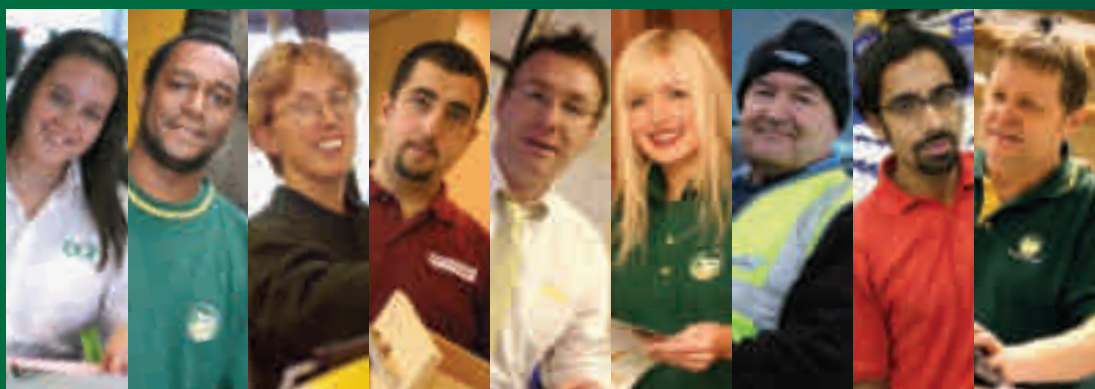




TRAVIS PERKINS PLC



2 0 0 6 A N N U A L R E P O R T A N D A C C O U N T S

A LEADER IN BUILDERS' MERCHANTING AND HOME IMPROVEMENT RETAILING

TRAVIS PERKINS PLC

2006 ANNUAL REPORT AND ACCOUNTS



Travis Perkins



If you have sold or transferred all of your holding of ordinary shares, you should pass this document and the accompanying form of proxy and letter from the Chairman to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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FINANCIAL HIGHLIGHTS

For the year ended 31 December 2006

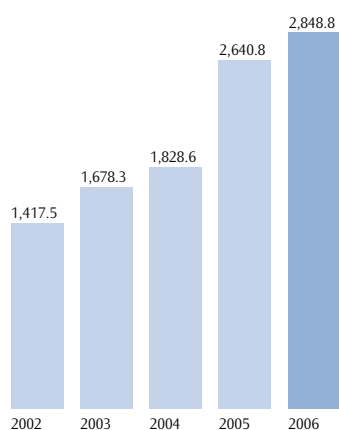
	2006		2005
	£m	%	£m
Revenue	2,848.8	7.9	2,640.8
Adjusted*:			
Operating profit (note 5a)	278.0	3.7	268.0
Profit before taxation (note 5b)	220.3	6.6	206.7
Profit after taxation (note 5b)	154.2	9.5	140.8
Basic earnings per ordinary share (note 12) (pence)	127.4	9.1	116.8
Statutory:			
Operating profit	289.6	8.1	268.0
Profit before taxation	231.9	12.2	206.7
Profit after taxation	167.0	18.6	140.8
Basic earnings per ordinary share (pence)	137.9	18.1	116.8
Total dividend per ordinary share (note 13) (pence)	37.4	10.0	34.0

* Adjusted results are stated before exceptional property profits of £11.6m (2005: £nil) and associated tax effects

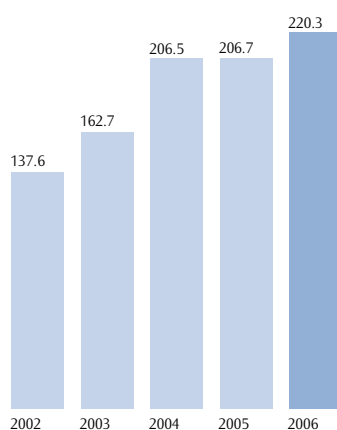
During the year the Group made an exceptional property profit of £11.6m which realised £31.5m of cash receipts. Throughout these financial statements the term 'adjusted' has been used to signify that the effect of the exceptional property disposal has been excluded from the disclosure being made. Further details of the exceptional property transaction are given in note 5 to the financial statements.

- Revenue up 7.9%
- Adjusted operating profit up 3.7%
- Adjusted pre tax profit up 6.6%
- Net debt reduced by £178m
- Adjusted EPS up 9.1%
- Total dividend up 10.0%

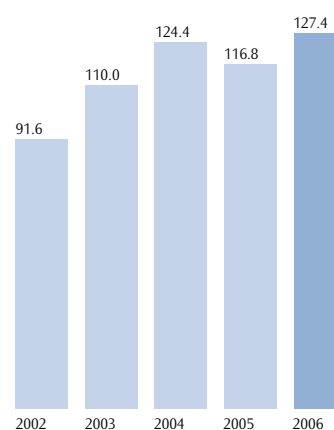
REVENUE (£M)



ADJUSTED PROFIT BEFORE TAXATION (£M)



ADJUSTED BASIC EARNINGS PER SHARE (PENNY)



The front cover shows a colleague from the 2006 branch of the year for each of the Travis Perkins' businesses

The Company would like to thank all those colleagues featured for their co-operation during the production of this Report and Accounts



Natasha Mahood, Sales Co-ordinator, CCF, East London

Roger Jemmott, Sales Assistant, Travis Perkins, London City

Elaine Davis, Senior Counter Sales Assistant, Travis Perkins, Bath

OUR GROUP MISSION

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

OUR GROUP VISION

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



Savva Zacharia, Assistant Manager, Benchmark, Croydon

Simon King, Manager, City Plumbing, Leeds

Tania McGerty, Sales Assistant, Travis Perkins, Ulverston

Malcolm Simpson, Driver, Keyline, Hull

Mandeep Sandhu, Merchandise Supervisor, Wickes, Halesowen

Mike Colman, Assistant Manager, Travis Perkins, Norwich

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

TRAVIS PERKINS PLC



KEYLINE



CITY PLUMBING

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 & Arnold plc, a company with a 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 & 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 & Arnold was the first to the market in 1964, followed 22 years later by Sandell Perkins.

2006 saw a major achievement with the opening the Group's 1,000th business unit; a brownfield Travis Perkins branch in Hatfield, Hertfordshire, five years after opening its 500th branch. The Group also launched its latest business, Benchmark Kitchens and Joinery – a trade-only one-stop-shop for the small specialist joiner.

Keyline Builders' Merchants is a major supplier of heavy building products and materials to the building and construction market, one of the largest industries in the UK.

Born out of the merger of established regional merchants and united under the one name of Keyline in 1988, the Company developed its strong local identity through the late 1970s and early 1980s by capitalising on the knowledge and expertise of staff in acquired businesses.

Further acquisitions of independent merchants continued throughout the 1990s which gave Keyline a competitive advantage. It now operates from 76 branches across Scotland, England and Wales.

As a progressive company, Keyline has developed its traditional heavyside range and increased its product portfolio to include roofing, insulation and dry lining, hand and power tools, landscaping materials, painting and decorating materials, timber and Truss Joists™, kitchens, tool hire as well as general building materials.



Arthur Davidson, Managing Director, Keyline

City Plumbing Supplies is one of the fastest growing plumbing and heating suppliers in the UK, with a dedicated nationwide branch network of 178 branches.

The Company began trading in 1981 from a single site in Salisbury, Wiltshire, supplying plumbing and heating products to the local trade. During its first decade of trading it concentrated on steady growth, developing existing sites and evolving its range of products and services. For more than 25 years, the Company has built its reputation of selling quality products and providing expert service.

The Company offers the highest quality products, and, expert service to trade and retail customers which makes City Plumbing Supplies the first choice for plumbing and heating requirements. Its trade counter offers one of the UK's largest ranges of stock products from tried and trusted brands, at the lowest trade prices.



John Frost, Managing Director, City Plumbing



CCF

CCF (Commercial Ceiling Factors) is one of the UK's leading distributors of interior building products to the construction industry. Its service and support, combined with a nationwide branch network and extensive fleet of modern vehicles ensures that customers get the materials they require, where and when they need them.

Founded in 1978, CCF operates from a network of 25 branches throughout mainland UK, with a further five branches operating as Passmore Drywall and Insulation. CCF supplies trade account customers with an impressive product portfolio, which has extended since the Company's formation to include ceilings, dry lining, insulation, partitioning and fire protection products, all from the leading manufacturers.

CCF is proud of its dedication to service excellence. As well as providing customers a large and comprehensive stockholding of major product lines it also offers a variety of transport and delivery options.



Andrew Harrison, Managing Director, CCF



WICKES

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

The Company meets these expectations by offering a targeted range of primarily own brand, competitively priced home improvement products, with particular emphasis on building products, such as timber, bricks and cement. In addition, Wickes stores offer a range of kitchens, conservatories, bathrooms and bedrooms, which are sold through in-store showrooms.

Wickes opened its first store in the UK in 1972 at Whitefield in Manchester. The concept was launched as a joint venture between the US group, Wickes Corporation, and the UK builders merchant, Sankeys. Travis Perkins acquired Wickes in 2005 and the company now operates from 181 stores nationwide.



Jeremy Bird, Managing Director, Wickes

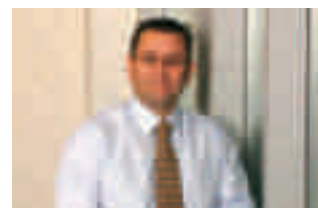


BENCHMARKX

Benchmarkx is the newest business within the Travis Perkins' Group, opening its first branch on 10 July 2006 in Croydon.

The Company targets the small specialist joinery (SSJ) market, which has emerged over the past ten years, and is now a significant sector in the merchanting arena. With its offering of ready assembled kitchens, doors, hardware, and accessories; its vision is to become the first choice supplier of kitchens and joinery products to the trade through its competitive pricing, quality products and knowledgeable staff.

The Company operated from six locations in the South East of England by the end of 2006 and has a vigorous expansion plan for 2007.



Rob Gladwin, Managing Director, Benchmarkx

WHO WE ARE



Travis Perkins

TP MIDLANDS

From its Head Office in Northampton, Travis Perkins (Midlands) operates 115 branches across the breadth of England and Wales, from Lowestoft in the East to Caernarfon in the West.

Travis Perkins in the Midlands supplies a wide range of products consisting of 100,000 lines, including general building materials, timber, plumbing & heating, kitchens, bathrooms and landscaping materials to trade professionals and self-builders.

The Midlands business is also home to the new Group Hire Division and the new £1.8m National Service Centre - a dedicated 15,000 sq ft facility, which offers an onsite workshop and huge equipment stock to support a network of 163 Hire branches across the UK.



Ian Church, Managing Director, TP Midlands



Travis Perkins

TP SOUTH EAST

Travis Perkins operates from 132 branches across the South East; more than 50 of which are within the M25. At eight acres, Aylesford is its largest branch and is also home to its Head Office.

The business also operates Travis Perkins' timber operations at the Port of Tilbury, Essex. The company imports in excess of 75,000 cubic metres of timber product per year from responsible sources across the World, and distributes it from a 200,000 sq ft facility to the group's merchanting branches across the UK.

One of TP South East's branch openings in 2006 was historic for the Group, as Hatfield in Hertfordshire was chosen as Travis Perkins' 1,000th branch.

With its strong network of branches in London, the business is working closely with building and construction companies in the development of facilities for the London 2012 Olympics.



Joe Mescall, Managing Director, TP South East



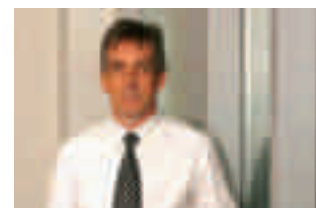
Travis Perkins

TP SOUTH WEST

Travis Perkins has seen tremendous growth in the South West over the last 10 years. From 42 branches in 1996, it now boasts 159 branches following the major acquisitions of Sharpe and Fisher, Brittons in South Wales and important single strategic acquisitions.

