of reduction in corporation tax rate on deferred tax	(2.4)	-
<b>Adjusted profit after tax</b>	<b>156.9</b>	<b>133.9</b>

## 5. PROFIT CONTINUED

### (c) Adjusted operating margin

	Merchandising		Retail		Unallocated		Group Pre-BSS		BSS		Group	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Revenue	2,106.5	1,950.2	1,002.9	980.7	-	-	3,109.4	2,930.9	43.4	-	3,152.8	2,930.9
Operating profit	174.1	203.5	58.7	57.0	-	-	232.8	260.5	(10.9)	-	221.9	260.5
Share of												
associate losses	-	-	-	-	(2.1)	(3.2)	(2.1)	(3.2)	-	-	(2.1)	(3.2)
Amortisation of												
intangible assets	-	-	-	-	-	-	-	-	0.2	-	0.2	-
Exceptional items	10.3	(32.7)	0.6	-	-	-	10.9	(32.7)	8.1	-	19.0	(32.7)
Adjusted segment result	184.4	170.8	59.3	57.0	(2.1)	(3.2)	241.6	224.6	(2.6)	-	239.0	224.6
Adjusted operating margin	8.76%	8.76%	5.91%	5.81%	-	-	7.77%	7.66%	(5.99)%	-	7.58%	7.66%

The segmental results for merchandising and retail are shown in note 6.

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group was, prior to the acquisition of The BSS Group plc, organised into two operating divisions – Merchandising and Retailing, both of which operate entirely in the United Kingdom. Following the acquisition of The BSS Group plc the Group will report a third segment, BSS, which operates mainly in the United Kingdom. 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. Segment profit represents the profit earned by each segment without allocation of share of losses of associates, finance income and costs and income tax expense.

There are no significant inter-segment sales.

During 2010 and 2009, other than in respect of fair value adjustments and exceptional charges made in respect of BSS assets, there were no impairment losses or reversals of impairment losses recognised in profit or loss or in equity in any of the reportable segments.

	2010					Consolidated £m
	Merchandising £m	Retail £m	BSS £m	Unallocated £m	Eliminations £m	
Revenue	2,106.5	1,002.9	43.4	-	-	3,152.8
Result						
Segment result	174.1	58.7	(10.9)	-	-	221.9
Share of associate losses	-	-	-	(2.1)	-	(2.1)
Finance income	-	-	-	17.5	-	17.5
Finance costs	-	-	-	(40.5)	-	(40.5)
Profit before taxation	174.1	58.7	(10.9)	(25.1)	-	196.8
Taxation	-	-	-	(55.5)	-	(55.5)
Profit for the year	174.1	58.7	(10.9)	(80.6)	-	141.3
Segment assets	2,543.8	1,498.5	1,128.4	308.8	(1,401.3)	4,078.2
Segment liabilities	(865.6)	(215.3)	(466.1)	(1,980.7)	1,401.3	(2,126.4)
Consolidated net assets	1,678.2	1,283.2	662.3	(1,671.9)	-	1,951.8
Capital expenditure	44.5	7.2	-	0.2	-	51.9
Amortisation	-	-	0.2	-	-	0.2
Depreciation	43.3	13.7	0.5	-	-	57.5



## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

	2009				Consolidated £m
	Merchandising £m	Retail £m	Unallocated £m	Eliminations £m	
<b>Revenue</b>	1,950.2	980.7	-	-	2,930.9
<b>Result</b>					
Segment result	203.5	57.0	-	-	260.5
Share of associate losses	-	-	(3.2)	-	(3.2)
Finance Income	-	-	5.6	-	5.6
Finance costs	-	-	(50.2)	-	(50.2)
Profit before taxation	203.5	57.0	(47.8)	-	212.7
Taxation	-	-	(55.3)	-	(55.3)
Profit for the year	203.5	57.0	(103.1)	-	157.4
<b>Segment assets</b>	2,234.5	1,438.8	524.5	(1,055.0)	3,142.8
<b>Segment liabilities</b>	(725.7)	(237.5)	(1,774.2)	1,055.0	(1,682.4)
<b>Consolidated net assets</b>	1,508.8	1,201.3	(1,249.7)	-	1,460.4
Capital expenditure	16.0	16.1	-	-	32.1
Depreciation	44.1	14.6	-	-	58.7

## 7. STAFF COSTS

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

	THE GROUP		THE COMPANY	
	2010 No.	2009 No.	2010 No.	2009 No.
Sales	11,880	11,196	-	-
Distribution	2,345	1,885	-	-
Administration	1,567	1,447	42	37
	<b>15,792</b>	14,528	<b>42</b>	37

### (b) Aggregate remuneration

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Wages and salaries	368.6	329.6	5.5	6.0
Share based payments	8.1	(1.5)	2.3	2.1
Social security costs	35.8	32.2	0.5	0.8
Other pension costs (note 8)	9.3	9.0	1.6	0.2
	<b>421.8</b>	369.3	<b>9.9</b>	9.1

## 8. PENSION ARRANGEMENTS

### Defined benefit schemes

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

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

A full actuarial valuation of the TP scheme was carried out on 30 September 2008. The IAS 19 valuation has been based upon the results of the 30 September 2008 valuation, then updated to 31 December 2010 by a qualified actuary. The present values of the defined obligations, the related current service costs and the past service costs for the scheme were measured using the projected unit method.

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

In June 2010 an agreement was reached with the trustees of the Travis Perkins final salary pension scheme to fund £34.7m of the deficit using a group controlled special purpose vehicle. The pension scheme will be entitled to receive the income of the SPV for a period of up to 20 years, subject to funding levels. This income is backed by the security of 16 Travis Perkins freehold properties. As the SPV is consolidated into the Travis Perkins plc group accounts advantage has been taken of Regulation 7 of The Partnership (Accounts) Regulations 2008 and accounts for the SPV will neither be audited or filed.

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

	At 31 December 2010 TP Scheme	At 31 December 2010 BSS Schemes	At 31 December 2009 TP Scheme
Rate of increase in pensionable salaries	2.5%	3.5%	2.5%
Rate of increase of pensions in payment	2.4%	3.5%	2.4%
Discount rate	5.35%	5.35%	5.7%
Inflation assumption	3.5%	3.5%	3.5%

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

Weighted average life expectancy for mortality tables used to determine pension liability at 31 December 2010:

	Male Years	Female Years
Member age 65 (current life expectancy) – TP Scheme	21.6	24.8
Member age 45 (life expectancy on reaching age 65) – TP Scheme	23.5	26.7
Member age 65 (current life expectancy) – BSS Schemes	21.8	25.0
Member age 45 (life expectancy on reaching age 65) – BSS Schemes	23.8	27.1

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

	2010			2009
	TP Scheme £m	BSS Schemes £m	Group £m	£m
Current and past service costs charged to operating profit in the income statement	5.7	-	5.7	5.8
Interest cost	32.2	-	32.2	30.4
Effect of curtailment	-	-	-	(32.7)
Expected return on scheme assets	(38.4)	-	(38.4)	(27.8)
<b>Total pension costs</b>	<b>(0.5)</b>	<b>-</b>	<b>(0.5)</b>	<b>(24.3)</b>

The total charge to the profit and loss account disclosed in note 7 of £9.3m (2009: £9.0m) comprises defined benefit scheme current and past service costs of £5.7m (2009: £5.8m) and £3.6m (2009: £3.2m) of contributions made to the defined contribution schemes.

The Company and Trustee agreed to amend the benefits of the TP scheme with effect from 1 December 2009 to include a cap on future pensionable salary increases of 3% per annum. This was treated as an exceptional curtailment event and the resulting reduction in the benefit obligation was included as a curtailment gain in 2009 (Note 5).

The directors have agreed with the Scheme Actuary and the Trustees to pay contributions of £16.0m in 2011 in excess of the forecast charge to the income statement to the TP scheme. In addition agreement has been made to pay £3.2m in respect of The BSS schemes.

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

**8. PENSION ARRANGEMENTS CONTINUED****(c) Assets and liabilities in the schemes and the expected rate of return (net of allowance for administration expenses)****TP Scheme**

	At 31 December 2010		At 31 December 2009	
	Expected return	Fair value £m	Expected return	Fair value £m
Equities	8.25%	382.2	8.05%	328.2
Bonds, gilts and cash	4.50% - 5.70%	150.6	4.30% - 6.30%	152.3
Pensions SPV	5.0%	36.2	-	-
Property	6.5%	74.4	6.30%	47.6
Total fair value of assets		643.4		528.1
Actuarial value of liability		(611.7)		(571.1)
Surplus / (deficit) in scheme		31.7		(43.0)
Related deferred tax (liability) / asset		(8.6)		12.0
<b>Net pension asset / (liability)</b>		<b>23.1</b>		<b>(31.0)</b>

**BSS Schemes**

	At 31 December 2010	
	Expected return	Fair value £m
Equities	8.25%	151.7
Bonds, gilts and cash	4.50% - 5.70%	14.0
Property	6.2%	3.8
Total fair value of assets		169.5
Actuarial value of liability		(229.1)
Deficit in schemes		(59.6)
Related deferred tax asset		16.4
<b>Net pension liability</b>		<b>(43.2)</b>

**TP Scheme**

	2010		2009	
	£m	%	£m	%
The actual returns on scheme assets	72.9	13.8	90.1	21.4

**(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**

	2010			2009
	TP Scheme £m	BSS Schemes £m	Group £m	£m
At 1 January	(43.0)	-	(43.0)	(69.9)
Liability at date of acquisition	-	(59.6)	(59.6)	-
Expense recognised in the income statement	0.5	-	0.5	24.3
Contributions received by the scheme	58.3	-	58.3	30.9
Actuarial losses recognised in the statement of comprehensive income	15.9	-	15.9	(28.3)
At 31 December	31.7	(59.6)	(27.9)	(43.0)

## 8. PENSION ARRANGEMENTS CONTINUED

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

	2010			2009
	TP Scheme £m	BSS Schemes £m	Group £m	£m
At 1 January	(571.1)	-	<b>(571.1)</b>	(490.6)
Liability at date of acquisition	-	(229.1)	<b>(229.1)</b>	-
Service cost	(5.7)	-	<b>(5.7)</b>	(5.8)
Interest cost	(32.2)	-	<b>(32.2)</b>	(30.4)
Contributions from scheme members	(5.5)	-	<b>(5.5)</b>	(5.4)
Curtailment gain	-	-	-	32.7
Actuarial losses	(18.6)	-	<b>(18.6)</b>	(90.6)
Benefits paid	21.4	-	<b>21.4</b>	19.0
At 31 December	<b>(611.7)</b>	<b>(229.1)</b>	<b>(840.8)</b>	(571.1)

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

	2010			2009
	TP Scheme £m	BSS Schemes £m	Group £m	£m
At 1 January	528.1	-	<b>528.1</b>	420.7
Scheme assets at date of acquisition	-	169.5	<b>169.5</b>	-
Expected return of scheme assets	38.4	-	<b>38.4</b>	27.8
Actuarial gains	34.5	-	<b>34.5</b>	62.3
Contributions from sponsoring companies	58.3	-	<b>58.3</b>	30.9
Contributions from scheme members	5.5	-	<b>5.5</b>	5.4
Benefits paid	(21.4)	-	<b>(21.4)</b>	(19.0)
At 31 December	<b>643.4</b>	<b>169.5</b>	<b>812.9</b>	528.1

### (g) Cumulative actuarial gains and losses recognised in equity

	2010 £m	2009 £m
At 1 January	<b>(198.0)</b>	(169.7)
Net actuarial losses recognised in the year	<b>15.9</b>	(28.3)
At 31 December	<b>(182.1)</b>	(198.0)

### (h) History of experience gains and losses

TP Scheme	2010	2009	2008	2007	2006
Fair value of scheme assets (£m)	<b>643.4</b>	528.1	420.7	533.9	500.5
Present value of scheme obligations (£m)	<b>(611.7)</b>	(571.1)	(490.6)	(549.9)	(581.3)
<b>Surplus / (deficit) in the scheme (£m)</b>	<b>31.7</b>	(43.0)	(69.9)	(16.0)	(80.8)
<b>Experience adjustments on scheme liabilities</b>					
Amounts (£m)	-	-	13.4	-	-
Percentage of scheme liabilities (%)	-	-	2.7%	-	-
<b>Experience adjustments on scheme assets</b>					
Amounts (£m)	<b>34.5</b>	62.3	(157.2)	(13.5)	14.7
Percentage of scheme assets (%)	<b>5.4%</b>	11.8%	(37.4%)	(2.5%)	2.9%

## 8. 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 2010 and on projected amounts to be recognised in the income statement for 2011 are:

Assumption		TP Scheme effect on 2010 balance sheet position	BSS Schemes effect on 2010 balance sheet position
Discount rate	Increase of 1.0%	(108.4)	(41.4)
	Decrease of 1.0%	131.7	56.2
Inflation	Increase of 1.0%	88.4	50.8
	Decrease of 1.0%	(77.3)	(38.9)
Longevity	Increase of 1 year	13.5	5.1
	Decrease of 1 year	(13.2)	(5.1)

The impact of the change from RPI to CPI is a reduction in liabilities of £25m.

### (j) Defined contribution schemes

Prior to the acquisition of The BSS Group plc there were two defined contribution schemes in the Group. The BSS Group plc operates a further three defined contribution schemes for all qualifying employees. The pension cost, which represents contributions payable by the Group, amounted to £3.6m (2009: £3.2m).

## 9. SHARE-BASED PAYMENTS

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

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

	2010		2009		
	SAYE	Nil price options	SAYE	Executive options	Nil price options
Share price at grant date (pence) – Group	819	734	794	653	616
Option exercise price (pence) – Group	691	-	636	663	-
Share price at grant date (pence) – Company	819	734	794	653	616
Option exercise price (pence) – Company	691	-	636	663	-
Volatility (%) – Group and Company	59.5%	62.1%	50.7%	61.0%	60.1%
Option life (years) – Group and Company	3.5	3.0	3.5	3.0	3.0
Risk-free interest rate (%) – Group and Company	1.6%	1.3%	2.1%	2.2%	2.4%
Expected dividends as a dividend yield (%) – Group and Company	0.6%	0.6%	2.0%	1.6%	1.6%

Volatility was based on historic share prices over a period of time equal to the vesting period. Option life used in the model has been based on options being exercised in accordance with historical patterns. For executive share options the vesting period is 3 years. If options remain unexercised after a period of 10 years from the date of grant, these options expire. Options are forfeited if the employee leaves the Group before options vest. SAYE options vest after 3 or 5 years and expire 3½ or 5½ years after the date of grant.

The risk-free interest rate of return is the yield on zero-coupon UK Government bonds on a term consistent with the vesting period. Dividends used are based on actual dividends where data is known and future dividends estimated using a dividend cover of 3 times.

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

## 9. SHARE-BASED PAYMENTS CONTINUED

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

### The Group

	2010			2009		
	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.
<b>In thousands of options</b>						
Outstanding at the beginning of the period	680	9,624	2,959	935	8,190	790
Rights issue adjustment	-	-	-	(187)	1,885	467
Forfeited during the period	1,247	(1,580)	(2)	1,001	(2,064)	(246)
Exercised during the period	511	(19)	-	583	(8)	-
Granted during the period	691	892	1,497	645	1,621	1,948
<b>Outstanding at the end of the period</b>	<b>582</b>	<b>8,917</b>	<b>4,454</b>	680	9,624	2,959
<b>Exercisable at the end of the period</b>	<b>1,116</b>	<b>1,004</b>	-	1,117	1,055	-

Share options were exercised on a regular basis throughout the year. The weighted average share price for options exercised during the year was 511 pence (2009: 583 pence).

Details of the options outstanding at 31 December 2010 were as follows:

	2010			2009		
	Executive options	SAYE	Nil price options	Executive options	SAYE	Nil price options
Range of exercise prices (pence)	201 - 1,611	422 - 1,114	-	201 - 1,611	442 - 1,114	-
Weighted average exercise price (pence)	667	532	-	976	518	-
Number of shares (thousands)	3,302	5,615	4,454	4,380	5,244	2,959
Weighted average expected remaining life (years)	1.4	2.1	1.5	2.1	2.7	2.2
Weighted average contractual remaining life (years)	6.7	2.6	8.5	7.7	3.2	9.2

### The Company

	2010			2009		
	Weighted average exercise price p	Number of options No.	Nil price options No.	Weighted average exercise price p	Number of options No.	Nil price options No.
<b>In thousands of options</b>						
Outstanding at the beginning of the period	980	701	1,480	1,341	693	449
Rights issue adjustment	-	-	-	(271)	148	285
Forfeited during the period	1,550	(232)	-	1,550	(168)	(133)
Transferred from / (to) other group companies	596	1	-	442	(1)	-
Granted during the period	691	3	686	653	29	879
<b>Outstanding at the end of the period</b>	<b>698</b>	<b>473</b>	<b>2,166</b>	980	701	1,480
<b>Exercisable at the end of the period</b>	<b>1,018</b>	<b>239</b>	-	1,018	239	-

There were no share options exercised during the year. Details of the options outstanding at 31 December 2010 were as follows:

	2010			2009		
	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)	727	479	-	1021	970	-
Number of shares (thousands)	418	55	2,166	649	52	1,480
Weighted average expected remaining life (years)	0.8	2.5	1.5	1.2	3.5	2.1
Weighted average contractual remaining life (years)	5.1	3.0	8.5	6.5	4.0	9.1

## 9. SHARE-BASED PAYMENTS CONTINUED

### The Group and the Company

SAYE options were granted on 1 December 2010. The estimated fair value of the shares at that date was £3.6m for the Group and nil for the Company.

Shares were granted under the share matching scheme on 16 March 2010. The estimated fair value of the shares at that date was £3.4m for the Group and £2.0m for the Company.

Shares were granted under the performance share plan on 5 March, 20 May and 27 August 2010. The estimated fair value of the shares at those dates were £4.5m for the Group and £1.5m for the Company.

Shares were granted under the deferred share bonus plan on 3 March 2010. The estimated fair value of the shares at that date was £0.8m for the Group and £0.4m for the Company.

The Group charged £8.0m (2009 credit: (£1.5m)) and the Company charged £2.3m (2009: £2.1m) to the income statement in respect of equity-settled share-based payment transactions.

## 10. NET FINANCE COSTS

	THE GROUP				THE COMPANY	
	2010 Pre-exceptional items £m	2010 Exceptional items £m	2010 Total £m	2009 £m	2010 £m	2009 £m
Interest on bank loans and overdrafts*	(27.8)	(0.7)	<b>(28.5)</b>	(29.1)	<b>(31.5)</b>	(28.5)
Interest on unsecured loans	(0.2)	-	<b>(0.2)</b>	(0.2)	<b>(0.2)</b>	(0.2)
Interest payable to group companies	-	-	-	-	<b>(3.5)</b>	(2.7)
Interest on obligations under finance leases	(1.2)	-	<b>(1.2)</b>	(1.3)	-	-
Other finance charges – pension scheme	-	-	-	(2.6)	-	-
Unwinding of discounts in provisions	(4.2)	-	<b>(4.2)</b>	(3.8)	-	-
Amortisation of cancellation payment for swaps accounted for as cash flow hedges	(4.9)	-	<b>(4.9)</b>	(8.7)	<b>(4.9)</b>	(8.7)
Cancellation of swaps measured at fair value	-	-	-	(0.8)	-	(0.8)
Net loss on re-measurement of derivatives at fair value	(1.5)	-	<b>(1.5)</b>	(3.7)	<b>(2.0)</b>	(3.0)
<b>Finance costs</b>	<b>(39.8)</b>	<b>(0.7)</b>	<b>(40.5)</b>	(50.2)	<b>(42.1)</b>	(43.9)
Other finance income – pension scheme	6.2	-	<b>6.2</b>	-	-	-
Amortisation of cancellation receipt for swap accounted for as fair value hedge	0.9	-	<b>0.9</b>	-	<b>3.6</b>	-
Interest receivable	10.4	-	<b>10.4</b>	5.6	<b>11.9</b>	4.9
<b>Finance income</b>	<b>17.5</b>	-	<b>17.5</b>	5.6	<b>15.5</b>	4.9
<b>Net finance costs</b>	<b>(22.3)</b>	<b>(0.7)</b>	<b>(23.0)</b>	(44.6)	<b>(26.6)</b>	(39.0)
<b>Adjusted interest cover</b>			<b>18.9x</b>	10.7x		

\*Includes £5.7m (2009: £2.9m) of amortised bank finance charges.

Adjusted interest cover is calculated by dividing, adjusted operating profit of £239.0m (2009: £224.6m) less £1.2m (2009: £1.3m) of specifically excluded IFRS adjustments, by the combined value of interest on bank loans and overdrafts (excluding amortised bank finance charges), unsecured loans, and interest receivable, which total £12.6m (2009: £20.8m).

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

Included in interest on bank loans and overdrafts are fair value and exchange gains on the US private placement of £3.1m offset by a £3.1m loss on hedged derivatives.

Included within finance costs is an exceptional charge of £0.7m arising from the write off of unamortised bank fees in respect of the BSS loan facility which was repaid following the acquisition.

## 11. TAX

	THE GROUP						THE COMPANY	
	2010 Pre- exceptional items £m	2010 Exceptional items £m	2010 Total £m	2009 Pre- exceptional items £m	2009 Exceptional items £m	2009 Total £m	2010 £m	2009 £m
<b>Current tax</b>								
UK corporation tax								
current year	51.0	0.4	<b>51.4</b>	47.3	-	47.3	<b>(8.5)</b>	(12.2)
prior year	(1.2)	-	<b>(1.2)</b>	(0.9)	-	(0.9)	-	-
<b>Total current tax</b>	<b>49.8</b>	<b>0.4</b>	<b>50.2</b>	46.4	-	46.4	<b>(8.5)</b>	(12.2)
<b>Deferred tax</b>								
current year	10.1	(4.7)	<b>5.4</b>	(0.3)	9.2	8.9	<b>(1.9)</b>	(2.9)
prior year	(0.1)	-	<b>(0.1)</b>	-	-	-	-	-
<b>Total deferred tax</b>	<b>10.0</b>	<b>(4.7)</b>	<b>5.3</b>	(0.3)	9.2	8.9	<b>(1.9)</b>	(2.9)
<b>Total tax charge</b>	<b>59.8</b>	<b>(4.3)</b>	<b>55.5</b>	46.1	9.2	55.3	<b>(10.4)</b>	(15.1)

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**

	2010		2009	
	£m	%	£m	%
Profit before tax	<b>196.8</b>		212.7	
Tax at the UK corporation tax rate of 28.0%	<b>55.1</b>	<b>28.0</b>	59.6	28.0
Tax effect of expenses / credits that are not deductible / taxable in determining taxable profit	<b>2.1</b>	<b>1.0</b>	(1.9)	(0.9)
Depreciation of non-qualifying property	<b>1.5</b>	<b>0.8</b>	1.5	0.7
Exceptional costs not allowable for tax purposes	<b>3.6</b>	<b>1.8</b>	-	-
Deferred tax rate change	<b>(2.4)</b>	<b>(1.2)</b>	-	-
Property sales	<b>(3.2)</b>	<b>(1.6)</b>	(3.0)	(1.4)
Prior period adjustment	<b>(1.2)</b>	<b>(0.6)</b>	(0.9)	(0.4)
<b>Tax expense and effective tax rate for the year</b>	<b>55.5</b>	<b>28.2</b>	55.3	26.0

The tax charge for 2010 includes an exceptional credit of £2.4m arising from the reduction in the rate of UK corporation tax from 28% to 27% on 6 April 2011. Future changes reducing the corporation tax rate by 1% per annum to 24% by 1 April 2014 have been announced but not substantively enacted and therefore have not been taken into account.