At least one-third of all building and construction material sales in the South-West (as supplied by UK builders' merchants) were made from these Travis Perkins' branches.

Its operation in Ferndown, Dorset, produces all the prepared and moulded softwood for the South West business and supplies much of the specialist plywood for boat and yacht builders in the South West.



Norman Bell, Managing Director, TP South West



Travis Perkins

TP NORTHERN

Based in Stockport, Cheshire, Travis Perkins Northern has increased its business unit portfolio by an impressive 35% in just four years, and operated from 156 branches by the date of this report.

Of all the TP businesses Travis Perkins Northern has the largest geographical spread. It reaches as far North as Invergordon in Ross Shire down to Long Eaton in Nottingham and Spalding in Lincolnshire, then across from Scarborough in the East to the very Western point of Scotland at Fort William.

Like all Travis Perkins businesses, Travis Perkins Northern supplies these areas of the UK with an extensive range of product lines, including timber, forest, heavy and light building materials, plumbing & heating and Tool Hire.

TP Northern has successfully built and opened 17 new branches in the last two years and looks set to continue its aggressive expansion strategy in the future.



Mark Nottingham, Managing Director, TP Northern



Andrew Pike
Company Secretary



Carol Kavanagh
Group Human Resources Director



Martin Meech
Group Property Director



CHAIRMAN'S STATEMENT

For the year ended 31 December 2006

In 2006 we made considerable progress in the development and performance of our business, with financial results ahead of original expectations for the year, further expansion of our branch network and satisfactory integration of the Wickes business. All this was achieved in trade and retail markets that, whilst recovering in line with our expectations, remained challenging for most of the year.

RESULTS

Our focus on maximising profits from our existing branch network during the difficult markets of 2005 and early 2006 yielded benefits, and was mainly responsible for the increases reported in revenue, operating profit, profit before tax and reduction in debt. These results were driven by positive achievements in sales performance, trading margin, cost reduction and productivity.

We continued to expand our branch network, albeit at a slower rate than in 2005, adding new branches to each brand and adding a new business to our portfolio. We passed through the 1000 branch milestone in June 2006 and to commemorate this launched a major programme of community projects.

The integration of Wickes is now substantially and successfully complete, with a number of retail support functions now integrated with their equivalent function in the trade division to provide a new Group capability. Additional steps have been taken to strengthen these functions which now support all businesses in the Group, to provide a platform to support further growth.

Our management teams worked hard over the past two years in difficult conditions in the home improvement market and have delivered synergy and buying gains in excess of those anticipated. The Wickes acquisition has enhanced earnings per share in 2006, and we are pursuing additional opportunities to grow the Wickes' business and further enhance shareholder value.

We have maintained our position of having the highest operating margin in both merchant and retail sectors, and four out of our six brands now have 'best in class' operating margins.

With improved operating profit performance and a further priority to increase returns and cash generation, we reduced our debt by £178m since last year end. Net debt is now some £249 million lower than the pro-forma position at the time of the Wickes acquisition (note 33).

A combination of strong financial markets and additional contributions by the Company has resulted in the net pension deficit being reduced to £56.6m at the year end from £99.9m at 31 December 2005. The scheme is now 86% funded with the net deficit representing less than 2.5% of the Company's market capitalisation at 31 December 2006.

DIVIDEND

The Group continues to be highly cash generative. As a result of this and our confidence in the future prospects of the Group, the Board is recommending a final dividend of 25.3 pence per share. Taken together with the interim dividend of 12.1 pence, this represents a

total dividend of 37.4 pence, an increase of 10.0% on the previous year.

BOARD OF DIRECTORS

We added two new non-executive directors to our Board in 2006. Andrew Simon, with considerable experience as a chief executive, non-executive director and chairman, joined us in February. We benefit from Andrew's prior experience of our sector and his wide accumulation of experience on major public company boards. Andrew is Chairman of the Remuneration Committee. Stephen Carter, with senior executive experience in marketing and communications, joined us in April. Stephen stepped down as planned as Chief Executive of Ofcom in September and is now CEO of a financial public relations company and has already made a significant contribution to the Board's deliberations.

EMPLOYEES

For any business to trade successfully in difficult markets it is important that the people who work in that business are committed to its success. The results achieved in 2006 are a testament to our workforce and the Board of Directors would like to place on record its thanks for the dedication and commitment shown by all colleagues in Travis Perkins over the past year.

CORPORATE GOVERNANCE

Requirements and activity in corporate governance continue apace. In 2006 significant new work was carried out in risk assessment and management, remuneration, health and safety and environment. Our work

“we have maintained our position of having the highest operating margin in both merchant and retail sectors”



Garry Dunbar, Fork-lift Driver, Keyline, Hull



Delivery from Travis Perkins, Bath

in these areas was supported by strengthened and newly integrated functions for Business Risk Assurance, Health and Safety and Environmental Management, established this year. These larger group functions allow us to ensure we have sufficient resources and expertise to deal with the increasing challenges all companies are likely to have to deal with in future. Further details of our governance controls can be found under the corporate governance section of this annual report.

OUTLOOK

Long term prospects for our markets remain good and the gradual recovery we expected and experienced in 2006 has, we believe, sufficient momentum to deliver good market growth in both trade and retail markets in the first half of 2007.

Early sales performance in 2007 has been encouraging, with like-for-like sales in our merchandising division for the first two months ahead by 5.3% and like-for-like sales for the first 8 weeks trading in retail up by 5.0%.

Much of this positive market performance has been propelled by a healthy housing market. Although rising consumer confidence and spending has more recently provided added impetus, particularly in retail, our prospects for the second half of 2007 are sensitive to the current uncertain outlook for interest rates and the consequent impact on both new and secondary housing markets.

Our planned development of the Group's businesses and support functions assumes a continued recovery in both our markets, and we are confident of capitalising on this growth to make further gains in market

share and returns to shareholders. However, we remain vigilant to the risk that the current recovery may stall and that, as in 2005, we may need to act swiftly to reduce costs and curtail the pace with which we build our capabilities and network.

Our focus on driving stronger performance from our like-for-like estate is paying off, and is making us a tougher competitor in each market in which we trade. Our expansion is continuing to deliver the benefits of scale. This approach means we are well positioned to maintain our leadership, having the “best business with the best operating margin”, in each of our markets.

T. E. P. Stevenson
Chairman
5 March 2007



CHIEF EXECUTIVE'S REVIEW

For the year ended 31 December 2006

INTRODUCTION

Our forecast that our markets would recover gradually throughout 2006 proved correct. The trade market led the way from early in the year, with the retail market not recording growth until the fourth quarter. We selected and applied successful trading strategies in both our divisions, aimed at maximising returns in the prevailing market conditions. In trade, our 2005 price repositioning has won us significant extra business. In retail, range enhancements and pricing to recover product cost inflation have enabled us to grow like-for-like market share. In both markets we have outperformed most competitors and outperformed market growth rates.

Against this background of improved performance, we continued to grow our business through network expansion and the trial of a new format in an adjacent trade channel. Whilst maintaining the tight controls over costs and cash introduced during the tougher market experienced in 2005, we also took steps in 2006 to increase our investment in support functions to provide a robust platform for further growth. This has involved changes to organisation structures, senior management and physical facilities.

Part of this investment has involved the integration of the Wickes business into the Group. This programme is now virtually complete, and we have exceeded all our targets for streamlined central support functions, reduced overhead costs and overall financial benefits.

PERFORMANCE

In 2006 our priorities were to continue the focus on tight management of costs, raise our performance on cash generation, outperform on the synergy and buying gain targets we had set at the time of the Wickes transaction, and execute trading strategies tailored to each set of market circumstances.

We passed the anniversary of full implementation of the price repositioning of our trade businesses, which started in the second quarter of 2005 and was fully implemented by October that year. This allowed us to assess the full year impact of our trading strategy. Research indicates we have positively impacted customer's perceptions of our price competitiveness. We have confirmed that the extra business gained has generated more contribution than the cost required to fund the price investment. Research indicates we have positively impacted

customers' perceptions of our price competitiveness. We have therefore achieved a net return from this initiative. On a month on month basis our like-for-like revenues are now increasing in line with the market, and our gross margin is level with the prior year. Over the year as a whole we grew our like-for-like revenues ahead of the market with consistent gross margin. These positive achievements in growing revenue were aided by the initial stages of a programme to segment markets and better target customers.

Our retail business also achieved good revenue performance, growing both like-for-like and total market share. Whilst our year-on-year comparisons were slightly flattered by the cessation of a promotional war, our gains were mainly attributable to a programme of range enhancements and store sales initiatives. Our non-participation in the promotional war



John Reynolds, Transport Manager,
CCF, East London



James Dunn, Sales Assistant,
Benchmarx, Croydon



Alan Bates, Mill Supervisor,
Travis Perkins, Wreningham

also meant we were able to slightly increase gross margins over the year.

Gross margins also benefited from an excellent performance on our synergy and buying gain work following the Wickes transaction. Having set an overall target for benefits of £35m in the acquisition assumptions, we achieved £78m in 2006, including overhead reduction and improved buying terms. Our out-performance was achieved by setting goals for stretched buying gains in addition to the original list of synergy projects. Projects from this original list contributed £33m in 2006, reflecting the poorer market growth experienced post acquisition.

Both our divisions maintained tight controls over headcount and other costs. Like-for-like headcount fell, yielding a like-for-like productivity improvement in both divisions, with merchandising recording a 5.4% gain and retailing ahead by 10.4%. Overhead ratios improved in the trade division, and, before property related increases, also improved in the retail division. The average annual rate of rental increase experienced on five year lease reviews settled in 2006 declined compared with the rates seen in 2005 supporting our view that recent rental inflation will ease.

Strong revenue performance, good gross margin management, buying gains and tight cost controls meant we were able to increase operating profits in the trade division. Trade adjusted operating margin was down by 0.1% to 11.2% (note 5), reflecting these benefits less the full year effect of the price repositioning programme. Retail operating profit (excluding property

profits of £4.5m, 2005: £nil) was down by 11.1%, mainly reflecting; an additional 41 days trading in 2006, during a weak season for the DIY market; the weaker market experienced for the bulk of the year; and the costs of opening new stores and relaying ranges in existing stores. In a tough year in the DIY market, the retail operating margin (excluding property profits of £4.5m, 2005: £nil) fell to 5.9% from 7.4% last year (note 5). However, our selection of trading strategies and actions on costs meant we performed significantly better than competitors.

We raised our targets for cash generation, including new cash-linked elements in incentive schemes, driving working capital performance harder and constraining capital expenditure to critical projects or those with a short payback. We also sought to improve capital efficiency through more active management of our property portfolio. We have an extensive list of active projects in progress, involving disposals, relocations, re-developments and co-location of multiple businesses. In 2006, we realised cash from the initial projects in addition to selling and leasing back an interest in a small portfolio of freehold properties with low capital growth characteristics. These properties were sold, using 200 year leases, into a special purpose vehicle in which we retain a 15% equity interest and certain rights to re-acquire the leasehold of individual sites. This enables us to enjoy some capital growth should it arise.