**The Company**

	2010		2009	
	£m	%	£m	%
(Loss) / profit before tax	<b>(8.2)</b>		73.6	
Intercompany dividends	<b>(40.3)</b>		(122.4)	
<b>Loss before tax and dividends received</b>	<b>(48.5)</b>		<b>(48.8)</b>	
Tax at the UK corporation tax rate of 28.0%	<b>(13.6)</b>	<b>(28.0)</b>	(13.7)	(28.0)
Tax effect of expenses / credits that are not deductible / taxable in determining taxable profit	<b>(1.7)</b>	<b>(3.5)</b>	(1.4)	(2.9)
Exceptional costs not allowable for tax purposes	<b>3.6</b>	<b>7.4</b>	-	-
Receipts in subsidiary taxable in company	<b>1.3</b>	<b>2.7</b>	-	-
<b>Tax expense and effective tax rate for the year</b>	<b>(10.4)</b>	<b>(21.4)</b>	(15.1)	(30.9)



## 12. EARNINGS PER SHARE

### The Group and the Company

#### (a) Basic and diluted earnings per share

	2010 £m	2009 £m
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	<b>141.3</b>	157.4

	No.	No.
<b>Number of shares</b>		
Weighted average number of shares for the purposes of basic earnings per share pre-rights issue adjustment and BSS acquisition share issue	<b>201,682,453</b>	117,034,434
Rights issue adjustment	-	61,001,501
Issued in connection with the BSS acquisition	<b>1,444,926</b>	-
<b>Weighted average number of shares for the purposes of basic earnings per share</b>	<b>203,127,379</b>	178,035,935
Dilutive effect of share options on potential ordinary shares	<b>7,099,195</b>	4,427,564
<b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b>	<b>210,226,574</b>	182,463,499

At 31 December 2010, 2,450,045 (2009: 3,913,130) share options had an exercise price in excess of the market value of the shares on that day. As a result, these share options are excluded from the calculation of diluted earnings per share.

#### (b) Adjusted earnings per share

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

	2010 £m	2009 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	<b>141.3</b>	157.4
Exceptional items	<b>19.7</b>	(32.7)
Amortisation of intangible assets	<b>0.2</b>	-
Tax on exceptional items	<b>(1.9)</b>	-
Effect of reduction in corporation tax rate on deferred tax	<b>(2.4)</b>	9.2
<b>Earnings for adjusted earnings per share</b>	<b>156.9</b>	133.9
<b>Adjusted basic earnings per share</b>	<b>77.2p</b>	75.2p
<b>Adjusted diluted earnings per share</b>	<b>74.6p</b>	73.4p

#### (c) Adjusted pre-BSS earnings per share

	2010 £m	2009 £m
Earnings for adjusted earnings per share	<b>156.9</b>	133.9
BSS post tax loss for the period	<b>2.0</b>	-
<b>Earnings for adjusted earnings per share pre-BSS</b>	<b>158.9</b>	133.9
<b>Adjusted basic earnings per share pre-BSS</b>	<b>78.8p</b>	75.2p

### 13. DIVIDENDS

#### The Group and the Company

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

	2010 £m	2009 £m
Final dividend for the year ended 31 December 2009 of nil p (2008: nil p) per ordinary share	-	-
Interim dividend for the year ended 31 December 2010 of 5.0p (2009: nil p) per ordinary share	<b>10.1</b>	-
<b>Total dividends recognised during the year</b>	<b>10.1</b>	-

The Company is proposing a final dividend of 10p in respect of the year ended 31 December 2010.

Adjusted dividend cover of 5.1x (2009: nil) is calculated by dividing adjusted basic earnings per share (note 12 of 77.2 pence (2009: 75.2 pence) by the total dividend for the year of 15.0 pence (2009: nil pence).

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

The dividends declared for 2010 at 31 December 2010 and for 2009 at 31 December 2009 were as follows:

	2010 Pence	2009 Pence
Interim paid	<b>5.0</b>	-
Final proposed	<b>10.0</b>	-
<b>Total dividends declared for the year</b>	<b>15.0</b>	-

### 14. GOODWILL

#### The Group

	BSS	Retail	Merchandising	Total
	£m	£m	£m	£m
<b>Cost</b>				
At 1 January 2009	-	969.9	381.5	1,351.4
Recognised on acquisitions during the year	-	-	1.4	1.4
At 1 January 2010	-	969.9	382.9	1,352.8
Recognised on acquisitions during the year	337.6	-	-	337.6
At 31 December 2010	<b>337.6</b>	<b>969.9</b>	<b>382.9</b>	<b>1,690.4</b>

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

Name of CGU	Amount of Goodwill £m
CCF	43.6
City Plumbing Supplies	74.2
Keyline	79.0
Tile Giant	26.8
Travis Perkins	436.1
Wickes	693.1
BSS	337.6
	<b>1,690.4</b>

On the acquisition of the Wickes' business, £250m of goodwill, which represented synergies arising from the acquisition, was allocated to the Travis Perkins CGU.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. These assumptions have been reviewed during the year in light of the current economic environment which has resulted in more conservative estimates about the future and the changing capital structure of the Company. Management estimates

## 14. GOODWILL CONTINUED

discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. As a result of these deliberations the discount rate has been amended to reflect changes in the capital structure arising from the rights issue.

The turnover growth rates in each CGU are based on the Directors' expectations for the next 3 years. Changes in selling prices and direct costs used in the calculations are based on past practices and expectations of future changes in the market.

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

- Cash flow forecasts which were derived from the most recent financial budgets and plans for the three years ending 2013, which were approved by the directors. Cash flows for the following year are extrapolated from cash flows for 2013 using similar assumptions to those applied to 2013;
- The weighted average cost of capital ('WACC') of the Group which is used as the discount rate is 8.1% which is not significantly different for any individual CGU;
- Long-term forecast growth rates of 2.5% in line with the average long-term GDP growth trend applied from 2014 onwards.

Whilst management believe the assumptions are realistic, it is possible an impairment would be identified if any of the above key assumptions were changed significantly. For instance factors which could cause an impairment are:

- Significant underperformance relative to the forecast results;
- Changes to the way the assets are used or changes to the strategy for the business;
- A deterioration in the industry or the economy.

The impairment review calculations are based upon anticipated discounted future cash flows. These calculations are sensitive to changes in future cash flows, the discount rate applied and the terminal growth rate. The Directors believe the assumptions used are appropriate, but have conducted a sensitivity analysis to determine the assumptions that would result in an impairment to goodwill and intangibles of £100m:

	Merchanting	Retail
Weighted average cost of capital	15.8%	10.8%
Long term growth rate	(9.0)%	(0.9)%

The goodwill arising on the acquisition of BSS on 14 December 2010 did not suffer an impairment during the two weeks of ownership by the Group.

The Company has no goodwill.

## 15. OTHER INTANGIBLE ASSETS

### The Group

	Brand	Computer software	Customer relationships	Total
Cost or valuation	£m	£m	£m	£m
At 1 January & 31 December 2009	162.5	-	-	162.5
Acquired on acquisition of subsidiary	112.9	9.6	134.8	257.3
At 31 December 2010	<b>275.4</b>	<b>9.6</b>	<b>134.8</b>	<b>419.8</b>
<b>Amortisation</b>				
At 1 January & 31 December 2009	-	-	-	-
Charged to operating profit in the year	-	-	0.2	0.2
Charged to exceptional items	-	8.1	-	8.1
At 31 December 2010	-	<b>8.1</b>	<b>0.2</b>	<b>8.3</b>
<b>Net book value</b>				
At 31 December 2010	<b>275.4</b>	<b>1.5</b>	<b>134.6</b>	<b>411.5</b>
At 31 December 2009	162.5	-	-	162.5

Following the acquisition of The BSS Group plc the following brands were acquired:

- PTS £38.6m;
- BSS £51.6m;
- F & P Wholesale £8.5m;
- Others £14.2m.

These brands together with the Wickes brand (which accounts for the remainder) are all considered to be leading brands in their sectors with significant growth prospects. They are considered therefore to have an indefinite useful life and are reviewed annually for impairment. Acquired customer relationships are amortised over their estimated useful lives which range from 5 to 15 years.

Details of impairment testing are given in note 14. No impairments were identified in either year.

The Company has no intangible assets.

## 16. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant & equipment £m	Total £m	Plant & equipment £m
<b>Cost or valuation</b>						
At 1 January 2009	264.4	25.4	103.9	409.2	802.9	0.5
Additions	2.1	-	12.0	18.0	32.1	-
Reclassifications	0.4	(0.4)	-	-	-	-
Disposals	(8.8)	-	(2.1)	(16.0)	(26.9)	-
At 1 January 2010	258.1	25.0	113.8	411.2	808.1	0.5
Additions	10.8	2.7	2.1	36.3	51.9	0.2
Additions from acquired businesses	7.1	1.0	6.1	22.3	36.5	-
Reclassifications to current assets	(0.3)	(1.0)	-	-	(1.3)	-
Disposals	(1.1)	-	(1.0)	(13.6)	(15.7)	(0.1)
At 31 December 2010	<b>274.6</b>	<b>27.7</b>	<b>121.0</b>	<b>456.2</b>	<b>879.5</b>	<b>0.6</b>
<b>Accumulated depreciation</b>						
At 1 January 2009	28.8	3.7	30.3	205.6	268.4	0.3
Charged this year	4.0	0.6	6.8	47.2	58.6	0.1
Disposals	(1.2)	-	(2.0)	(14.7)	(17.9)	-
At 1 January 2010	31.6	4.3	35.1	238.1	309.1	0.4
Charged this year	4.0	0.6	7.0	45.9	57.5	0.1
Reclassifications to current assets	(0.1)	(0.3)	-	-	(0.4)	-
Disposals	(0.4)	-	(0.4)	(11.9)	(12.7)	-
At 31 December 2010	<b>35.1</b>	<b>4.6</b>	<b>41.7</b>	<b>272.1</b>	<b>353.5</b>	<b>0.5</b>
<b>Net book value</b>						
At 31 December 2010	<b>239.5</b>	<b>23.1</b>	<b>79.3</b>	<b>184.1</b>	<b>526.0</b>	<b>0.1</b>
At 31 December 2009	226.5	20.7	78.7	173.1	499.0	0.1

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

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant and equipment £m	<b>Total £m</b>	<b>Total £m</b>
At valuation	68.8	6.1	1.9	-	<b>76.8</b>	-
At cost	205.8	21.6	119.1	456.2	<b>802.7</b>	0.6
	<b>274.6</b>	<b>27.7</b>	<b>121.0</b>	<b>456.2</b>	<b>879.5</b>	<b>0.6</b>

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 £98.0m (2009: £94.7m) which is not depreciated.

## 16. PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

	THE GROUP				THE COMPANY
	Long leases £m	Short leases £m	Plant & equipment £m	Total £m	Total £m
2010	0.8	11.9	1.3	<b>14.0</b>	-
2009	0.8	13.1	1.9	15.8	-

Comparable amounts determined according to the historical cost convention:

	THE GROUP				THE COMPANY	
	Freehold £m	Long leases £m	Short leases £m	Plant & equipment £m	Total £m	Total £m
Cost	269.5	26.4	129.6	456.2	<b>881.7</b>	-
Accumulated depreciation	(51.8)	(5.8)	(47.4)	(272.0)	<b>(377.0)</b>	-
Net book value						
At 31 December 2010	<b>217.7</b>	<b>20.6</b>	<b>82.2</b>	<b>184.2</b>	<b>504.7</b>	-
At 31 December 2009	204.2	18.1	81.7	173.1	477.1	-

## 17. INVESTMENT PROPERTY

	THE GROUP
	£m
<b>Cost</b>	
At 1 January 2009 and 1 January 2010	3.9
Disposals	(3.4)
At 31 December 2010	<b>0.5</b>
<b>Accumulated depreciation</b>	
At 1 January 2009	0.5
Provided in the year	0.1
At 1 January 2010	0.6
Disposals	(0.5)
At 31 December 2010	<b>0.1</b>
<b>Net book value</b>	
At 31 December 2010	<b>0.4</b>
At 31 December 2009	3.3

Investment property rental income totalled £nil (2009: £0.2m). 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.

As no external valuation has been performed, the Directors have estimated that the fair value of investment property equates to its carrying value. As such, it is not material to the Group's balance sheet.

The Company has no investment property.

## 18. INVESTMENTS

### (a) Interest in associates and joint ventures

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Equity investment	17.4	5.4	17.4	5.4
Loan facility	28.5	28.0	28.5	28.0
Interest on loan facility	6.4	2.9	6.4	2.9
Arising on acquisition of The BSS Group plc	0.1	-	-	-
Share of losses	(6.7)	(4.6)	-	-
	<b>45.7</b>	31.7	<b>52.3</b>	36.3

On 4 April 2008 Travis Perkins plc acquired a 30% investment in ToolStation Limited for a total consideration of £5.2m. In addition Travis Perkins plc has provided a non-revolving loan facility totalling £28.0m. In the year to 31 December 2010 ToolStation recognised total revenues of £69.8m and a loss before tax of £6.9m. At 31 December 2010 total aggregate assets were £26.4m and total aggregate liabilities (including the loan facility provided by Travis Perkins plc) were £53.2m.