Improved cash flows generated from operations and these other actions, provided with excellent leadership from

“retail achieved good revenue performance, growing both like-for-like and total market share”

confidence and spending levels recovered slowly throughout 2006, we experienced healthy conditions in the housing market from late 2005. Our trade markets are more sensitive to housing rather than consumer behaviour, and hence these markets performed better, and from earlier in the year, than our retail market. Trade markets also continue to benefit from good activity levels of commercial, education and health related construction, even though these are weakening from the peak years of 2002 to 2004. These positive trends in new construction were offset by a decline in expenditure on the more consumer related repair and maintenance segment of the market. Overall we estimate that the materials market was unchanged in volume terms over 2005, with cost inflation producing growth of about 3%.

“our priorities were tight cost management, cash generation and outperforming synergy and buying gain targets”

Product cost inflation in 2006 continued at the relatively elevated rate seen since the end of 2004 as a result of rising energy prices and strong world markets for key commodities such as metals. Whilst price competition in trade – as always – remained tough, market prices moved up to recover almost all of those increases in product costs.

Product cost increases were also reflected in higher 'shelf edge' prices in retail, although the average rate of increase across our catalogue was

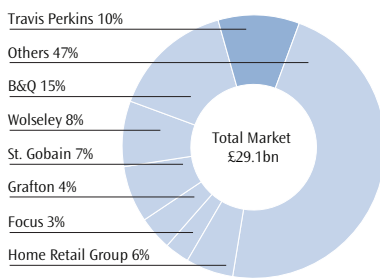
Paul Hampden Smith, our Group Finance Director, reduced net debt by £178m, over the year to £804m – since the Wickes acquisition, we have reduced proforma net debt by £249m (note 33).

MARKETS

2006 has seen further government and commercial initiatives that strengthen the prospects for good long-term growth in our markets. The output of construction and the supply and unit value of building materials is set to grow over the long term as a result of structural factors such as demographic change. This growth will benefit further from new regulatory requirements resulting from a number of major reviews, including studies of the impact of climate change, housing needs and the state of our housing stock. We also expect to see an increase in commercial opportunities from the 2012 Olympics and Thames Gateway regeneration programmes. We expect to see a reduced contribution to growth from a weakening of investment in infrastructure and a trend away from 'Do it Yourself' towards 'Do It For Me'. However, the impact on our business will be limited, partly because both our trade and retail businesses are well positioned to benefit from any trend that involves greater use of tradesmen. As a result of these market factors, we continue to expect good long-term growth in our core markets.

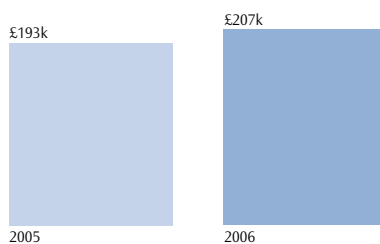
Conversion of these factors into current spending depends on short-term conditions, principally consumer confidence and activity levels in the housing market. Whilst consumer

MARKET SHARE

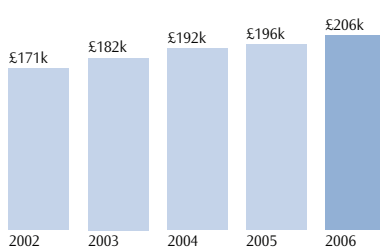


Share of the DIY & builders merchants market based on company estimates

RETAIL PRODUCTIVITY PER EMPLOYEE



MERCHANDISING PRODUCTIVITY PER EMPLOYEE





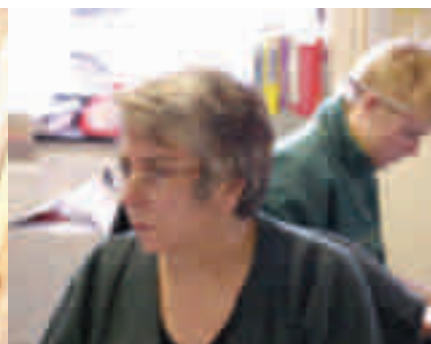
Darren Evans, Regional Sales Representative, Benchmark, Croydon



John Williams, LGV Driver, Travis Perkins, Bath



Val Drysdale, Sales Assistant, Travis Perkins, Ulverston



Dianne Hazell, Senior Administration Assistant, Travis Perkins, Bath

behind the trade market as a result of the higher mix of lightside products. This category, following long established trends, benefits from deflation as the proportion of imported goods rises. However, the level of promotional price activity from competitors reduced significantly following the ending of intense campaigns over the winter of 2005/6. We did not participate in this 'promotional war' since customer research indicated that investment in cheaper prices and more advertising was unlikely to generate sufficient extra business to yield any return.

We expect the improved conditions in the housing market in 2006 to carry through into 2007, giving satisfactory growth in trade markets in the first half. Improving consumer confidence is also expected to boost growth in retail, which we anticipate will grow slightly ahead of the trade market. The outlook for our markets in the second half-year will depend significantly on the interest rate environment and outlook. Divergent forecasts for the likely outcome of the MPC's deliberations mean it is difficult to predict market activity in the second half.

DEVELOPMENT

We continued our programme of network expansion for all of our businesses, but with some adjustments to our approach. Our overall rate of expansion in terms of branch numbers was reduced in response to the lower activity levels in our markets and also reflecting planning work to refine the Wickes store formats following our assumption of control. We also put

GROWING AND IMPROVING THE BRANCH NETWORK

	31 Dec 2005	Acquisition	Brownfield	Consolidation	31 Dec 2006	Net 2007 movement to date	5 March 2007
TP	533	8	19	(1)	559	7	566
Keyline	73	1	2	-	76	-	76
CCF	23	-	2	-	25	5	30
City Plumbing	178	-	1	(2)	177	1	178
Wickes	176	-	3	-	179	2	181
Benchmark	-	-	6	-	6	1	7
Total branches	983	9	33	(3)	1,022	16	1,038

more emphasis on trade brownfield openings as goodwill prices for acquisitions remained high.

This approach raised the average quality of the bolt-on new branches we introduced and meant that whilst the number of new branches reduced compared to the peak achieved in 2005, the profit contribution of both the 2005 and 2006 programme will exceed our initial expectation.

We also launched Benchmark, a new format in the adjacent market serving specialist small trade joiners, with 6 branches operating by the end of the year. Research indicated that this group of tradesmen are dissatisfied by the service available from existing merchants. Our trial has gone well so far, and we plan to have 20 branches open by the end of this year.

ORGANISATIONAL CAPABILITIES

Our cost management policy in 2006 meant we deliberately constrained our investment in building organisational capabilities. Despite this, we made significant enhancements to organisational

effectiveness and, supported by improving profits as the year progressed, we began to invest in improved facilities towards the end of 2006.

The senior management team was strengthened with a number of significant appointments including; Carol Kavanagh who joined us from a FTSE 100 company as Group Human Resources Director; Robin Procter who joined us from a leading company in an adjacent market as our new Group Supply Chain Director; Linda Doughty, with a successful career in building materials joined us as Trade Marketing Director; and Richard Dey joined us from a dedicated plant and tool hire operator to become our Group Toolhire Director. These senior executives join our high quality senior management team and have already made a positive impact.

From the existing team we promoted two executives to become managing directors; Jeremy Bird was appointed as Wickes' Managing Director following the planned retirement of Richard Bird (no relation), and Rob Gladwin became Managing Director of our newly

established Benchmarx business. Both Jeremy and Rob joined us as board members of Wickes upon acquisition, and are now part of a growing group of senior executives with both trade and retail experience. They join our highly regarded group of nine managing directors responsible for driving the Group's operating profits, led with distinction by John Carter, our Chief Operating Officer.

“the senior management team was significantly strengthened”

Several structural changes occurred following the integration of the Wickes business. We now have unified support functions, serving both the trade and retail divisions, for Information Technology, Business Risk Assurance and Security, Property, Human Resources and Finance. This has allowed us to reduce costs and headcount whilst harmonising support provision. To provide a stronger platform for further growth, we unified our succession planning processes to ensure the continued provision of internal candidates for leadership roles across all businesses and functions and make career progression opportunities available to our people.

As part of our planned strategic development we began development of two new central data centres to support expansion of our branch networks and host the retail division systems on a harmonised architecture. This approach will improve the resilience of the systems since the two centres will provide a 'warm start' back up facility for each other, at a reduced cost compared to the current arrangements. These new data centres will come on stream in the third quarter of 2007.

Although we kept tight control of

costs in 2006, we continued to invest in our colleagues. We recruited 80 people into our industry leading two-year trade management trainee programme in our 2006 intake, and 72% of the original 2004 intake graduating in 2006 were appointed to a range of roles across our businesses and support functions. We will build on the success of this programme by extending it into the retail division. At Wickes, we implemented a 'Master' programme to enhance the skills of store colleagues at all levels. This includes the opportunity to gain a BTEC DIY retail qualification that is unique to Wickes. There are over 3,500 store colleagues that have obtained this qualification. We also took steps to improve staff turnover, since good performance here correlates closely with good branch or store performance. Staff turnover in the trade division fell by 10%, and in retail it was down by 8%.

The demands of running the business against a background of challenging market conditions have presented our colleagues with a period of unprecedented change. In 2006 I continued my programme of regular visits to our branches, stores, distribution centres and offices and by the end of the year had seen just under a quarter of our sites. I also meet with all colleagues in our support functions over a rolling series of meetings during the year. I am continually impressed by the dedication and commitment of my colleagues and would like, on behalf of the Board, to express my thanks to all of them for dealing so admirably with the challenges they have been asked to manage in 2006. Being with colleagues loading customers' trucks before dawn on a freezing winter morning, or keeping shelves full on a sweltering summer evening in stores, or staying until the job of posting cash payments in time for a holiday break is complete is to see the best of our people at work.

ENVIRONMENT

The environmental impact of business activities has received an unprecedented amount of attention in 2006. The Group has long recognised its



Preparing for a delivery, Travis Perkins, Ulverston

corporate responsibility to carry out its activities and operations whilst minimising its environmental impact. Having personally studied environmental issues over 30 years ago, it remains a surprise to me that some business leaders have expressed themselves surprised at the need to improve corporate performance in the area.

We continue to maintain accreditation of our Environmental Management System to the ISO 14001 standard. We have increased the resource available to environmental management over 2006 and fully integrated Wickes into our reporting and improvement programme.

Our policy has not significantly changed in 2006 and it remains our commitment to address the four key areas of our performance where we



Martyn Stamp, Assistant Manager, Keyline, Hull



Chris Wiltshire, Machinist, Travis Perkins, Bath

have the greatest impact and where there is the most stakeholder interest:

- Reducing carbon dioxide emissions;
- Reducing waste to landfill;
- Increasing certified timber purchases;
- Preventing pollution from our operations.

Stakeholder engagement

In developing our environmental approach and policy we value the views of colleagues, customers, environmental Non Governmental Organisations, and the investment community. Six meetings were held in 2006 with representatives from these groups. In 2007 we plan to extend the scope of our engagement with the wider community and the government, convening an advisory body made up from these stakeholders.

We took part in the Carbon

Disclosure Project for the first time in 2006 and we continued our participation in the Business in the Community Green Index and our membership of the UK Forest and Trade Network.

Environmental improvement plan

Performance data, collected from across the business, are converted into a common base and aggregated to allow for easy comparison to earlier performance. The final indicators are a combination of measured, averaged and estimated performance. Wherever possible we have used standardised data collection and reporting techniques and continue to work to improve the accuracy of the measures reported. This year the data has been scrutinised by Lloyds Register of Quality Assurance and a copy of their verification statement

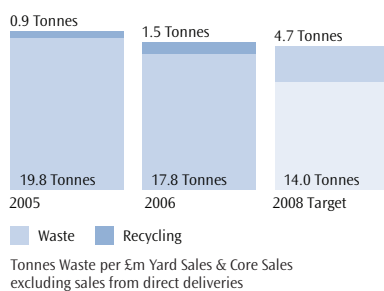
“the Group has long recognised its corporate responsibility to carry out its activities and operations whilst minimising its environmental impact”

can be found in the environment section of the Travis Perkins website.

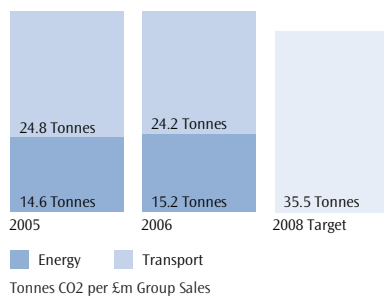
A review of the performance measures, set against a changing site portfolio post the acquisition of Wickes, has meant that for increasing clarity moving forward we felt it necessary to restate the baseline at 2005 for the key performance indicators. We also re-set the performance target for carbon emissions and waste arisings to a more challenging reduction and added a further indicator and target for waste management to present a picture of how we are doing, not only at reducing the total amount of waste arising but also in segregating and recycling waste.

“we have increased our longer-term target for a reduction in tonnes of carbon dioxide emissions per million pounds of sales”

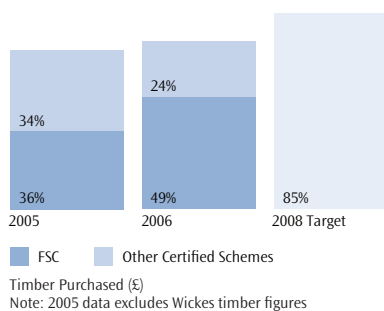
WASTE TONNAGE 2005-2006



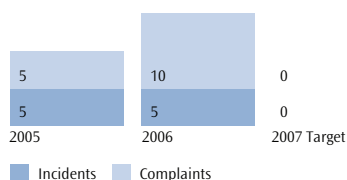
CO2 EMISSIONS 2005-2006



TIMBER CERTIFICATION 2005-2006



ENVIRONMENTAL INCIDENTS & COMPLAINTS 2005-2006



which are scheduled for delivery in 2007. During 2007, a hybrid car will be available as an option for company car drivers helping them cut emissions from their work and private travel.

As well as efficiency savings, renewable sources of energy remain an important part of our strategy, with approximately 50% of grid electricity currently being purchased from this source.

To further focus our efforts to reduce emissions, we have increased our longer-term target for a reduction in tonnes of carbon dioxide per million pounds of sales. By 2010 we now target a reduction of 20% from the levels in 2005, with an interim 2008 target of 10%. Our previous target was 5% by 2010.

Waste management

In 2006 we moved the majority of our sites to a single waste management contract, improving cost control and legal compliance as well as increasing the accuracy of performance indicators. We also reduced the number of open skips used and introduced a waste bag system. Fewer receptacles for waste and less stock damage has helped us drive down the waste we generate. Our recycling rate increased through the roll out of a pallet back haul system and cardboard recycling skips. This brings our total sites recycling cardboard to over 300. In 2006 our overall waste arising was 48,546 tonnes with 3,824 tonnes (8%) being recycled.

In 2007 we plan to complete the roll out of the cardboard recycling skips to all sites and to introduce the collection and back haul of more materials to further increase our level of recycling.

A zero waste concept branch is also planned as a test bed to find practical solutions to the elimination of waste.

Our target for waste reduction of 5% per pound of sales from 2005 levels by 2008 has been achieved inside 12 months and therefore we are now seeking to reduce our waste arising per pound of sales by a further 5%. Our new target for 2008 is a 10% reduction from 2005 levels in the tonnes of waste per pound of sales. In addition we have

Carbon management

In 2006 the Group emitted 117,553 tonnes of carbon dioxide. To further add impetus to our efforts to reduce emissions, we engaged the Carbon Trust to work with us on building energy efficiency as part of a complete carbon management package. We aim to improve the efficiency of our existing estate, as well as pilot the development of a new trade branch and a new retail branch, showcasing innovative environmental technologies, including renewable energy generation.

We have also been looking at our delivery fleet and started to see some fuel efficiency gains through the addition of roof air deflectors. We have ordered over 150 new delivery lorries with efficient Euro IV diesel engines



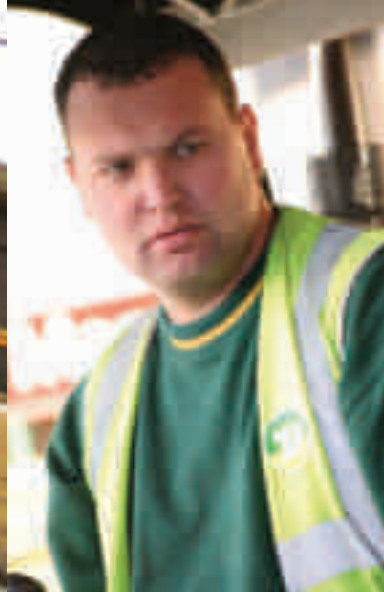
Replenishing stock at Travis Perkins, Ulverston



Colin Veitch,
Yard Supervisor,
Travis Perkins,
London City



Petra Tapako,
Design Consultant,
Wickes, Halesowen



Gary Massen,
Yard Supervisor,
Travis Perkins,
Norwich

Chris Fishlock,
Mill Supervisor,
Travis Perkins,
Bath



Ian Sutton,
Assistant Manager,
Travis Perkins,
Bath



Julie Nicholson,
Administration
Assistant,
Travis Perkins,
Ulverston



introduced a target that 25% of the waste be recycled or recovered by 2008.

Timber management

Our merchant division is one the largest multi-site chain of custody holders in Europe. Our national coverage of chain of custody enables us to serve the increasing demand for certified, well managed timber to the construction and housebuilding sectors. Our retail division also has an externally certified chain of custody for the purchase and resale of timber products at all outlets.

In 2006 we continued to make progress towards our target of increased purchases of certified timber. A combined estimate of 73% of timber purchases by value comes from certified sources, in line with our aim of achieving our target of 85% in 2008. We estimate that of the total timber purchased, 49% was from FSC sources, 22% was from PEFC sources and 2% was from other schemes.

Preventing pollution

In 2006 we received three warnings from environmental regulators. One for abandoned shopping trolleys, one for noise and one for storing waste on site. We maintain dialogue with the regulators in all of these cases to arrive at a satisfactory conclusion and are confident that no further action will result. We also informed the Environment Agency of four incidents where a spillage either did or had the potential to enter a controlled water course. In all cases the regulator was happy that our emergency response procedures had been effective, and took no action.

We are pleased to report that we had no prosecutions for environmental matters during 2006.

Complaints

In 2006 we received eight complaints about our environmental impact – two of these complaints were from neighbours about noise, two related to inadequate pest control and one of a visual intrusion from an advertising banner. All of these complaints have

been locally resolved.

The remaining three complaints related to our conduct in timber management as a result of an Environmental Investigation Agency (EIA) investigation into the sale of Merbau flooring from illegally felled timber. Two complaints were received from the investment community and one from a primary school class. Our own investigation into the supply chain supported the finding from the EIA report and we suspended trading Merbau flooring as a result. We are confident that this is an isolated incident but are ever vigilant against the importation of potentially illegally harvested timber and remain committed that it has no place in our organisation.

Our target for 2007 remains to have no complaints or notifiable incidents.

COMMUNITY RELATIONS

With an extensive national presence of over 1,000 places across Great Britain where we do business, and deeply embedded relationships in local communities, we actively manage our community relations and our charitable activities.

Our business raised almost £620,000 for charities, including our three nationally supported charities, the NSPCC, Children First (Scotland) and MacMillan Cancer Relief. This total raised includes direct donations by the Group amounting to £203,916 (2005: £53,794) and donations by our colleagues through our payroll giving scheme amounting to £33,585 (2005: £16,713). After six years relationship with NSPCC and MacMillan, our staff charity committee and company charity committee, chaired by the Company Chairman, decided it was time for a change and after a consultation period, adopted NCH, the children's charity and Mencap as our national charities. We look forward to working with them to continue our charitable efforts.

To celebrate the milestone of launching our 1,000th branch in June 2006, we launched a major community initiative called '1,000 projects in 1,000 places in 1,000 days'. This builds on the

“our business raised almost £620,000 for charities”



Duncan Hair, Branch Manager, Benchmark, Croydon



Zoe Richards, Sales Assistant, Travis Perkins, Norwich



Steve Richardson, Warehouse Supervisor, City Plumbing, Leeds

work already carried out by many of our branches to support local community projects. This programme will mean that in every neighbourhood, town and village where we operate, we will marshal our resources and relationships to help deliver a building related community project. The programme has been structured to engage our people, suppliers and customers and work with local community leaders to deliver something of real value to the communities we serve. Although conceived and co-ordinated centrally, this is essentially about our teams locally living our group values.

In 2006 we rationalised our sports sponsorship activities, concentrating on our role as main sponsor of Northampton Saints rugby club.

INVESTOR RELATIONS

Responsibility for communications with shareholders and debt providers rests directly with me and Paul Hampden

Smith, our Finance Director, with support and advice from the Company's brokers. We do not employ an investor relations manager. The Company Chairman and Senior Independent Director attend a selection of investor meetings throughout the year, and the Company Chairman attends the meetings to present the Group's interim and preliminary results to buy-side and sell-side analysts. In addition to these meetings, at least one day per month is set aside to meet investors and analysts. This regular programme is supplemented with two trips per year to meet with investors in Eire, Canada and the USA, and we host a visit for analysts to a selection of our businesses once per year.

In 2006 we conducted meetings with 63 separate investors. As part of each exercise to present interim and preliminary results, we typically meet shareholders representing around 64% of the shares outstanding. This includes a 'family lunch' where we meet with

representatives of the Travis, Perkins and Fisher families.

Feedback about investors' views is gathered after our scheduled meetings by brokers and occasionally by the Company Chairman, and steps are taken to enhance investor communication in response.

STRATEGY

In last year's report to shareholders, we set out the results of a major review of Group strategy carried out after the acquisition of Wickes, and outlined our main priorities. Since then we have carried out further work to re-check the validity of our plans and refine our position.

Much of our work on strategy, engaged in by all of our senior management in 2005, stems from thinking about our reason for existing and the direction the Company should travel. A clear view about our Group mission, vision and values was evolved



Management trainee seminar at Head Office

STRATEGIC PRIORITY

PROGRESS IN 2006

Continue to drive scale benefits:

Acquisition growth and brownfield expansion:

- 42 new branches added, including:
 - 9 acquisitions;
 - 33 brownfields, including 3 Wickes;
 - 3 closures;
 - 5 merchant relocations;
 - 3 Wickes Extra conversions;
- Expansion programme continues to exceed projected returns;
- Detailed catchment modelling updated, confirming expansion potential.

Adaptable trading in merchandising:

- Successful price re-positioning yielding net profits;
- Like-for-like sales growth brought up to market levels;
- Gross margins now stabilised.

Refresh our service offer and gain market share:

- Initiatives launched to introduce new service packages, marketing tools and customer relationship management;
- Simplified branch manager routines to increase resources available for managing customers;
- Like-for-like market share gained in both trade and retail markets.

Review our category presence in each outlet:

- Expanded core range in retail outlets;
- Increased density of retail offers and promotions;
- Started trials of new mandated ranges in trade outlets.

Develop or acquire specialist channels in selected categories:

- Launched 'Benchmark', serving specialist joiners;
- Profiled further specialist channels for potential entry.

Seek further gross margin expansion:

- Out-performed on our synergy and buying gain targets, achieving £78m of benefits in 2006 against an initial synergy target of £35m;
- Expanded our global sourcing capability, with quality assurance facilities in China;
- Introduced processes for harmonising ranges between trade and retail divisions.