On 1 December 2009 Travis Perkins plc acquired a 49% investment in The Mosaic Tile Company Limited for a total consideration of £0.2m. In the twelve month period to 31 December 2010 The Mosaic Tile Company Limited recognised total revenues of £7.4m and a loss before tax of £0.1m. At 31 December 2010 total aggregate assets were £2.8m and total aggregate liabilities were £2.5m.

In April 2009 Construction Site Solutions LLP ("CSS"), a consortium consisting of Hewden Stuart Plc, Speedy Hire Plc, Lavendon Group plc and The BSS Group plc. were granted a licence from ODA to supply plant and builders merchant products to primary on site contractors. Each consortium member has a 25% holding in CSS. In the twelve month period to 31 December 2010 CSS recognised total revenues of £0.4m and a profit before tax of £nil. At 31 December 2010 total aggregate assets were £0.7m and total aggregate liabilities were £0.2m.

### (b) Shares in group undertakings

Cost	THE COMPANY	
	2010 £m	2009 £m
At 1 January	1,912.1	1,814.3
Additions	802.7	97.8
At 31 December	2,714.8	1,912.1
Provision for impairment	(17.0)	(17.0)
Net book value at 31 December	2,697.8	1,895.1

The principal operating subsidiaries of the Group and Company at 31 December 2010 are as follows:

Subsidiary		Registered Office
Travis Perkins Trading Company Limited*	(Builders merchants)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
Keyline Builders Merchants Limited*	(Builders merchants)	Suite S3, 8 Strathkelvin Place, Kirkintilloch, Glasgow G66 1XT
Wickes Building Supplies Limited	(DIY retailers)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
City Plumbing Supplies Holdings Limited	(Plumbers merchants)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
CCF Limited*	(Ceiling & dry lining distribution)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
Travis Perkins (Properties) Limited*	(Property management company)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
Benchmark Kitchens and Joinery Limited	(Specialist distribution)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
Tile Giant Limited	(Ceramic tile merchants)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
The BSS Group Limited*	(Plumbing and Heating Merchants)	Fleet House, Lee Circle, Leicester, Leicestershire LE1 3QQ
PTS Group Limited	(Plumbing and Heating Merchants)	Fleet House, Lee Circle, Leicester, Leicestershire LE1 3QQ

\*Held directly by Travis Perkins plc

The Directors have applied s409 to s410 of the Companies Act 2006 and therefore list only significant subsidiary companies.

All subsidiaries are 100% owned. All companies are registered and incorporated in England and Wales, other than Keyline Builders Merchants Limited and 8 dormant companies, which are registered and incorporated in Scotland, City Investments Limited, which is registered and incorporated in Jersey and 2 dormant companies registered and incorporated in Northern Ireland.

## 18. INVESTMENTS CONTINUED

### (c) Available-for-sale investments

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Fair value investment	1.5	1.5	-	-

The investment represents a minority holding in a unit trust that acquired properties from the Group in 2006. The investment presents the Group with an opportunity to generate returns through both income and capital gains. The Directors consider that the carrying amount of this investment approximates its fair value.

## 19. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Trade receivables	575.4	279.5	-	-
Allowance for doubtful debts	(44.4)	(34.5)	-	-
	531.0	245.0	-	-
Amounts owed by subsidiaries	-	-	205.5	49.0
Other receivables, prepayments and accrued income	161.5	130.4	2.9	1.8
<b>Trade and other receivables</b>	<b>692.5</b>	<b>375.4</b>	<b>208.4</b>	<b>50.8</b>

The Group's trade and other receivables at the balance sheet date comprise principally of amounts receivable from the sale of goods, together with amounts due in respect of rebates and sundry prepayments. The Directors consider the only class of asset containing significant credit risk is trade receivables. The average credit term taken for sales of goods is 55 days (2009: 54 days).

The amounts presented in the balance sheet are net of allowances for doubtful debts of £44.4m (2009: £34.5m), estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Directors consider the carrying amount of trade and other receivables approximates their fair values.

No interest is charged on the trade receivable from the date of the invoice until the date the invoice is classified as overdue according to the trading terms agreed between the Group and the customer. Thereafter, the Group retains the right to charge interest between 2% to 4% above the clearing bank base rate per annum on the outstanding balance. The merchanting division has provided fully for all receivables outstanding over 90 days beyond agreed terms. Trade receivables not receivable for up to 90 days are specifically provided for based on estimated irrecoverable amounts. Trade receivables within the BSS division are provided for based on prior experience and assessment of the current economic environment.

### Movement in the allowance for doubtful debts

	THE GROUP	
	2010 £m	2009 £m
At 1 January	34.5	32.3
Arising on acquisition	5.2	-
Amounts written off during the year	(5.3)	(10.2)
Increase in allowance recognised in the income statement	10.0	12.4
At 31 December	44.4	34.5

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large. Accordingly, the Directors believe that no further credit provision is required in excess of the allowance for doubtful debts.

Included in the Group's trade receivable balance are unprovided against debtors with a carrying amount of £70.4m (2009: £20.9m) 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. Except for some instances of personal guarantees the Group does not hold any collateral over these balances.

## 19. TRADE AND OTHER RECEIVABLES CONTINUED

### Ageing of past due but not impaired receivables

Days overdue	THE GROUP	
	2010 £m	2009 £m
0 – 30 days	54.7	16.0
31 – 60 days	9.4	3.3
61 – 90 days	6.3	1.6
	<b>70.4</b>	<b>20.9</b>

Included in the allowance for doubtful debts are specific trade receivables with a balance of £24.0m (2009: £20.4m) which have been placed into liquidation. The impairment represents the difference between the carrying amount of the specific trade receivable and the amount it is anticipated will be recovered.

None of the Company's debts are overdue. The directors do not consider there to be any significant credit risk, as the majority of the debt is due from subsidiaries.

## 20. ASSETS HELD FOR RESALE

To address competition concerns raised by the OFT arising on the acquisition of The BSS Group plc, Travis Perkins plc has given undertakings to dispose of 15 PTS and 4 CPS branches. The net book value of these assets has been transferred from fixed assets and held in current assets at net realisable value.

### The Group

	2010 £m
Property plant and equipment	1.0
Inventories	3.1
Impairment of assets	(0.6)
Costs of disposal	(1.2)
	<b>2.3</b>

## 21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and Company. The carrying amount of these assets approximates their fair value.



## 22. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	Issued and fully paid	
Ordinary shares of 10p	No.	£m
At 1 January 2009	122,719,114	12.3
Allotted on rights issue	85,903,379	8.6
Allotted under share option schemes	8,973	-
At 1 January 2010	208,631,466	20.9
Allotted on acquisition of BSS	33,000,681	3.3
Allotted under share option schemes	69,770	-
At 31 December 2010	<b>241,701,917</b>	<b>24.2</b>

On 14 December 2010, Travis Perkins plc issued 33,000,681 ordinary shares at an issue price of £9.975 pursuant to the acquisition of the entire share capital of The BSS Group plc.

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

## 23. OWN SHARES

### The Group and the Company

	2010 No.	2009 No.
At 1 January	<b>7,000,690</b>	5,684,680
Acquired during the year	-	1,316,010
Re-issued during the year	<b>(38,760)</b>	-
At 31 December	<b>6,961,930</b>	7,000,690
Allocated to grants of executive options	<b>289,142</b>	289,142
Not allocated to grants of executive options	<b>6,672,788</b>	6,711,548
	<b>6,961,930</b>	7,000,690

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.

## 24. RESERVES

Details of all movements in reserves for both the Group and Company are shown in the Statement of Changes in Equity. A description of the nature and purpose of each reserve is given below.

The revaluation reserve represents the revaluation surplus that has arisen from property revaluations in 1999 and prior years.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have yet to occur.

The own shares reserve represents the cost of shares purchased in the market and held by the Employee Share Ownership Trust to satisfy options under the Group's share option schemes.

The merger reserve represents the premium on equity instruments issued as consideration for the acquisition of BSS.

The cumulative total of goodwill written off directly to reserves for acquisitions from December 1989 to December 1998 is £40.1m. The aggregate information for the accounting periods prior to this period is not available.

## 25. BORROWINGS

A summary of the Group policies and strategies with regard to financial instruments can be found in the Statement of Principal Risks and Uncertainties on pages 49 to 51. At 31 December 2010 all borrowings were made in Sterling except for the unsecured senior notes (note 25 (i)).

### (a) Summary

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Unsecured senior notes	366.0	271.7	286.4	271.7
Liability to pension SPV (note 8)	36.1	-	-	-
Bank loans (note 25c) *	401.9	525.0	475.0	525.0
Bank overdraft*	12.0	-	1.9	4.0
Finance leases (note 25d)	21.8	23.5	-	-
Loan notes (note 25e)	3.3	3.8	3.3	3.8
Finance charges netted off bank debt*	(4.6)	(9.6)	(4.6)	(9.6)
	<b>836.5</b>	814.4	<b>762.0</b>	794.9
Current liabilities	75.6	75.3	75.2	77.8
Non-current liabilities	760.9	739.1	686.8	717.1
	<b>836.5</b>	814.4	<b>762.0</b>	794.9

\*These balances together total the amounts shown as bank loans in note 25(b).

### (b) Analysis of borrowings

#### The Group

	Bank loans and overdrafts		Other borrowings	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Borrowings repayable</b>				
On demand or within one year	70.8	70.0	4.8	5.3
More than one year, but not more than two years	58.8	70.0	1.5	1.5
More than two years, but not more than five years	279.7	375.4	187.8	140.6
More than five years	-	-	233.1	151.6
	<b>409.3</b>	515.4	<b>427.2</b>	299.0

#### The Company

	Bank loans and overdrafts		Other borrowings	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Borrowings repayable</b>				
On demand or within one year	71.9	74.0	3.3	3.8
More than one year, but not more than two years	70.0	70.0	142.2	-
More than two years, but not more than five years	330.4	375.4	-	135.9
More than five years	-	-	144.2	135.8
	<b>472.3</b>	519.4	<b>289.7</b>	275.5

## 25. BORROWINGS CONTINUED

### (c) Facilities

At 31 December 2010, the Group had the following bank facilities available:

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Drawn facilities</b>				
5 year term loan	382.0	525.0	455.0	525.0
5 year revolving credit facility	20.0	-	20.0	-
Unsecured senior notes	366.0	271.7	286.4	271.7
Bank overdrafts	12.0	-	1.9	4.0
	<b>780.0</b>	<b>796.7</b>	<b>763.3</b>	<b>800.7</b>
<b>Undrawn facilities</b>				
5 year revolving credit facility	455.0	475.0	455.0	475.0
Bank overdrafts	38.4	40.0	38.1	-
	<b>493.4</b>	<b>515.0</b>	<b>493.1</b>	<b>475.0</b>

The disclosures in note 25(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	
	2010 £m	2009 £m	2010 £m	2009 £m
Amounts payable under finance leases:				
Within one year	2.7	2.8	1.5	1.5
In the second to fifth years inclusive	10.3	10.7	6.3	6.3
After five years	23.6	26.2	14.0	15.7
	<b>36.6</b>	<b>39.7</b>	<b>21.8</b>	<b>23.5</b>
Less: future finance charges	(14.8)	(16.2)	-	-
<b>Present value of lease obligations</b>	<b>21.8</b>	<b>23.5</b>	<b>21.8</b>	<b>23.5</b>
Less: Amount due for settlement within 1 year (shown under current liabilities)			(1.5)	(1.5)
Amount due for settlement after 1 year			<b>20.3</b>	<b>22.0</b>

As a result of the introduction of IAS 17 – 'Leases', 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 8.9%. In addition the Group leases certain fixtures and equipment under finance leases, the obligations for which are secured by the lessors' charges over the leased assets. The average lease term is 3-4 years. For the year ended 31 December 2010, the average implicit borrowing rate was 12.9% (2009: 13.4%). 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 (2009: £3.8m) in respect of loan notes issued as consideration for the acquisition of Broombys Limited in 1999. They are redeemable on 30 June and 31 December each year until the final redemption date of 30 June 2015.