Drive further productivity and returns on capital:

- Achieved productivity gains of 5.4% in trade and 10.4% in retail;
- Completed analysis of value maximisation options in all freehold and long leasehold properties;
- Initiated 42 value maximisation property projects;
- Disposed of interests in 38 properties, including 35 properties sold on long leases and leased back, realising £37m cash and £16.9m profits.



Timber stack at Travis Perkins, Norwich



Daniel Layton, Shop Assistant (now fork-lift driver) and Dave Harvey, Store Manager, Wickes, Halesowen



CCF, East London

and included in last year's report to shareholders – and is repeated in this report on pages 4 and 5. This year we extended this work. Each of our nine managing directors and their boards developed a clear view of their own mission and vision within the context of the Group's aims. This work was then taken further by defining a target – a 'Bullseye' - for the kind of operation, viewed from a customer perspective, each business felt it needed to put in place to achieve its aims. A series of cross-business initiatives are now in place to close the gap between current operational performance and the targets demanded in the 'Bullseyes'. This work will help us achieve objectives on our main strategic priorities. Those priorities, as reported to shareholders last year, and our progress on each one, are shown in the table opposite.

Going forward, we will continue to pursue these priorities, which we believe represent the best way of driving value for shareholders.

The next phase of implementing our strategy will see significant enhancements to our branch and store operations to meet the performance standards set in the 'Bullseyes', particularly in service and product availability. We will strengthen our efforts to understand and increase our share of spend by current and potential customers in each of the clearly defined segments served by our businesses, with new marketing techniques. These initiatives will be supported by significant improvements to our

information technology architecture, including a programme of harmonisation between trade and retail technologies, such as a common telecommunication architecture across the Group's operating sites.

“the next phase of our strategy will see significant enhancements to our branch and store operations”

We will also step up our branch expansion programme, returning to the rate of expansion achieved in the early part of this decade. Improvements in market conditions and in our formats and operational performance improve the projected risk/reward balance we can expect, and support a greater rate of expansion. We will also look for further profitable channels for potential entry by the Group.

We will also see continued impact from our property programme. In addition to completion of projects stemming from our review of freeholds and long leaseholds, we will review the 726 short leasehold sites. Given the size of our network, we expect the impact of this programme to extend for a number of years.

These actions will require an increase in capital expenditure and project related costs charged to revenue. We plan to implement the work in a carefully controlled manner so as to match the rate at which these funds are deployed with the continued gradual recovery in our markets.

This programme is designed to ensure that we put in place the best businesses – as viewed by customers, and delivering a best in class operating margin. We already achieve this with seven out of our nine businesses, but intend to stretch our lead and get all our businesses to this level of performance.

With good long term growth prospects in our markets, proven expansion plans and the best businesses in each segment, we are confident of continuing to deliver excellent returns for shareholders.

G. I. Cooper
Chief Executive
5 March 2007



CHIEF OPERATING OFFICER'S REVIEW

For the year ended 31 December 2006

REVIEW OF OPERATIONS

I am pleased to report good performance across our six trading brands as we took advantage of a gradual strengthening in both trade and retail markets as the year progressed.

Whilst initially cautious in the earlier part of the year about investment in network expansion and increasing our operational capabilities, as customer confidence returned in the second half of the year we increased our development spend across the estate and increased our pipeline of store openings and therefore improved our prospects for network expansion.

We have continued to make excellent

progress with the integration of Wickes into our Group. This integration of seven areas of support function is now substantially complete and is already delivering improved service levels together with overhead savings.

Wickes

Wickes achieved a creditable result against a difficult background of weak markets in the first half of the year and continued high inflation in property costs. These factors were mitigated by robust control of our variable overheads and improvement in our gross margin as a result of improved buying terms.

The appointment of Jeremy Bird as Wickes new Managing Director, represents a significant internal promotion after his 14 years experience in Wickes and a successful period developing aspects of our trade business.

We have successfully introduced a number of new products. New products now account for 15% of our sales each year. The increased number of products introduced as a result of range reviews since early 2005 continues to help maintain our like-for-like sales growth at above market rates.

Our initiatives to optimise the use of space within our stores including the twinning of selective showrooms continues to be successful in achieving above sector average sales per square foot.

Our new transactional website has been trading for six months and is showing a rate of growth and profit well beyond our expectations.

At 31 December, we traded from 179 stores, an increase in three locations

during the year but a 5% increase in space as a further three stores were converted from Standard to Extra stores. We remain flexible in our store formats according to both the size and nature of each catchment area.

“each TP branded business demonstrated good profit growth with consistent delivery”

Travis Perkins

We added a net 26 stores during the year to the Travis Perkins' branch network and traded from 559 stores at the year end. Around 70% of this expansion was from brownfield sites, reflecting the relatively attractive returns compared to acquisitions. Although we temporarily slowed our rate of expansion in 2006 the quality of these new branches was higher, resulting in overall returns beating projections. The Travis Perkins brand operates through four geographically based businesses and represents about 60% of group profits. We are delighted that each business demonstrated good profit growth with consistent delivery of improved performance across our estate.

We have achieved increased like-for-like sales growth ahead of the

Garry Watts, Driver, CCF, East London



Trevor Digby, Tool Hire Manager, Travis Perkins, Norwich



Sue Dimmock, Stock Administrator, Wickes, Halesowen





Glen Ringer, Driver,
Travis Perkins, Wreningham

Louis Durnell, Management
Trainee, Travis Perkins, Bath

Jason Rumbell, Assistant Manager,
Travis Perkins, London City

market and stabilised our strong gross margin percentage following our 2005 pricing initiatives.

We undertook major branch refurbishments at a number of branches including Hemel Hempstead, Ramsgate, Glasgow Muirend, Sunbury and Brackmills in 2006 and have 24 projects planned for 2007 with an incremental capital spend relative to 2006 of around £30m. We also added a net four toolhire outlets taking our total to 163 in the Group. Following the appointment of Richard Dey as toolhire director we have made excellent progress expanding our network and in centralising our buying and servicing activities. This has resulted in good profit growth.

Keyline

Our heavyside merchant added three branches to its network, finishing the year with 76 branches. Following a detailed profiling of its market, an increased focus on both depth and breadth of specialist stock range and concentration on major civil engineering customers, sales performance has been increasingly successful. Robust control of Keyline's cost base and continued support of key suppliers has resulted in another year of improved margins.

City Plumbing

For City Plumbing, 2006 was a year of recovery and consolidation with all 177 branches now branded City Plumbing. We improved the consistency of our pricing and stock range and launched a major sales drive with large contractors.

All remaining branches not yet converted were refitted to the City Plumbing format from their predecessor brand. A combination of strong top line growth and an absolute decrease in costs led to a strong recovery in profits. We added one new branch and consolidated two small units during 2006. However, we plan to step up our rate of expansion in 2007, reflecting our confidence that the business is very much back on track.

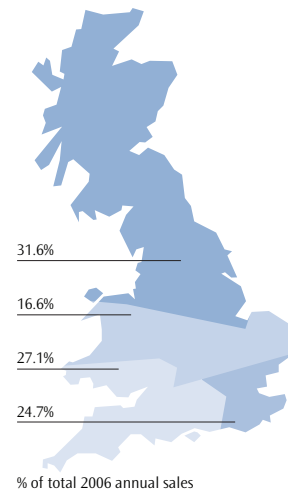
CCF

Our dry-lining ceilings and insulation specialist had another excellent year reflecting the strength of our major contractor relationships. Strong like-for-like sales and further improvement in margins has resulted in profits in the fourth year after acquisition being in excess of three times the pre-acquisition level. After adding two branches in 2006 to end the year at 25 outlets, a further five were added in early 2007 following the acquisition of Passmores, who are based in London.

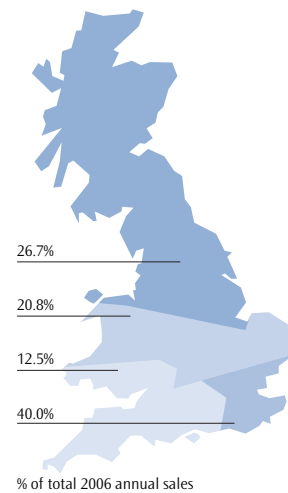
Benchmark

Our specialist kitchen and joinery business for the trade made a good start headed up by Rob Gladwin, previously Wickes Retail Director. The first branch opened at Croydon in July, and overall six branches were added in 2006. Benchmark serves a market with attractive returns and growth characteristics. We plan to have 20 branches open by the end of 2007 and we are committed to creating a business with a significant market share in this sector.

GEOGRAPHICAL SALES MERCHANTING



GEOGRAPHICAL SALES RETAIL





Insulation being loaded at CCF, East London

Raymond Langan, Sales Assistant, City Plumbing

Karen McLaren, Administration Supervisor, Travis Perkins, Bath

“we only select products from suppliers that operate good corporate social responsibility policies”

CONTINUOUS IMPROVEMENT

The clear aim of each of our brands is to be the best operator within its sector, both in terms of financial performance and overall customer service. To achieve this objective each of our brands has invested in extensive research with their customers to develop a ‘Brand Bullseye’. This ‘Bullseye’ or target, clearly states what our customers want from each business. A series of best practice projects have been established, each designed to deliver the level of performance defined in the ‘Bullseye’. We have also established clear measures of our performance today to benchmark against future improvements and customer expectations.

Each best practice project is designed to either increase our organic sales, enhance our margins, drive productivity, reduce our overheads or give our people better tools to do their jobs. Each initiative is sponsored by a senior executive who is responsible for the project’s delivery. As a result this firmly places the customer, and our ability to serve the customer, as our highest priority.

We have had a dedicated Affordable Housing Team for the last three years focusing on the growing requirement from local authorities and other registered social landlords (RSLs) to find more efficient and cost effective methods of procuring materials for repair & maintenance, planned maintenance and capital works programmes – further accelerated by the government’s Decent Homes initiative.

We have achieved significant growth

in this area and worked with several affordable housing clients to develop innovative and cost effective alternatives to traditional in-house materials stores facilities. The Group currently operates nine dedicated stores for specific RSLs and has additionally provided alternative supply solutions from within existing branches at 13 locations throughout the UK.

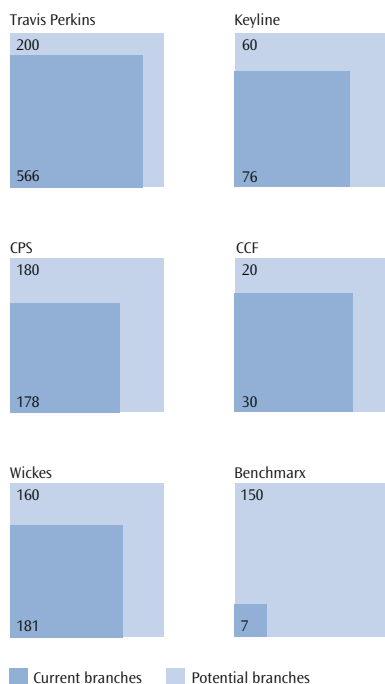
For 2007 the Group has increased its investment in the Affordable Housing Team to further respond to the increased demand and opportunities that exist within this growing market. Further innovative solutions which combine our core competencies of procurement, logistics and administration are being developed for the provision of materials to large-scale Decent Homes projects.

SUPPLIERS

We place great emphasis in developing long term partnerships with our suppliers. Most of our suppliers hold market leading positions and the scale to both develop and bring to market new products and to either currently or potentially supply all of our brands.

We have continued to review our supply base, following the successful initiatives in 2005, which extracted the ‘quick win’ synergies. These mainly involved initiatives where, amongst our six brands, there was overlap between product and supplier. In 2006 we focused on major product categories where there was a potential change of range and/or supplier in one or more brands.