## 25. BORROWINGS CONTINUED

### (f) Interest

The weighted average interest rates paid were as follows:	<b>2010</b>	2009
	<b>%</b>	<b>%</b>
Unsecured senior notes	<b>5.8</b>	5.8
Bank loans and overdraft	<b>1.8</b>	2.2
Other borrowings	<b>6.0</b>	5.4

Bank term loans and revolving credit facilities of £857m (2009: £1,000m) were arranged at variable interest rates. The \$400m unsecured Travis Perkins senior notes and the \$125m unsecured BSS Group 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 26, to manage the risk the Group enters into interest rate derivatives arrangements, which for 2010, fixed interest rates on an average of £523m of borrowing. For the year to 31 December 2010 this had the effect of increasing the weighted average interest rates paid by 1.25%.

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

	2010		2009	
	Effective interest rate	Total £m	Effective interest rate	Total £m
Unsecured senior notes	5.8%	366.0	5.8%	271.7
Unsecured variable rate bank facilities	1.8%	401.9	1.8%	525.0
Loan notes	6.0%	3.3	5.6%	3.8
Bank overdraft	2.3%	12.0	2.3%	-
		<b>783.2</b>		<b>800.5</b>

#### The Company

	2010		2009	
	Effective interest rate	Total £m	Effective interest rate	Total £m
Unsecured senior notes	5.8%	286.4	5.8%	271.7
Unsecured variable rate bank facilities	1.8%	475.0	1.8%	525.0
Loan notes	6.0%	3.3	5.6%	3.8
Bank overdraft	2.3%	1.9	2.3%	4.0
		<b>766.6</b>		<b>804.5</b>

### (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 about the fair values of derivatives are given in note 26.

### (h) Guarantees and security

There are cross guarantees on the overdrafts between group companies.

The companies listed in note 18, with the exception of Benchmarkx Kitchens and Joinery Limited, Tile Giant Limited, PTS Group Limited and The BSS Group Limited, together with Wickes Limited are guarantors of the following facilities advanced to Travis Perkins plc:

- £382m term loan;
- £475m revolving credit facility;
- \$400m unsecured senior notes (note 25(i));
- Interest rate and currency derivatives, (note 26).

The BSS Group Limited and PTS Group Limited along with 10 dormant subsidiaries are guarantors of \$125m of the unsecured senior notes.

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 £21.1m (2009: £13.7m).

## 25. BORROWINGS CONTINUED

### (i) Unsecured senior notes

On 26 January 2006 the Group finalised a US private placement that resulted in it receiving \$400m. \$200m of the unsecured senior notes is repayable in January 2013 and \$200m in January 2016. The US borrowings carry fixed rate coupons of between 130 bps and 140 bps over US treasuries. As described in note 26, to protect itself from currency movements and bring interest rate exposures back into line with the Group's desired risk profile the Group entered into five cross currency swaps. On 11 May 2006 The BSS Group plc finalised a US private placement that resulted in it receiving \$125m and repaying the sterling equivalent outstanding on the revolving credit facility. Of this borrowing \$75m is repayable in May 2013 with the remaining \$50m repayable in May 2016. In order to protect itself against currency movements and interest rate exposures the BSS Group entered into three cross currency interest rate swaps.

## 26. FINANCIAL INSTRUMENTS

### 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.

### The carrying value of categories of financial instruments

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Financial assets</b>				
Designated as fair value through profit and loss (FVTPL)	0.1	-	0.1	-
Derivative instruments in designated hedge accounting relationships	56.9	44.7	0.3	44.7
Loans and receivables (including cash and cash equivalents)	685.2	671.8	395.2	367.8
Available-for-sale	1.5	1.5	-	-
	<b>743.7</b>	<b>718.0</b>	<b>395.6</b>	<b>412.5</b>
<b>Financial liabilities</b>				
Designated as fair value through profit and loss (FVTPL)	4.1	3.5	124.7	3.5
Derivative instruments in designated hedge accounting relationships	2.6	2.6	2.6	2.6
Borrowings (note 25a)	836.5	814.4	762.0	794.9
Trade and other payables at amortised cost (note 29)	831.0	638.7	26.7	19.6
	<b>1,674.2</b>	<b>1,459.2</b>	<b>916.0</b>	<b>820.6</b>

Loans and receivables exclude prepayments of £70.2m (2009: £50.8m). Trade and other payables exclude taxation and social security and accruals and deferred income totalling £168.9m.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

### 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.

## 26. FINANCIAL INSTRUMENTS CONTINUED

### Included in assets

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
<b>Level 2</b>				
Foreign currency forward contracts at fair value through profit and loss	0.1	-	0.1	-
Foreign currency forward contracts designated and effective as hedging instruments carried at fair value	0.3	-	0.3	-
Cross currency interest rate swaps designated and effective as hedging instruments carried at fair value	54.1	44.7	-	44.7
Cross currency interest rate swaps designated and effective as cash hedging instruments	2.5	-	-	-
	<b>57.0</b>	44.7	<b>0.4</b>	44.7
Current assets	0.1	-	0.1	-
Non-current assets	56.9	44.7	0.3	6.1
	<b>57.0</b>	44.7	<b>0.4</b>	6.1

### Included in liabilities

<b>Level 2</b>				
Foreign currency forward contracts at fair value through profit and loss	1.0	-	1.0	-
Interest rate swaps at fair value through profit and loss	4.1	3.5	4.1	3.5
Interest rate swaps designated and effective as cash hedging instruments	1.6	2.6	1.6	2.6
Cross currency interest rate swaps designated and effective as hedging instruments carried at fair value	-	-	120.5	-
	<b>6.7</b>	6.1	<b>127.2</b>	6.1
Current liabilities	2.5	-	2.5	-
Non-current liabilities	4.2	6.1	124.7	6.1
	<b>6.7</b>	6.1	<b>127.2</b>	6.1

### Interest risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

### Interest rate swaps

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is either on a fixed rate basis or is subject to movements within pre-defined limits. To achieve its desired interest rate profile the Group uses interest rate swaps.

As part of their interest rate management processes, in respect of the facilities described in note 25, the Group and the Company at the commencement of the year were parties to four amortising swaps each with an initial notional value of £100m, two amortising swaps with an initial notional value of £50m and two non-amortising swaps each with a notional value of £50m. Contracts with notional values of £400m are designated as cash flow hedges with fixed interest payments at an average rate of 1.51% for periods up until May 2011 and have floating interest receipts equal to 1 month LIBOR. The non-amortising interest rate swap with a call option has a notional value of £50m with fixed interest payments at a rate of 4.595% for periods up until October 2013 and has floating interest payments equal to 6 month LIBOR.

At 31 December 2010 the fair value of interest rate derivatives, all of which terminate before three years from the balance sheet date, to which the Group and the Company were parties was estimated at £5.7m (2009: £6.1m). This amount is based on market values of equivalent instruments at the balance sheet date. Interest rate swaps excluding those with a call option are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. A credit of £0.7m (2009: £4.7m) in respect of the fair value movement on interest rate swaps with a call option has been taken to the income statement through net finance charges as the Company has not applied hedge accounting.

### Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash

## 26. FINANCIAL INSTRUMENTS CONTINUED

flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts as at the reporting date:

### Cash flow hedges – outstanding receive floating pay fixed contracts

	Average contract fixed interest rate		Notional principle amount		Fair value	
	2010 %	2009 %	2010 £m	2009 £m	2010 £m	2009 £m
Less than 1 year	<b>1.52%</b>	-	<b>400.0</b>	-	<b>(1.6)</b>	-
1 to 2 years	-	1.51%	-	530.0	-	(2.6)
Greater than 5 years	<b>5.40%</b>	-	<b>29.0</b>	-	<b>2.5</b>	-
			<b>429.0</b>	530.0	<b>0.9</b>	(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 exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest rate payments on the loan occur simultaneously and the amount deferred in equity is recognised in the income statement over the period that the floating rate interest payments on debt impact profit or loss.

### Currency swaps

In order to eliminate the currency risk associated with the \$400m unsecured senior notes described in note 25(i) the Group and the Company entered into five cross currency swaps in varying amounts between £23m and £63m to fix the exchange rate at £1 equal to \$1.73 for the entire lives of the unsecured loan notes. The forward options fixed the notional amount receivable and payable in respect of the unsecured senior notes to £231m as well as fixing the exchange rate applicable to future coupon payments.

During the year 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 remain life of the unsecured senior notes.

The remaining currency swaps manage the Group's and the Company's exposure to the fixed interest rate on the US dollar denominated borrowing arising out of a private placement on 26 January 2006. There are two interest rate swaps of £58m that convert the borrowing rate on \$200m of debt from 5.77% to a variable rate on 6 month LIBOR plus a weighted average basis point increment of 81.9. At 26 January 2006 the variable rates were both at 5.43%. A further two interest rate swaps of £29m and £23m convert the borrowing rates on US\$50m, US\$40m of debt from 5.89% to a variable rate based on six month LIBOR plus basis point increment of 86.5 and 86.7 respectively. At 26 January 2006 the variable rates were at weighted average 5.47%.

In order to eliminate the currency risk associated with the BSS private placement of \$125m The BSS Group plc entered into three cross currency interest rate swaps to fix the exchange rate at £1 equal to \$1.73 for the entire duration of the private placement. The interest rate swaps settle on a half yearly basis. The floating rate on the interest rate swaps is six month LIBOR. There are two interest rate swaps on the seven year borrowing of £29m and £14m that convert the borrowings on \$50m and \$25m respectively from 5.8% to a variable rate on six month LIBOR plus a basis point increment of 64.75 and 66.79. At 31 December 2010 the fair value of cross currency derivatives was estimated at £54.1m (2009: £44.7m). All of these currency swaps are designated and effective as fair value hedges.

A further interest rate swap on the ten year borrowing of £29m converts the borrowing on the \$50m debt from 5.91% to a fixed rate of 4.7% plus a basis point increment of 70.75. This is accounted for as a cash flow hedge. At 31 December 2010 this cash flow hedge had an estimated fair value of £2.5m.

In April 2010 the Group and the Company entered into three forward contracts to purchase US\$ with a notional value of \$30m each and one with a notional value of £20m. These contracts have a maturity date of January 2016. At 31 December 2010 the fair value of these forward contracts was estimated at £0.3m.

The interest rate swaps settle on a half yearly basis. The floating rate on the interest rate swaps is 6 months LIBOR. The Group will settle the difference between the fixed and floating interest on a net basis.

### Fair value hedges – outstanding receive fixed pay floating contracts

	Average contract floating interest rate		Notional principle amount		Fair value	
	2010 %	2009 %	2010 £m	2009 £m	2010 £m	2009 £m
2 to 5 years	<b>1.8%</b>	2.9%	<b>158.6</b>	115.6	<b>38.7</b>	21.6
Greater than 5 years	<b>1.8%</b>	2.9%	<b>52.0</b>	115.6	<b>15.4</b>	23.1
			<b>210.6</b>	231.2	<b>54.1</b>	44.7

## 26. FINANCIAL INSTRUMENTS CONTINUED

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates. During the period, the hedge was 100% effective in hedging the fair value exposure to interest movements and as a result, the carrying amount of the loan was adjusted by £38.4m (2009: £39.7m), which was included in the income statement at the same time that the fair value of the interest rate swap was included in the income statement.

The Group acquires goods for sale from overseas, which when not denominated in Sterling are paid for principally in US dollars. The Group has entered into forward foreign exchange contracts (all of which are less than one year in duration) to buy US dollars to hedge the exchange risk arising from these anticipated future purchases. At the balance sheet date the total notional value of contracts to which the Group was committed was US\$93.6m (2009: US\$40m). The fair value of these derivatives is £1.0m (2009: £0m). These contracts have not been designated as hedges and accordingly the fair value movement has been reflected in the income statement.

On 15 October 2010 the Company derecognised the dollar receivable on \$273m of cross currency interest rate swaps and transferred the rights to that receivable to a subsidiary. The dollar legs had maturity dates and amounts of \$188m in January 2013 and \$85m in January 2016. The total fair value of the dollar cross currency interest rate swaps in the Company is £120.5m. On the 15 October the Company subscribed to \$273m of dollar preference shares issued by a subsidiary company. These preference shares carry a right to receive interest and a total credit of £2.1m has been recognised in the income statement. The investment in the preference shares has been retranslated at year end rates with a gain of £4.3m being recognised in the income statement.

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

	2010				Total £m
	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	
<b>Gross settled</b>					
Interest rate swaps – receipts	10.8	10.8	141.7	59.2	<b>222.5</b>
Interest rate swaps – payments	(2.9)	(3.6)	(122.0)	(52.6)	<b>(181.1)</b>
	7.9	7.2	19.7	6.6	<b>41.4</b>
Foreign exchange forward contracts	(57.4)	-	-	(0.4)	<b>(57.8)</b>
<b>Total gross settled</b>	<b>(49.5)</b>	<b>7.2</b>	<b>19.7</b>	<b>6.2</b>	<b>(16.4)</b>
<b>Net settled</b>					
Interest rate swaps	(0.8)	(0.9)	1.1	0.1	<b>(0.5)</b>
Total derivative financial instruments	(50.3)	6.3	20.8	6.3	<b>(16.9)</b>
Borrowings	(93.7)	(78.5)	(508.2)	(211.3)	<b>(891.7)</b>
Other financial liabilities (note 29)	(831.0)	-	-	-	<b>(831.0)</b>
Finance leases (note 25d)	(2.7)	(2.7)	(7.6)	(23.6)	<b>(36.6)</b>
<b>Total financial instruments</b>	<b>(977.7)</b>	<b>(74.9)</b>	<b>(495.0)</b>	<b>(228.6)</b>	<b>(1,776.2)</b>
	2009				Total £m
	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	
<b>Gross settled</b>					
Interest rate swaps – receipts	14.5	14.5	157.4	135.4	321.8
Interest rate swaps – payments	(3.7)	(4.5)	(132.4)	(122.9)	(263.5)
	10.8	10.0	25.0	12.5	58.3
Foreign exchange forward contracts	(26.8)	-	-	-	(26.8)
<b>Total gross settled</b>	<b>(16.0)</b>	<b>10.0</b>	<b>25.0</b>	<b>12.5</b>	<b>31.5</b>
<b>Net settled</b>					
Interest rate swaps	(1.9)	(6.0)	(2.2)	-	(10.1)
Total derivative financial instruments	(17.9)	4.0	22.8	12.5	21.4
Borrowings	(73.8)	(70.0)	(520.9)	(135.8)	(800.5)
Other financial liabilities (note 29)	(638.7)	-	-	-	(638.7)
Finance leases (note 25d)	(2.8)	(2.8)	(7.9)	(26.2)	(39.7)
<b>Total financial instruments</b>	<b>(733.2)</b>	<b>(68.8)</b>	<b>(506.0)</b>	<b>(149.5)</b>	<b>(1,457.5)</b>



## 26. FINANCIAL INSTRUMENTS CONTINUED

### 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 2010 would have decreased / increased by £0.2m (2009: increased / decreased by £3m) including £1m (2009: £2m) of movement on interest rate swaps with options;
- Net equity would have increased / decreased by £0.2m (2009: increased / decreased by £6m) mainly as a result 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.

## 27. PROVISIONS

	THE GROUP			
	Property £m	Insurance £m	Other £m	Total £m
At 1 January 2010	58.3	28.8	2.2	89.3
Arising on acquisition	3.4	2.0	-	5.4
Additional provision in the year	0.2	2.6	0.8	3.6
Exceptional provision release	(2.1)	-	-	(2.1)
Utilisation of provision	(8.0)	(1.9)	-	(9.9)
Unwinding of discount	2.8	-	-	2.8
<b>At 31 December 2010</b>	<b>54.6</b>	<b>31.5</b>	<b>3.0</b>	<b>89.1</b>
Included in current liabilities	18.6	31.5	3.0	53.1
Included in non-current liabilities	36.0	-	-	36.0
	<b>54.6</b>	<b>31.5</b>	<b>3.0</b>	<b>89.1</b>

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.

It is Group policy to substantially self insure itself against claims arising in respect of damage to assets, or due to employers or public liability claims. The nature of insurance claims means they may take some time to be settled. The insurance claims provision represents management's best estimate, based upon external advice of the value of outstanding insurance claims where the final settlement date is uncertain.

The following table details the Group's liquidity analysis of its provisions. The table has been drawn up based on the undiscounted net cash outflows.

	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
<b>2010</b>					
Property	17.0	8.7	18.1	28.5	<b>72.3</b>
Insurance	31.5	-	-	-	<b>31.5</b>
Other	3.0	-	-	-	<b>3.0</b>
	<b>51.5</b>	<b>8.7</b>	<b>18.1</b>	<b>28.5</b>	<b>106.8</b>
<b>2009</b>					
Property	13.7	9.3	23.2	31.8	78.0
Insurance	28.8	-	-	-	28.8
Other	2.2	-	-	-	2.2
	44.7	9.3	23.2	31.8	109.0

The Company has no provisions.

## 28. DEFERRED TAX

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

### The Group

	At 1 Jan 2009 £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2009 £m	Acquired in year £m	Recognised in non-current assets £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2010 £m
Capital allowances	13.9	(2.3)	-	11.6	(0.3)	-	(4.7)	-	<b>6.6</b>
Revaluation	12.1	-	-	12.1	0.3	-	-	(0.4)	<b>12.0</b>
Share based payments	-	(3.0)	(0.8)	(3.8)	(0.1)	-	(1.8)	(5.9)	<b>(11.6)</b>
Provisions	(10.4)	(0.3)	-	(10.7)	(0.1)	-	(1.1)	-	<b>(11.9)</b>
Derivatives	-	-	(4.6)	(4.6)	0.6	-	-	2.1	<b>(1.9)</b>
Business combinations	13.6	(0.9)	-	12.7	-	5.4	(1.4)	-	<b>16.7</b>
Brand	45.5	-	-	45.5	3.9	60.6	(1.6)	-	<b>108.4</b>
Pension scheme surplus	-	-	-	-	-	-	3.9	4.7	<b>8.6</b>
Deferred tax liability	74.7	(6.5)	(5.4)	62.8	4.3	66.0	(6.7)	0.5	<b>126.9</b>
Deferred tax asset	(19.5)	15.4	(7.9)	(12.0)	(16.4)	-	12.0	-	<b>(16.4)</b>
<b>Net deferred tax</b>	<b>55.2</b>	<b>8.9</b>	<b>(13.3)</b>	<b>50.8</b>	<b>(12.1)</b>	<b>66.0</b>	<b>5.3</b>	<b>0.5</b>	<b>110.5</b>

At the balance sheet date the Group had unused capital losses of £59.3m (2009: £59.3m) available for offset against future capital profits. No deferred tax asset has been recognised because it is not probable that future taxable profits will be available against which the Group can utilise the losses.

Other than disclosed above, no deferred tax assets and liabilities have been offset.

The Group has recognised a deferred tax asset of £16.4m (2009: £12.0m) in respect of the deficit on the BSS group pension schemes. The Directors believe that the deferred tax asset will be realised as the deficit is reduced over the coming years.

### The Company

	At 1 Jan 2009 £m	Recognised in equity £m	Recognised in income £m	At 31 Dec 2009 £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2010 £m
<b>Provided</b>							
Share based payments	-	(3.0)	(0.8)	(3.8)	(1.8)	(5.9)	<b>(11.5)</b>
Derivatives	-	-	(4.6)	(4.6)	-	2.1	<b>(2.5)</b>
Provisions	(0.7)	0.1	-	(0.6)	(0.1)	-	<b>(0.7)</b>
	(0.7)	(2.9)	(5.4)	(9.0)	(1.9)	(3.8)	<b>(14.7)</b>

## 29. OTHER FINANCIAL LIABILITIES

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Trade payables	<b>684.7</b>	408.9	-	-
Other taxation and social security	<b>50.1</b>	33.7	-	-
Other payables	<b>146.3</b>	98.6	<b>26.7</b>	19.6
Accruals and deferred income	<b>118.8</b>	97.5	-	-
<b>Trade and other payables</b>	<b>999.9</b>	638.7	<b>26.7</b>	19.6

### 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 55 days (2009: 52 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.

## 29. OTHER FINANCIAL LIABILITIES CONTINUED

### 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 (2009: 30 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

## 30. ACQUISITION OF BUSINESSES

### (a) The BSS Group plc (2009: other)

On the 14 December 2010 the Group acquired the entire issued share capital of The BSS Group plc. The acquisition was accounted for using the purchase method of accounting. The acquisition has created the leading plumbing and heating distribution business in the UK.

	2010 Provisional fair value acquired £m	2009 Fair value acquired £m
<b>Net assets acquired:</b>		
Property, plant and equipment	36.5	-
Identifiable intangible assets	257.3	-
Derivative financial instruments	14.9	-
Investments	0.1	-
Inventories	199.7	-
Trade and other receivables	316.8	0.1
Retirement benefit obligations	(59.6)	-
Trade and other payables	(242.0)	0.4
Provisions	(5.4)	-
Deferred tax liabilities	(53.9)	-
Current tax liabilities	(3.5)	-
Bank overdrafts and loans	(174.6)	(1.8)
	<b>286.3</b>	(1.3)
Goodwill	337.6	1.4
Deferred consideration	-	0.9
Amount payable	<b>623.9</b>	1.0
<b>Satisfied by:</b>		
Cash	294.7	1.0
Equity instruments (closing price on 14 December 2010)	329.2	-
	<b>623.9</b>	1.0

Due to the close proximity of the date of acquisition of The BSS Group plc to the Group's year-end it has not been possible to undertake all of the reviews that the Directors of Travis Perkins believe are necessary to finalise the fair value adjustments relating to the BSS balance sheet on the acquisition date. Accordingly the fair values ascribed to assets and liabilities in the table above are provisional and will be subject to change in the 2011 statutory accounts.

Expenses incurred on the acquisition of The BSS Group plc are discussed in note 5. The total amount of goodwill expected to be deductible for tax purposes is nil. The fair value of the financial assets include trade and other receivables with a fair value of £311.6m and a gross contractual value of £316.8m. The best estimate at the acquisition date of the contractual cash flows not to be collected are £5.2m.

The identifiable intangible assets comprise customer relationships of £134.8m, brands acquired of £112.9m and computer software of £9.6m.

If the acquisition of The BSS Group plc had been completed on the first day of the financial year, group revenues for the period would have been £4,599m and group operating profit would have been £300m.

### Goodwill arising on acquisitions

The goodwill arising on the acquisition made during the year is attributable to the anticipated profitability of this acquisition and the future operating synergies arising in the enlarged group.

### 30. ACQUISITION OF BUSINESSES CONTINUED

#### (b) Other acquisitions

The Group paid £0.2m for other immaterial acquisitions during 2010.

### 31. OPERATING LEASE ARRANGEMENTS

The Group leases a number of trading properties under operating leases. The leases 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.

<b>The Group as lessee</b>	<b>2010</b>	2009
	<b>£m</b>	£m
Minimum lease payments under operating leases recognised in income for the year	<b>143.4</b>	135.4

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2010</b>	2009
	<b>£m</b>	£m
Within one year	<b>167.4</b>	136.2
In the second to fifth years inclusive	<b>576.7</b>	489.9
After five years	<b>1,153.9</b>	1,086.8
	<b>1,898.0</b>	1,712.9

#### 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 £4.0m (2009: £4.7m).

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

	<b>2010</b>	2009
	<b>£m</b>	£m
Within one year	<b>3.6</b>	3.6
In the second to fifth years inclusive	<b>11.1</b>	12.6
After five years	<b>14.1</b>	15.8
	<b>28.8</b>	32.0

### 32. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its subsidiaries and with its directors. Transactions between group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed below. In addition the remuneration, and the details of interests in the share capital of the Company, of the Directors, are provided in the audited part of the remuneration report on pages 66 to 71.

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.

	<b>2010</b>	2009
	<b>£m</b>	£m
Short term employee benefits	<b>8.0</b>	6.6
Share based payments	<b>3.0</b>	2.3
	<b>11.0</b>	8.9

### 32. RELATED PARTY TRANSACTIONS CONTINUED

The Company undertakes the following transactions with its active subsidiaries:

- Providing day-to-day funding from its UK banking facilities;
- Levying an annual management charge to cover services provided to members of the Group of £6.9m (2009: £6.9m);
- Receiving annual dividends totalling £40.3m (2009: £122.4m).

Details of balances outstanding with subsidiary companies are shown in note 19 and on the Balance Sheet on page 82.