SCOPE FOR NETWORK EXPANSION





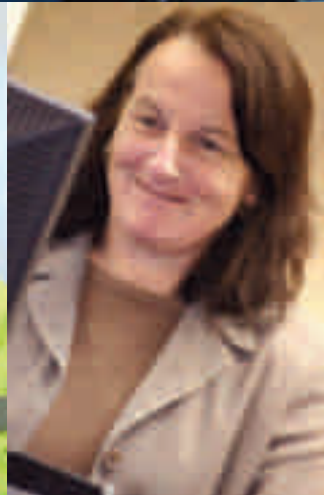
*Craig Smith,
Partitioning Team
Leader, CCF,
East London*



*Debbie Carter, Showroom Sales Assistant and Jenny Neilands, Senior Sales Assistant,
Travis Perkins, Norwich*



Derek Rapley, Driver, Keyline, Hull



*Sharon Allen, Sales Representative,
Benchmark, Croydon*

“181 ex-trainees are now in management positions”

Our supplier base continues to become more concentrated with the top 25 suppliers representing 42% of our cost of goods sold. In 2007 we will continue to leverage our strong buying position as market leader in heavyside and timber products and drive further efficiencies through our small but rapidly expanding global procurement function.

The trade and retail quality assurance functions have recently been centralised. Quality Assurance has an important role in projecting and protecting the values of each of our brands – not least because we sell a significant proportion of our own label products (retail 91%, trade 13%). Our policy is to only select products from suppliers that operate good corporate social responsibility policies in line with Travis Perkins Group Statement of Expectations; have robust Management Systems in compliance with the Travis Perkins Supplier Assessment programme; and produce products that are safe and of the highest quality.

SUPPLY CHAIN

Given the significance and potential in our supply chain in 2006 we launched an internally resourced strategic review to develop an overall long term architecture of our supply chain, in particular the network of central warehousing and logistics to support the Group's growth.

Robin Proctor, our Group Supply Chain Director, joined us in the latter part of 2006. His is a newly created role embracing primary distribution via our trade plumbing & heating warehouse, three Wickes' central warehouses, and a customer home delivery centre. In addition he is responsible for primary logistics including our global sourcing and stock replenishment systems.

EMPLOYEES

We know that more than most other businesses, our success depends on our people. We enjoy many long term relationships with customers who in turn value highly the long term relationships they have developed with the people who work for us. In 2006 we introduced

a number of additional measures aimed at further strengthening the engagement of our people.

Recognition

During 2006 we introduced a range of schemes supported by a £1m plus investment – ‘The Building Britain Awards’. These are designed to recognise those colleagues who are critical to our success through:

- Loyalty – additional holidays and gifts designed to reward and recognise long serving colleagues.
- Getting It Right – instant cash awards for colleagues who are observed living our values and who, in doing so, help to deliver fantastic service to our customers.
- Special Achievement Awards – for those people in our business who consistently go the extra mile. We are encouraging colleagues to nominate one another.

In addition to the above awards we have a wide ranging suite of awards across the Group ranging from management trainee of the year and branch/store of the year to mystery shopper and ‘Bright Sparks’ suggestion schemes.

We continue to improve of levels of staff retention, up from 76% in 2005 to 78% in 2006. This success has resulted from excellent induction programmes and a high level of management attention.

Sharing our success

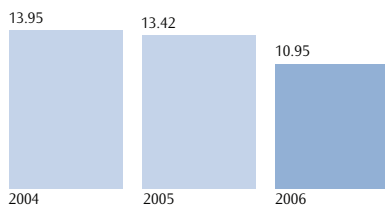
As well as competitive salaries and incentive schemes, we offer a wide range of benefits and ways for our people to make more of their money, share in the increasing value of our company, take care of their future and look after their health.

4,291 people participate in our Save As You Earn Scheme. Colleagues investing the maximum £250 per month from 2001 in our five year SAYE scheme enjoyed a profit of £33,700 in 2006.

In 2006 we introduced a new Buy As You Earn Scheme, giving colleagues another opportunity to share further in our future success.

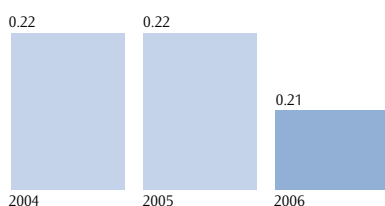
All colleagues have the opportunity to join our money

ACCIDENT FREQUENCY RATE



Merchant lost time accidents per million man hours

ACCIDENT SEVERITY RATE



Merchant number of days lost per thousand man hours

purchase pension scheme with life cover automatically provided.

During 2006 we used our buying power to negotiate a number of discounted benefits on behalf of our employees. These cover discounts on numerous services and products from private medical and dental cover to holidays and car purchases.

Development

In addition to the development programmes that are in place to support individuals from induction, progressing through each step of the career ladder, we have continued to invest further in the initiatives that we believe are making a major difference - the 'Master Programme' in Wickes, supported by a new customer service programme and the management trainee scheme in Travis Perkins, where we plan to recruit a further 106 trainees in 2007.

As well as successfully developing 181 ex-trainees into current management positions, including nine directors, the scheme ranks highly against comparator groups, with a significantly lower turnover rate (10% in 2006).

HEALTH AND SAFETY

This continues to be a Group priority at the most senior level and has benefited from a number of significant enhancements in the last two years; in 2005 we conducted a major external review of health and safety in Wickes. In 2006 we recruited a new Group head of health and safety with extensive experience working with the health and safety executive. His initial priorities have been to implement the recommendations of the external review, and re-establish a new, more powerful and high profile health and safety function with a remit across the Group's activities.

During 2006, emphasis was also placed on our existing involvement in the health and safety executive initiatives covering builders merchants and retail/warehouse traffic management and manual handling.

Following a comprehensive review of all existing general merchant health and

safety systems and procedures during 2006, a similar approach is planned for all specialist brands within the merchant business during 2007. The revised health & safety policy will be embedded in the business via an intensive training programme.

With our continued focus on maintaining health and safety standards, it was pleasing to record a 15% reduction in the number of lost time accidents and a 5% reduction in working days lost against our 2005 merchant performance.

There were no workplace fatalities in 2006, but there was, however, one prosecution relating to an incident that occurred in 2004, following an accident involving a fork-lift truck and delivery vehicle.

We remain committed to reduce the accident rates further, with a targeted Group reduction of 10% by the end of 2007.

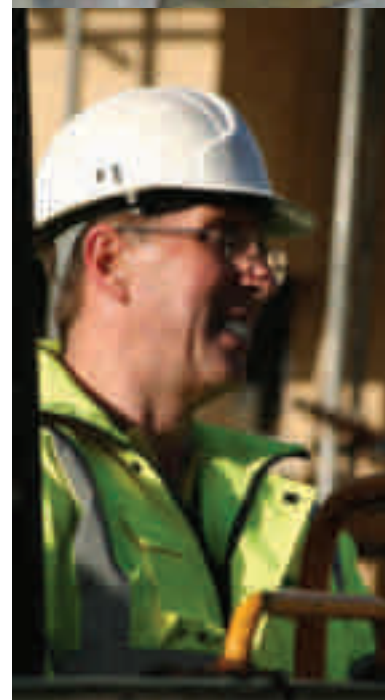
J. P. Carter
Chief Operating Officer
5 March 2007



*Craig Donnelly,
Management Trainee,
Travis Perkins, Bath*



*Kitchen Showroom,
Wickes, Halesowen*



*John Hancock, Driver,
Travis Perkins, Bath*



FINANCE DIRECTOR'S REPORT

For the year ended 31 December 2006

INTRODUCTION

The Group's financial objectives, which were first reported in 2005, are set out below. This report provides a commentary on how the business has successfully achieved those objectives in 2006 through generating enhanced profits and cash flows which in turn have resulted in a stronger balance sheet. Additionally this report sets out further details of the financial aspects of the Group's strategy, risks and policies.

FINANCIAL OBJECTIVES

The directors of the Group remain committed to the long-term creation of shareholder value, which they believe is achieved through:

- Increasing the Group's market share through a combination of like-for-like 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 pre-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 interest cover between four and six times EBITA; and
- Maintaining long-term dividend cover at between two and a half and three and a half times earnings.

FINANCIAL REVIEW

Overall Group revenue increased by 7.9%, to £2,848.8m from £2,640.8m in 2005. The additional 41 days trading from Wickes contributed 3.0% of the increase, like-for-like sales contributed 1.4% with expansion accounting for the remaining 3.5%.

In the merchanting business, sales grew by 6.3% with sales from new branch openings contributing 3.4% and increased like-for-like sales per working day contributing 2.9%. This comprised 3.8% of price inflation and a 0.9% decline in volume. Merchanting adjusted operating margin was down slightly to 11.2% (note 5).

Like-for-like sales for the full year of Wickes' core products were down 3.5% whilst showroom sales fell by 0.2%. Overall like-for-like sales in Wickes were down 3.0% with 2.4% price inflation and 5.4% volume decrease. Network expansion added 3.5% to Wickes' sales,

KEY FINANCIAL PERFORMANCE INDICATORS

To ensure the business is focused upon achievement of targets, a series of key financial performance indicators are monitored throughout the business. For 2006, where indicated, these measures are stated on an adjusted basis stripping out the effects of the exceptional property profits:

	IFRS 2006	IFRS 2005	IFRS 2004	UK GAAP 2003	UK GAAP 2002
Revenue growth	7.9%	44.4%	9.0%	18.4%	10.8%
Adjusted profit before tax growth (note 5)*	6.6%	0.1%	16.0%	18.9%	23.7%
Profit before tax growth*	12.2%	0.1%	16.0%	18.9%	23.7%
Merchanting adjusted operating profit to sales (note 5)	11.2%	11.3%	11.9%	11.4%	11.2%
Adjusted interest cover (note 10)	4.9x	4.9x	25.9x	21.0x	18.0x
Adjusted return on capital (note 36)	14.6%	14.8%	25.0%	25.5%	24.0%
Adjusted free cash generation (note 35)	£216.6m	£226.1m	£150.7m	£128.1m	£105.6m
Adjusted dividend cover (note 13)	3.4x	3.4x	4.1x	4.5x	4.7x

*Excludes goodwill amortisation in 2002 and 2003.

The above table reflects the significant purchase of Wickes in 2005.

“adjusted earnings per share was 9.1% higher at 127.4 pence”

which in total, increased over a full year by 0.5%.

Adjusted Group operating profit (note 5) rose 3.7% to £278m from £268m in 2005. Adjusted Group operating margin was 9.8% compared with 10.1% in 2005 (note 5). This slight decrease was caused by two factors. The first was the effect of the additional 41 days trading from Wickes occurring in its weakest seasonal trading period. The second was the dilutive effect of our continuing branch expansion programme, where new branches take time to reach sales and profit maturity. Compared to 2005, merchandising adjusted operating margins were 0.1% lower at 11.2%, whilst Wickes saw a fall of 1.5% to 5.9% for 2006 (note 5) of which 0.4% relates to the additional 41 day trading period. The remainder is explained by property cost inflation exceeding sales price inflation.

Adjusted earnings before interest, tax, depreciation and goodwill amortisation ('EBITDA') (note 37) were £335.7m (2005: £326.9m), an increase of 2.7%.

Total net interest expense (before other finance costs of £0.4m (2005: £3.7m)) in 2006 was £57.3m (2005: £57.6m). Whilst like-for-like interest charges have fallen in 2006 as net debt has reduced substantially, the actual cost for 2006 is only £0.3m lower than for 2005 as a result of the effect of a full year's charge on the borrowings taken out to acquire Wickes on 11 February 2005. Adjusted interest cover (note 10) is approximately 4.9 times (2005: 4.9 times).

Adjusted Group profit before tax (note 5) was 6.6% ahead of last year at £220.3m (2005: £206.7m).



Sarah Layton, Stock Administrator, Wickes, Halesowen

Andy Stephens, Manager, Travis Perkins, Norwich

The tax charge was £64.9m (28.0%) compared with £65.9m (31.9%) in 2005. The rate is lower than the UK corporation tax rate of 30% principally because:

- no capital gains tax charge on property sales being included in the profit and loss account under IFRS as any tax due is rolled over – this reduces the tax charge by 2.8%;
- non-qualifying property expenditure and other items which are not allowable for tax – this increases the tax charge by 0.8%.

Profit after tax was £167m, an increase of 18.6%. Adjusted profit after tax (note 5) was £154.2m an increase of £13.4m (9.5%) compared to 2005.

Basic earnings per share was 137.9 pence. Adjusted basic earnings per share (note 12) was 9.1% higher at 127.4 pence, compared with 116.8 pence in 2005.

CASH FLOW

Management throughout the Group has continued to focus on cash generation during 2006 with a number of working capital initiatives playing an important part in further reducing debt. In 2006 the Group has generated £323.3m of cash from operations (2005: £310.8m), an increase of 4.0%. Adjusted free cash flow, calculated before exceptional property disposals, expansionary capital expenditure, special pension contributions and dividends, was £216.6m, down 4.2% from 2005, which gave an adjusted free cash flow yield of 9% (2005: 13.3%) (note 35). This was due to the timing of interest payments (one additional 6 monthly payment in 2006). The free cash generated by the Group was used in part to fund expansion capital expenditure of £31.6m (2005: £42.2m) in the existing business and on new acquisitions, which in total cost

£10.9m (2005: £42.5m excluding Wickes). With a step up in our network expansion plans, new investments in group infrastructure and reinvestment of the exceptional property disposal proceeds into freeholds, we anticipate a significant increase in capital expenditure in 2007.

PENSIONS

The Travis Perkins defined benefit pension scheme was merged with the Wickes final salary scheme on 30 June 2006. At 31 December 2006 the gross deficit of the combined scheme was £80.8m (31 December 2005 combined gross deficit £142.8m). The net deficit after allowing for deferred tax was £56.6m (2005: combined net deficit £99.9m).

The significant improvement in the deficit is the result of improved asset returns, more favourable corporate bond rates reducing liabilities and £21m of company contributions in excess of the income statement charge (2005: £26m).

During the year the Group has reached agreement with the pension fund trustees to eliminate the 30 September 2005 deficit over a nine-year period. The scheme is now 86% funded with the net deficit representing less than 2.5% of the Company's market capitalisation at 31 December 2006.

EQUITY

Total equity, after deducting the pension scheme deficit at 31 December 2006, was £933.1m, an increase of £175.1m on 31 December 2005.

The Group's adjusted return on capital in 2006 (note 36) was 14.6% (2005: 14.8%), which is substantially higher than the Group's weighted average cost of capital. The slight reduction was due to the additional period of Wickes ownership.

At the year-end the share price was 1,984 pence (2005: 1,400 pence) and the market capitalisation £2.4bn (2005: £1.7bn), representing 2.6 times (2005: 2.2 times) shareholders' funds. During the year the daily closing share price ranged from 1,372 pence to 1,984 pence.

PROPERTIES

The Group currently operates from over 1,100 sites of which 375 are freehold or long leasehold. The carrying value of the Group's freehold and long leasehold property portfolio, which was last revalued in 1999, on an existing use basis, is £191.4m. As well as being one of the Group's considerable operating strengths the portfolio gives it the potential to seek further opportunities to enhance value.

During the year, in line with its stated strategy to release value from its property portfolio, the Group undertook a transaction which by its magnitude was exceptional, and sold 35 freehold properties on long leases, for £31.5m after costs, to an investment vehicle, in which the Group has retained a 15% stake. The properties, which have been leased back by the Group on 25 year terms, on a near 6% yield, realised a net profit of £11.6m in 2006. In addition accounting rules required profits made on the disposal of land of £4.7m to be deferred in the balance sheet to be amortised over the lives of the long leases.

This was the Group's biggest ever property deal and represented an important step in implementing its policy of maximising value through the development of its property portfolio. The Group plans to re-invest the proceeds in new and existing properties as it continues to expand across its six brands.

It is likely that disposals in future

years will be on a smaller scale with the emphasis on driving profits from relocations, part disposals and site redevelopments.

GOODWILL

The net book value of goodwill in the balance sheet is £1,282m. Additions to goodwill and intangible assets in the year totalled £8.2m.

CAPITAL STRUCTURE

The Group finances itself through a combination of bank borrowings, fixed rate unsecured notes, leases and retained profits. Its capital base is structured to meet the ongoing requirements of the business. As at 31 December 2006 the Group had net debt of £804.4m (2005: £982.4m) (note 33).

Included within the net debt of the Group are £31.5m of finance leases (2005: £32.7m) capitalised under IFRS. These primarily relate to finance leases on properties for trading sites. In addition to the property leases the Group had £1.9m (2004: £3.6m) of finance leases associated with plant and equipment.

Borrowings also include £7.9m (2005: £8.2m) of unsecured loan notes, which are redeemable at six monthly intervals ending in June 2015. Interest on these loan notes is determined at 6 monthly intervals by reference to LIBOR.

BORROWING FACILITIES

The Group has a £970m syndicated credit facility of which £230m is represented by an amortising term loan and the remainder a revolving credit facility. In addition the Group has access to overdraft facilities of £25m. The term loan is due to be repaid in four £43.2m and two £48.6m tranches six monthly commencing 30 June 2007, with the final payment due in December 2009. The revolving credit facility is available to the Group until December 2009.

In addition, in January 2006 the Group issued \$400m fixed rate guaranteed unsecured notes (the 'Notes') with a broad range of US

“the pension fund deficit represents less than 2.5% of the Company’s market capitalisation”



Another delivery, from Keyline, Hull

Mark Bradley,
Heavyside Sales,
Travis Perkins,
Ulverston

Travis Perkins,
London City

financial institutions. The debt comprises of \$200m of Notes repayable in 7 years and the remainder in 10 years resulting in bullet repayments becoming due in 2013 and 2016. The net proceeds were swapped into Sterling at variable rates.

INTEREST RATE AND CURRENCY DERIVATIVES

The Group’s hedging policy is to maintain the profile of borrowings in the approximate ratio of one third to one half at fixed interest rates, one third to one sixth within a collar of interest rates and the remainder at variable rates.

The Group currently has two amortising interest rate swaps each of £157.5m, one amortising interest rate floor and one amortising interest

rate cap of £157.5m. Further details are given in note 25 to the financial statements.

LIQUIDITY

As at 31 December 2006 the Group had bank borrowings totalling £620m consisting of a term loan of £270m and £350m of draw down on the revolving credit facility. In addition it had drawn down \$400m in respect of the Notes.

The peak level of daily borrowings on a cleared basis in the year to 31 December 2006 was £1,100m (2005: £1,117m). Throughout the year the maximum month end cleared borrowings were £1,031m (2005: £1,036m). At 31 December 2006 the Group had undrawn facilities of £375m (2005: £230m).

The Group’s borrowings are subject to covenants set by the lenders.

Covenant compliance is measured semi-annually using financial results prepared under UK GAAP extant at 31 December 2004. During 2006 there were no breaches of the covenant limits. The key financial covenants are the ratio of net debt to earnings before interest, tax, depreciation and amortisation (‘EBITDA’) and the ratio of earnings before interest, tax and amortisation (‘EBITA’) to net interest. At 31 December 2006 under UK GAAP the Group achieved net debt to EBITDA of 2.4x (note 37) and interest cover of 4.9x (note 10).

In addition to these financial covenants the Group’s borrowing agreements include general covenants and potential events of default. The Group has complied in all respects with the terms of its borrowing agreements at the date of this report.



Wickes, Halesowen

Barry Routledge, Driver,
CCF, East London

City Plumbing, Leeds



Richard Dylong, Fork-lift Driver, Travis Perkins, Wrenningham

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 foreign exchange risk, interest rate risk, liquidity risk and credit 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 are managed centrally under a framework of policies and procedures approved by and monitored by the Board. 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. Under the policies, derivative financial instruments may only be entered into for risk management purposes with A- or better rated financial institutions. A total of six such institutions have been identified as potentially suitable for this purpose.

The principal risk facing the Group is an exposure to interest rate fluctuations. Having swapped out its US dollar Notes into Sterling, the Group is not exposed to significant foreign exchange risk as most purchases are invoiced in Sterling. These risks are described further below:

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, US dollar Notes and loan notes. The Group borrows in Sterling at floating rates and, where necessary, uses interest rate swaps to fix rates (note 25) to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations. Based upon the borrowing levels and structure at 31 December 2006 a 1% increase in interest rates would alter borrowing costs by approximately £4.0m.

Currency risk

The Group settles currency related trading obligations using a combination of currency purchased at spot rates and using forward contracts. With direct purchases from overseas set to increase the Group has recently implemented a policy of maintaining forward contracts for between 30% and 70% of its anticipated requirements twelve months forward. At 31 December 2006 the value of currency contracts, all of which were \$US denominated, was \$12m.

As previously stated the Group has borrowed \$400m. The \$US denominated Notes have fixed rates of interest. The borrowings have been converted to Sterling variable rates using cross currency swaps.

Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient cash is available to fund on-going operations without the need to carry significant net debt over the medium term. 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 exceed forecast peak gross debt levels.

Credit risk

Credit risk arises on financial instruments such as trade receivables, short-term bank deposits and foreign currency hedging transactions. To reduce the risk of loss arising from counterparty default, the Group has policies and procedures to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short-term bank deposits and foreign currency hedging transactions are executed only with A- or better rated authorised counterparties based on ratings issued by the major rating agencies. Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are within predetermined limits.

Overall, the Group considers that it is not exposed to a significant amount of credit risk.

OTHER RISKS AND UNCERTAINTIES

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 build environment. The performance of the market is affected by general economic

“recruitment and retainment of staff at all levels is an important driver of our overall performance”



David Egan, Warehouse Assistant, City Plumbing, Leeds



Loading pipe sections at Keyline, Hull

conditions and a number of specific drivers of construction activity, including, housing transactions, 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 CEO. Market trends and competitor performance are also 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

merchant and retail businesses. Supplier financial strength, 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. No supplier accounted for more than 6% of total purchases in 2006. An established QA process is in place throughout the business.

The market price of products distributed by the Group, particularly commodity products, can vary significantly and affect operating results. The Group's business actively takes steps to protect themselves from and maximise the opportunities for significant anticipated price rises.

Acquisitions and other expansion

Growth by acquisition continues to be an important part of the 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 at the Board each year.

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 merchant and retail brand branches. A wide-range of

Winners of Chief Executive's Award for Branch of the Year, Wickes, Halesowen



Gary Fawcett, Manager, Travis Perkins, Ulverston



Pallets for recycling



Luke Stringer, Fork-lift Driver, Wickes, Halesowen

training programmes are in place to encourage staff development and management development programmes are used to assist those identified for more senior positions. The HR 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.

Information technology/business continuity

The operations of the Group depend on a wide range of IT systems to operate efficiently. An IT strategy committee reviews performance levels of the key systems and prioritises development work. Maintenance is undertaken on an ongoing basis to ensure resilience of the group systems and escalation procedures are in place to resolve any performance issues at an early stage. 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 merchant and retail businesses. Off-site back-up routines are in place for both data centres and application code is also held off-site.