There have been no material related party transactions with directors.

Details of transactions with the Group's Associate Companies ToolStation and The Mosaic Tile Company Limited are shown in note 18. Operating transactions with both associates during the year were not significant.

### 33. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Contracted for but not provided in the accounts	16.1	4.2	-	-

### 34. NET DEBT RECONCILIATION

	THE GROUP		THE COMPANY	
	2010 £m	2009 £m	2010 £m	2009 £m
Net debt at 1 January	(467.2)	(1,017.4)	(477.9)	(1,091.6)
(Decrease) / increase in cash and cash equivalents	(296.3)	351.8	(302.5)	416.8
Net debt arising on acquisition	(174.6)	-	-	-
Cash flows from debt	167.6	161.6	34.3	160.1
Decrease / (increase) in fair value of debt	3.1	39.7	(2.1)	39.7
Finance charges netted off bank debt	(5.7)	(2.9)	(5.0)	(2.9)
Amortisation of swap cancellation receipt	1.0	-	3.6	-
Discount unwind on pension SPV	(1.5)	-	-	-
Net debt at 31 December	(773.6)	(467.2)	(749.6)	(477.9)

### 35. GEARING

	THE GROUP	
	2010 £m	2009 £m
Net debt under IFRS	(773.6)	(467.2)
IAS 17 finance leases	21.9	23.2
Swap cancellation receipt	5.1	-
Fair value on debt acquired	12.4	-
Fair value adjustment to debt	37.4	40.5
Finance charges netted off bank debt	(4.6)	(9.6)
Net debt under covenant calculations	(701.4)	(413.1)
Total equity	1,951.8	1,460.4
Gearing	36.0%	28.3%

### 36. FREE CASH FLOW

	THE GROUP	
	2010 £m	2009 £m
Net debt at 1 January	(467.2)	(1,017.4)
Net debt at 31 December	(773.6)	(467.2)
(Decrease) / increase in net debt	(306.4)	550.2
Dividends paid	10.1	-
Net cash outflow for expansion capital expenditure	29.0	11.1
Net cash outflow for acquisitions	294.9	-
Net cash outflow for acquisition of investments	-	1.0
Swap cancellation fee	-	28.7
Amortisation of swap cancellation receipt	(0.9)	-
Discount unwind on SPV	1.5	-
Cash impact of exceptional items	7.6	2.5
Interest in associate	12.5	12.9
Shares issued	(0.3)	(300.3)
Decrease in fair value of debt	(3.1)	(39.7)
Movement in finance charges netted off bank debt	5.7	2.9
Net debt arising on BSS on acquisition	174.6	-
Special pension contributions	52.6	25.1
<b>Free cash flow</b>	<b>277.8</b>	<b>294.4</b>

### 37. ADJUSTED RETURN ON EQUITY AND ADJUSTED RETURN ON CAPITAL

#### Adjusted return on equity

	THE GROUP	
	2010 £m	2009 £m
Profit before tax	196.8	212.7
Amortisation of intangible assets	0.2	-
Exceptional items	19.7	(32.7)
BSS post acquisition loss before tax	2.8	-
<b>Adjusted profit before tax</b>	<b>219.5</b>	<b>180.0</b>
Opening equity	1,460.4	1,018.2
Net pension deficit	31.0	50.4
Goodwill written off	92.7	92.7
<b>Opening net assets</b>	<b>1,584.1</b>	<b>1,161.3</b>
Closing equity	1,951.8	1,460.4
BSS post acquisition loss after tax	2.8	-
Shares issued in respect of the BSS acquisition	(329.2)	-
Net Travis Perkins pension (surplus) / deficit	(23.1)	31.0
Goodwill written off	92.7	92.7
<b>Closing net assets</b>	<b>1,695.0</b>	<b>1,584.1</b>
<b>Average net assets</b>	<b>1,640.0</b>	<b>1,372.7</b>
<b>Adjusted return on equity</b>	<b>13.4%</b>	<b>13.1%</b>

**37. ADJUSTED RETURN ON EQUITY AND ADJUSTED RETURN ON CAPITAL CONTINUED****Adjusted return on capital**

	THE GROUP	
	2010 £m	2009 £m
Operating profit	219.8	257.3
Amortisation of intangible assets	0.2	-
Exceptional items	19.0	(32.7)
BSS post acquisition operating losses (excluding exceptional items)	2.6	-
Adjusted operating profit	241.6	224.6
Opening net assets	1,460.4	1,018.2
Net pension deficit	31.0	50.4
Goodwill written off	92.7	92.7
Net borrowings	467.2	1,017.4
Exchange adjustment	(40.5)	(80.2)
Opening capital employed	2,010.8	2,098.5
Closing net assets	1,951.8	1,460.4
BSS post acquisition loss before tax	2.8	-
Shares issued in respect of the BSS acquisition	(329.2)	-
Net Travis Perkins pension (surplus) / deficit	(23.1)	31.0
Goodwill written off	92.7	92.7
Net borrowings	773.6	467.2
Borrowings arising from the BSS acquisition	(469.3)	-
Exchange adjustment	(37.4)	(40.5)
Closing capital employed	1,961.9	2,010.8
Average capital employed	1,986.4	2,054.7
Adjusted return on capital	12.2%	10.9%

**38. ADJUSTED RATIO OF NET DEBT TO EARNINGS BEFORE INTEREST, TAX AND DEPRECIATION**

Adjusted ratio of net debt to earnings before interest, tax and depreciation ('EBITDA') is derived as follows:

	THE GROUP	
	2010 £m	2009 £m
Profit before tax	196.8	212.7
Net finance costs	23.0	44.6
Depreciation, impairments and amortisation	57.7	58.7
EBITDA under IFRS	277.5	316.0
Exceptional operating items	19.0	(32.7)
BSS 2010 pre-acquisition EBITDA	71.3	-
IFRS adjustments not included in covenant calculations	(2.6)	(2.5)
Adjusted EBITDA under covenant calculations	365.2	280.8
Net debt under covenant calculations	701.4	413.1
<b>Adjusted net debt to EBITDA</b>	<b>1.92x</b>	<b>1.47x</b>

# FIVE YEAR RECORD

<b>Consolidated income statement</b>	<b>2010</b>	2009	2008	2007	2006
	<b>£m</b>	£m	£m	£m	£m
Revenue	<b>3,152.8</b>	2,930.9	3,178.6	3,186.7	2,848.8
Operating profit before amortisation and exceptional items	<b>239.0</b>	224.6	271.5	319.9	278.0
Amortisation	<b>(0.2)</b>	-	-	-	-
Exceptional items	<b>(19.0)</b>	32.7	(56.2)	-	11.6
Operating profit	<b>219.8</b>	257.3	215.3	319.9	289.6
Net finance costs	<b>(23.0)</b>	(44.6)	(69.0)	(58.5)	(57.7)
Profit before tax	<b>196.8</b>	212.7	146.3	261.4	231.9
Income tax expense	<b>(55.5)</b>	(55.3)	(44.4)	(76.1)	(64.9)
Net profit	<b>141.3</b>	157.4	101.9	185.3	167.0
Adjusted return on capital	<b>12.2%</b>	10.9%	12.9%	15.9%	14.6%
Adjusted return on equity	<b>13.4%</b>	13.1%	17.6%	23.6%	21.8%
Basic earnings per share	<b>69.6p</b>	88.4p	68.6p	120.8p	108.7p
Adjusted earnings per share	<b>77.2p</b>	75.2p	96.9p	118.1p	100.4p
Dividend declared per ordinary share (pence)	<b>15.0p</b>	-	14.5p	44.9p	37.4p
Branches at 31 December (No.)	<b>1,813</b>	1,238	1,223	1,125	1,022
Average number of employees (No.)	<b>15,792</b>	14,528	15,414	14,580	13,831

Basic and adjusted earnings per share for 2006, 2007 and 2008 have been restated for the impact of the rights issue.



# FIVE YEAR RECORD

<b>Consolidated cash flow statement</b>	<b>2010</b>	2009	2008	2007	2006
	<b>£m</b>	£m	£m	£m	£m
Cash generated from operations	<b>282.3</b>	319.8	337.6	303.9	323.3
Net interest paid	<b>(16.0)</b>	(29.0)	(63.0)	(72.5)	(59.0)
Swap cancellation receipt / (payment)	<b>13.7</b>	(28.7)	-	-	-
Income taxes paid	<b>(42.4)</b>	(27.3)	(66.0)	(74.5)	(57.3)
Net purchases of investments, property and plant	<b>(35.4)</b>	(7.8)	(82.4)	(118.9)	(13.5)
Interest in associates	<b>(12.5)</b>	(12.9)	(20.7)	-	-
Acquisition of businesses net of cash acquired	<b>(294.9)</b>	(1.0)	(22.5)	(47.2)	(10.9)
Proceeds from issuance of share capital	<b>0.3</b>	300.3	0.6	6.8	6.9
Dividends paid	<b>(10.1)</b>	-	(52.5)	(48.1)	(42.5)
Bank facility finance charges	-	-	(14.7)	-	-
Own shares acquired	-	-	-	(76.0)	-
Payment of finance lease liabilities	<b>(1.3)</b>	(1.5)	(2.1)	(1.9)	(2.8)
Repayment of unsecured loan notes	<b>(0.6)</b>	(0.1)	(11.5)	(0.2)	(0.3)
Pension SPV	<b>34.7</b>	-	-	-	-
(Decrease) / increase in bank loans	<b>(214.1)</b>	(160.0)	(33.7)	98.6	(143.7)
Net (decrease) / increase in cash and cash equivalents	<b>(296.3)</b>	351.8	(30.9)	(30.0)	0.2
Net debt at 1 January	<b>(467.2)</b>	(1,017.4)	(941.0)	(804.4)	(982.4)
Non cash adjustment	<b>(3.1)</b>	36.8	(92.8)	(2.4)	-
Loan notes issued	-	-	-	(7.7)	-
Cash flow from debt and debt acquired	<b>(7.0)</b>	161.6	47.3	(96.5)	177.8
Net debt at 31 December	<b>(773.6)</b>	(467.2)	(1,017.4)	(941.0)	(804.4)
Free Cash Flow	<b>277.8</b>	294.4	185.3	157.8	216.6

# FIVE YEAR RECORD

<b>Consolidated balance sheet</b>	<b>2010</b>	2009	2008	2007	2006
	<b>£m</b>	£m	£m	£m	£m
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	<b>526.0</b>	499.0	534.5	505.0	426.4
Goodwill and other intangible assets	<b>2,101.9</b>	1,515.3	1,513.9	1,492.2	1,444.5
Derivative financial instruments	<b>57.0</b>	44.7	80.3	3.0	3.8
Interest in associates	<b>45.7</b>	31.7	19.6	-	-
Investment property and other investments	<b>1.9</b>	4.8	5.4	5.5	5.9
Deferred tax asset	<b>16.4</b>	12.0	19.5	4.5	24.2
<b>Current assets</b>					
Inventories	<b>571.6</b>	312.7	321.9	330.2	294.4
Trade and other receivables	<b>692.5</b>	375.4	388.6	422.6	364.3
Assets held for resale	<b>2.3</b>	-	-	-	-
Cash and cash equivalents	<b>62.9</b>	347.2	7.7	26.3	56.3
<b>Total assets</b>	<b>4,078.2</b>	3,142.8	2,891.4	2,789.3	2,619.8
Issued capital	<b>24.2</b>	20.9	12.3	12.3	12.2
Share premium account	<b>471.5</b>	471.2	179.5	178.9	172.2
Merger reserve	<b>325.9</b>	-	-	-	-
Own shares	<b>(83.4)</b>	(83.7)	(83.7)	(83.9)	(7.9)
Other reserves	<b>14.4</b>	9.2	6.0	27.1	29.3
Accumulated profits	<b>1,199.2</b>	1,042.8	904.1	902.5	727.3
<b>Total equity</b>	<b>1,951.8</b>	1,460.4	1,018.2	1,036.9	933.1
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	<b>760.9</b>	739.1	1,007.3	863.9	763.6
Derivative financial instruments	<b>4.2</b>	6.1	25.8	29.8	30.9
Retirement benefit obligations	<b>27.9</b>	43.0	69.9	16.0	80.8
Long term provisions	<b>36.0</b>	43.7	47.8	13.7	13.1
Deferred tax liabilities	<b>126.9</b>	62.8	74.7	75.3	71.1
<b>Current liabilities</b>					
Interest bearing loans and borrowings	<b>75.6</b>	75.3	17.8	103.4	97.1
Derivative financial instruments	<b>2.5</b>	-	-	-	0.2
Trade and other payables	<b>999.9</b>	638.7	582.2	585.0	565.2
Tax liabilities	<b>39.4</b>	28.1	9.1	32.3	34.2
Short-term provisions	<b>53.1</b>	45.6	38.6	33.0	30.5
<b>Total liabilities</b>	<b>2,126.4</b>	1,682.4	1,873.2	1,752.4	1,686.7
<b>Total equity and liabilities</b>	<b>4,078.2</b>	3,142.8	2,891.4	2,789.3	2,619.8

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the forty-seventh 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 26 May 2011 at 11.45 am.

## THE RESOLUTIONS

Resolutions 1 to 9 (inclusive) will be proposed as ordinary resolutions. Resolutions 10 to 12 (inclusive) will be proposed as special resolutions.

1. To receive the Company's annual accounts for the financial year ended 31 December 2010, together with the directors' report, the directors' remuneration report and the auditors' report on those accounts and on the auditable part of the directors' remuneration report.
2. To declare a final dividend for the financial year ending 31 December 2010 of 10 pence per ordinary share, payable to shareholders on the register at the close of business on 6 May 2011.
3. To re-appoint Andrew Simon as a non-executive director, who is retiring by rotation pursuant to Article 71 of the Company's Articles of Association. Biographical details of Andrew Simon appear on page 47.
4. To re-appoint Philip Jansen as a non executive director, who is retiring by rotation pursuant to Article 71 of the Company's Articles of Association. Biographical details of Philip Jansen appear on page 47.
5. To re-appoint John Carter as a director, who is retiring by rotation pursuant to Article 71 of the Company's Articles of Association. Biographical details of John Carter appear on page 46.
6. To re-appoint Deloitte LLP, Chartered Accountants, as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
7. To authorise the Directors to fix the remuneration of Deloitte LLP.
8. That the directors' remuneration report for the financial year ended 31 December 2010 set out on pages 62 to 71 be approved.
9. 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 £8,057,284; 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 £16,114,568 (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 9) 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; and
10. That, in substitution for all existing powers and subject to the passing of resolution 9, 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 9 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 9, 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 9 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 10) up to a nominal amount of £1,208,593 calculated, in the case of equity securities which are rights to subscribe for, or to convert securities

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 2012) 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.

10. That, in substitution for all existing powers and subject to the passing of resolution 9, 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 9 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 9, 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 9 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 10) up to a nominal amount of £1,208,593 calculated, in the case of equity securities which are rights to subscribe for, or to convert securities

# NOTICE OF ANNUAL GENERAL MEETING

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 2012); 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.

11. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.
12. 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 24,171,853 (representing 10% of the issued share capital of the Company as at 22 February 2011);
  - (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 2012, 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

22 February 2011

Registered in England No. 824821

Directions to Northampton Rugby Football Club can be found on page 133.

# 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 above does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the Companies Act 2006 ('nominated persons'). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
5. To be effective, the instrument appointing a proxy and any authority under which it is signed (or a notarially certified copy of such authority) for the Annual General Meeting to be held at Northampton Rugby Football Club, Franklins Gardens, Weedon Road, Northampton, NN5 5BQ at 11.45 am on Thursday 26 May 2011 and any adjournment(s) thereof must be returned to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by 11.45 am on 24 May 2011. Alternatively you may submit your proxy form online by accessing the Shareholder portal at [www.capitaregistrars.com](http://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 specified in the notice of meeting (11.45 am on 24 May 2011). 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](http://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 24 May 2011 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

# NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice to the date of the meeting and at Northampton Rugby Football Club from 11.15 am on the day of the meeting until the conclusion of the meeting.

- Copies of contracts of service of directors and non-executive directors' letters of appointment with the Company, or with any of its subsidiary companies.
  - The register of directors' interests kept by the Company
  - A copy of the Company's Articles of Association.
  - A statement giving particulars of directors' relevant transactions.
10. At 22 February 2011 (being the latest practicable date before publication of this notice) the issued share capital of the Company consisted of 241,718,527 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 22 February 2011 was 241,718,527.
  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 13 April 2011, 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 at [www.travisperkinsplc.com/investorcentre/ir.asp?page=home](http://www.travisperkinsplc.com/investorcentre/ir.asp?page=home).

# DIRECTIONS TO NORTHAMPTON RUGBY FOOTBALL CLUB



**Northampton Rugby Football Club**  
Franklin's Gardens,  
Weedon Road,  
Northampton, NN5 5BG

The Travis Perkins AGM will be held in  
The Captains Lounge and The Rodber Suite.

Parking is directly outside in the VIP Car Park  
(follow VIP Car park signs off Weedon Road).

## The Annual General Meeting is to be held at Northampton Rugby Football Club

### From the South (via the M1)

Exit off motorway at junction 15A and follow the signs towards Sixfields. At roundabout with TGI Fridays on the right and a BP petrol station on the left carry straight on up the hill. At Cineworld roundabout turn right towards the Town Centre. Go straight over the next roundabout (Sainsbury's is on the left before the roundabout and Wickes on the right after the roundabout) and set of traffic lights. Continue on that road (Weedon Road). The entrance to the Saints is on the right immediately after Beacon Bingo. Follow signs for VIP car park off Weedon Road.

### From the North (via the M1)

Exit off motorway at junction 16 and follow the A45 to Northampton. At Cineworld roundabout continue straight on and follow directions from the South.

### From the East, Peterborough, Cambridge, Wellingborough

Follow A45 to M1 junction 15. Head north to junction 15A then follow directions from the South.

### From Welford, Market Harborough

Aim towards the Kingsthorpe area of Northampton. Turn right at the major set of traffic lights (the Cock Hotel is on the corner), signposted Sixfields. Continue on this road until you get to Cineworld roundabout (approx 3 miles) then continue as from the South.

### From the Railway Station

Turn right out of the station. Continue past Thomas A Becket pub, Church and Co. factory and bus station. At fork in road bear left and Franklin's Gardens is on your left. Walk takes approx 15 minutes.

### Nearest Airports

London Luton and Nottingham East Midlands.

### Further Information

For detailed directions you might want to try the following websites:

- Multimap ([www.multimap.com](http://www.multimap.com));
- The AA ([www.theaa.com](http://www.theaa.com));
- The RAC ([www.rac.co.uk](http://www.rac.co.uk)).

For further details about the venue: [www.northampton Saints.co.uk](http://www.northampton Saints.co.uk)

# OTHER SHAREHOLDER INFORMATION

## SHAREHOLDER ENQUIRIES

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

**Lodge Way House**

**Lodge Way**

**Harlestone Road**

**Northampton NN5 7UG**

Telephone 01604 752424

Email [cosec@travisperkins.co.uk](mailto:cosec@travisperkins.co.uk)

or to the Company's registrars:

**Capita Registrars**

**The Registry**

**34 Becknham Road**

**Beckenham**

**Kent BR3 4TU**

Telephone 0871 664 0300 (8.30am to 5.30pm, Monday – Friday)

calls cost 10p per minute plus network extras)

Email [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

Should your query relate to a pensions matter please email

[pensions@travisperkins.co.uk](mailto:pensions@travisperkins.co.uk)

or if your query relates to a marketing matter please email

[marketing@travisperkins.co.uk](mailto:marketing@travisperkins.co.uk).

## FINANCIAL DIARY

Announcement of 2010 annual results	23 February 2011
Ex-dividend date	4 May 2011
Record date	6 May 2011
Annual General Meeting	26 May 2011
Payment of final dividend	31 May 2011
Announcement of 2011 interim results	July 2011
Announcement of 2011 annual results	February 2012

## AGM – 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.travisperkinsplc.com](http://www.travisperkinsplc.com) (investor relations site)

[www.travisperkins.co.uk](http://www.travisperkins.co.uk)\*

[www.tpmanagedservices.co.uk](http://www.tpmanagedservices.co.uk)

[www.cityplumbing.co.uk](http://www.cityplumbing.co.uk)\*

[www.ccf ltd.co.uk](http://www.ccf ltd.co.uk)\*

[www.hire.travisperkins.co.uk/hire](http://www.hire.travisperkins.co.uk/hire)\*

[www.keyline.co.uk](http://www.keyline.co.uk)\*

[www.keyline.co.uk/hire/](http://www.keyline.co.uk/hire/)\*

[www.wickes.co.uk](http://www.wickes.co.uk)\*

[www.tilegiant.co.uk](http://www.tilegiant.co.uk)\*

[www.benchmarkjoinery.co.uk](http://www.benchmarkjoinery.co.uk)

[www.benchmarkshowroom.co.uk](http://www.benchmarkshowroom.co.uk) (end user site)

[www.iflo.co.uk](http://www.iflo.co.uk)

[www.toolstation.co.uk](http://www.toolstation.co.uk)\*

[www.trademate.co.uk](http://www.trademate.co.uk)\*

[www.wickeskitchens.co.uk](http://www.wickeskitchens.co.uk)

[www.4tradeproducts.co.uk](http://www.4tradeproducts.co.uk)

[www.selfbuildgroup.co.uk](http://www.selfbuildgroup.co.uk)

[www.bssgroup.com](http://www.bssgroup.com)

[www.ptsplumbing.co.uk](http://www.ptsplumbing.co.uk)

[www.bssindustrial.co.uk](http://www.bssindustrial.co.uk)

[www.fpw wholesale.co.uk](http://www.fpw wholesale.co.uk)

[www.dhsspares.co.uk](http://www.dhsspares.co.uk)

[www.buckandhickman.com](http://www.buckandhickman.com)

[www.birchwoodpricetools.com](http://www.birchwoodpricetools.com)

\* 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



# OTHER SHAREHOLDER INFORMATION

our website at [www.travisperkinsplc.com](http://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

Freeport RLYX-GZTU-KRRG, SAS

The Registry

34 Beckenham Road,

Beckenham

Kent 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 email and we would encourage you to do so. If you wish to receive these notifications by email, you should register at [www.capitashareportal.com](http://www.capitashareportal.com), and follow the instructions (see Registrar's On-Line Service below).

Please telephone Capita Registrars on 0871 664 0391 (within the UK, calls cost 10p per minute plus network extras; lines are open 9.00am to 5.30pm, Monday – Friday) or +44 20 8639 3367 if calling from outside the 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 email 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 email 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 email 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](http://www.capitashareportal.com) and following the prompts, shareholders can view and amend various details on their account. Please note that you will need to register to use this service for which purpose you will require your unique investor code, which can be found on your share certificate, proxy card or dividend tax voucher.

### Share Dealing Services

Capita offers an on-line and telephone share dealing service which is available by logging on to [www.capitadeal.com](http://www.capitadeal.com) or telephoning 0871 664 0346 (calls cost 10p per minute plus network extras; lines are open 8.00am to 4.30pm,

# OTHER SHAREHOLDER INFORMATION

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).

## **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 to 5.30 pm Monday – Friday).

If calling from overseas +44 (0)208 639 3402. Fax 0208 639 1023.

Email [shares@capitaregistrars.com](mailto:shares@capitaregistrars.com) or visit [www.capitaregistrars.com](http://www.capitaregistrars.com).

## **Duplicate Share Register Accounts**

If you are receiving more than one copy of our report, it may be that your shares are registered in two or more accounts on our register of members. If that was not your intention you might consider merging them into one single entry. Please contact Capita who will be pleased to carry out your instructions.

## **Overseas Shareholders**

Capita are now 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 from 9.00am to 5.30pm, Monday – Friday) or +44 20 8639 3405 (from outside the UK) or by logging on to [www.capitaregistrars.com/international](http://www.capitaregistrars.com/international).

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Revive 50 Silk, a recycled paper containing 50% recycled waste and 50% virgin fibre and manufactured at a mill certified with ISO 14001 environmental management standard. The pulp used in this product is bleached using an Elemental Chlorine Free process (ECF), and

Tauro Offset, made from virgin wood fibre sourced mainly from sustainable forests in the EC. It is bleached using a Totally Chlorine Free (TCF) process. This material can be disposed of by recycling, or incineration for energy and composting.

Scott Richardson, Sales Assistant

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