The Group distributes products from five major warehouses 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 merchant and retail outlets. Each warehouse has fire detection and alarm systems and a business continuity plan is in place for each site.

Customer credit

Within our merchanting businesses, one of the key aspects of service is the provision of credit to customers with the Group carrying the associated credit risk. A detailed review of the credit risk of each customer is carried out using external credit risk services. Total exposures to all customers are monitored monthly with increased credit levels being approved by both operational and financial management. No one customer represents more than 1% of sales and the bad debt charge has averaged below 0.5% of credit sales in the last ten years.

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 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 Chief Executive's report. 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.

Pensions

The risks in this area relate to the potential for contributions required to meet the benefits promised rising to a level that restricts other corporate activity. The scheme 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.



P. N. Hampden Smith

Finance Director
5 March 2007



*Jimmy Morrison, Yard Sales Assistant,
Travis Perkins, London City*

CORPORATE RESPONSIBILITY STATEMENT

For the year ended 31 December 2006

The Company has not produced a separate corporate social 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 in the reports of the directors responsible for such matters:

Environment	Chief Executive's review
Health & safety	Chief Operating Officer's review
Supply chain	Chief Operating Officer's review
Employees	Chief Operating Officer's review
Community relations	Chief Executive's review

The Board takes account of the significance of social, environmental and ethical matters in its conduct of the Company's business and as part of the system of internal control receives reports on the risks associated with the above matters.

DIRECTORS AND PROFESSIONAL ADVISERS



Tim Stephenson O.B.E.

Geoff Cooper

Paul Hampden Smith

John Carter

CHAIRMAN

Tim Stevenson O.B.E. (aged 58) joined the Board in September 2001 and became Chairman on 1 November 2001. He is a barrister and held a number of senior positions in Burmah Castrol plc between 1975 and 2000, including Chief Executive from 1998. He is also non-executive Chairman of Morgan Crucible plc. He is Chairman of the Nominations Committee and a member of the Remuneration Committee.

CHIEF EXECUTIVE

Geoff Cooper (aged 53) 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 (merging with Boots plc to become part of Alliance Boots plc) where he was appointed Deputy Chief Executive in 2001. He is non-executive Chairman of Dunelm Group Plc.

FINANCE DIRECTOR

Paul Hampden Smith (aged 46) 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 was a non-executive director of DX Services plc until August 2006.

CHIEF OPERATING OFFICER

John Carter (aged 45) joined Sandell Perkins as a management trainee in 1978. Having held regional management positions, he was appointed as Managing Director, Operations in 1996, and became a director of Travis Perkins plc in July 2001. He was appointed Chief Operating Officer in February 2005.



Chris Bunker

John Coleman

Stephen Carter C.B.E.

Michael Dearden

Andrew Simon O.B.E.

NON-EXECUTIVE DIRECTORS

Chris Bunker (aged 60) was appointed as a non-executive director in January 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 Xansa PLC and formerly was a non-executive director of Mowlem plc and Baltimore Technologies plc. He is Chairman of the Audit Committee and a member of the Nominations Committee.

John Coleman (aged 54) was appointed as a non-executive director in February 2005. He is a chartered management accountant and was Chief Executive of House of Fraser plc from 1996 to 2006. He was previously Chief Executive of Texas Homecare and of a number of businesses within Burton Group PLC. He is a member of the Remuneration Committee.

Stephen Carter C.B.E. (aged 43) was appointed as a non-executive director in April 2006. Between 1992 and 2000 he held a number of senior posts in JWT UK Group and from 2000 to 2002 was Managing Director, UK & Ireland, for NTL. From 2003 to 2006 he was Chief Executive of Ofcom. He was appointed Chief Executive of Brunswick Group LLP on 5 March 2007. He was formerly a non-executive director of Trucost plc. He is a member of the Audit Committee.

Michael Dearden (aged 64) was appointed as a non-executive director in November 2000. He held a number of senior posts with Burmah Castrol plc from 1980 until his retirement at the end of 2000. He was a member of the group board from 1995, most recently as Chief Executive of Castrol International. He is a non-executive director of Johnson Matthey plc and of The Weir Group plc and was formerly Chairman of Minova International Limited. He is the Senior Independent Director, and a member of the Audit, Nomination and Remuneration Committees.

Andrew Simon O.B.E. (aged 61) was appointed as a non-executive director in 2006. He is Non-Executive Deputy Chairman of Dalkia Plc, Non-Executive Chairman of Merotec Limited and a non-executive director of Finning International Inc. and Brake Bros Ltd. He was previously Chairman and/or Chief Executive of Evode Group plc from 1980 to 1993, and has also held non-executive directorships with Severn Trent Plc, Ibstock PLC, Laporte Plc and Associated British Ports Holdings PLC. He is chairman of the Remuneration Committee.

SECRETARY: A. S. Pike

AUDIT COMMITTEE:

C. J. Bunker (Chairman)
S. Carter
M. B. Dearden

REMUNERATION COMMITTEE :

A. H. Simon (Chairman)
J. Coleman, M. B. Dearden
T. E. P. Stevenson

NOMINATIONS COMMITTEE:

T. E. P. Stevenson (Chairman)
C. J. Bunker, M. B. Dearden

EXECUTIVE COMMITTEE:

G. I. Cooper (Chief Executive and Committee Chairman)
P. N. Hampden Smith (Finance Director)
J. P. Carter (Chief Operating Officer)
J. Bird (Managing Director Wickes)
C. Kavanagh (Group HR Director)
M. R. Meech (Group Property Director)
A. S. Pike (Company Secretary & Lawyer)

INVESTMENT BANKERS:

HSBC Bank plc

CORPORATE BROKERS:

HSBC Bank plc
Dresdner Kleinwort Wassersteinn

BANKERS:

The Royal Bank of Scotland plc
Barclays Bank plc

SOLICITORS:

Clifford Chance LLP, London
Hewitsons, Northampton

AUDITORS:

Deloitte & Touche LLP, Birmingham

REGISTRARS:

Capita Registrars, Huddersfield

C O R P O R A T E G O V E R N A N C E

For the year ended 31 December 2006

COMBINED CODE

In June 1998, the Combined Code on Corporate Governance was issued by the London Stock Exchange and this was revised in July 2003 ('the Code'). Section 1 of the Code is applicable to companies. A statement on how the Company has applied the principles and a statement explaining the extent to which it has complied with the provisions of the Code appear below. 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 five non-executive directors. Tim Stevenson is Chairman and Geoff Cooper is Chief Executive. Michael Dearden is the senior independent non-executive director. Chris Bunker, Stephen Carter, John Coleman 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 issues, 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 strategic

direction of the trading subsidiaries, their annual budgets and progress towards the achievement of those budgets and their capital expenditure programmes. It also considers 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 eleven meetings during 2006. Stephen Carter and Andrew Simon each missed one meeting because of commitments made before their appointments to the Board. Also, John Coleman, Michael Dearden and Andrew Simon each missed one meeting because of conflicting business engagements. Otherwise, all meetings were attended by all directors. One meeting dealt with consideration of the Company's long-term strategy and six meetings were either combined with 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 occurred. 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.

All directors have direct access to the Company Secretary and are able to 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 Chairman held one meeting during the year with all the non-executive directors, without the executive directors being present and several meetings with some of the non-executive directors, also without the executive directors being present. The Senior Independent Director held one meeting during the year with the other directors, without the Chairman being present, together with a number of individual discussions with the other directors, to evaluate the Chairman's performance, as described in more detail below, and to review his salary.

The Board has adopted an induction process for new directors and this is facilitated by the Company Secretary. The Chairman ensures that all directors receive appropriate training on appointment and then subsequently as needed, taking into account their 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.

The Board has established four standing committees: the Audit Committee, the Remuneration

Committee, the Nominations Committee, and the Executive Committee, which operate within defined terms of reference. Details 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. During the year, the Remuneration Committee met seven times, the Nominations Committee once, and the Audit Committee four times. All these meetings were attended by all members of the relevant committee, except that John Coleman and Michael Dearden each missed one meeting of the Remuneration Committee because of conflicting business engagements. The reports of the Audit Committee, Remuneration Committee, and the Nominations Committee are on pages 45 and 46, 47 to 54 and page 55 respectively.

The Executive Committee was established in June 2005. Its members are described on page 41. Other executives are invited to attend from time to time in relation to specific issues. 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.

The Committee met fourteen times during the year and all meetings were attended by all members except that Martin Meech, Group Property Director and Jeremy Bird, Managing Director Wickes, each missed one meeting because of conflicting business engagements.

During the year the Board undertook an evaluation of its performance and the performance of its committees and the individual directors. The Board engaged Egon Zehnder to facilitate this process. The process took the form of interviews with each director and the Company Secretary separately, focussing on a number of areas pertinent to the

operation of the Board, its committees and each director. These interviews formed the basis of a report by Egon Zehnder that was the subject of a discussion by the Board and the Committees. Egon Zehnder also gave individual feedback to each director on his own performance. The Board was very pleased to hear Egon Zehnder say that it was one of the best functioning boards they had encountered. Therefore the Board was satisfied that the process showed that the Board and its committees worked very effectively.

Nevertheless, the Board and the committees agreed a number of specific measures aimed at further enhancing their performance, in particular in the following areas:

- Transparency of information between all Board members, wherever possible;
- The presentation of information to the Board and its committees;
- Succession planning for senior executives;

In addition, during the year, the Senior Independent Director led a process for appraisal of the performance of the Chairman. He consulted with each other director in the light of the Egon Zehnder report and then provided feedback in a discussion with the other directors without the Chairman being present. A board evaluation process will be carried out in 2007.

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 a review of the performance of executive directors and other senior executives prior to determining their remuneration. The remuneration of the non-executive directors is determined by the Board of Directors as a whole. No director plays a part in the discussion about his own remuneration.

The Remuneration Report is set out on pages 47 to 54.

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 Chief Executive's review, in the Chief Operating Officer's review and in the Finance Director's report set out on pages 12 to 37. The Board uses them, together with the Chairman's statement on pages 10 and 11 to present a full assessment of the Company's position and prospects. The directors' responsibilities for the financial statements are described on page 60.

Internal control

The Board of Directors 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 overall cost of controlling them. The system is designed to manage rather than eliminate the risk of failing to achieve business objectives and therefore can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The implementation and 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. As part of its corporate governance procedures, the Board has received regular reports on specific areas of risk. If appropriate, these reports include recommendations for improvement in controls or for the management of those risks. Furthermore, steps continue to be taken to integrate risk management procedures into the Group's operations, to extend awareness of the importance of the management of risk and to ensure that recommended improvements brought to the attention of the Board are implemented. In 2006, the different risks affecting the Group were reviewed with the responsible director or senior executive, and improvements made in the methods of identifying and evaluating these risks,

and of recording risk management measures, and in the reporting on those risks. The effectiveness of these changes was reviewed during 2006, and certain improvements to the process were made. In particular, 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 directors and to the external auditors.

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 the annual report.

Audit committee and auditors

The report of the Audit Committee is set out on pages 45 and 46.

4. Relations with shareholders

The Company encourages two-way communication with both its institutional and private investors and responds promptly to all enquiries received orally or in writing. During the year the Chairman, the Chief Executive, the Chief Operating Officer and the Finance Director, either separately or

together, attended a number of meetings with analysts, and with shareholders representing circa 64 per cent of the issued share capital. The senior independent director also attended a number of such meetings in 2006. The Chairman, Chief Executive and Finance Director report fully 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 annual and interim reports to shareholders, the Company normally issues trading statements at the Annual General Meeting and around the year end. 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.

GOING CONCERN

After making enquiries, the Directors have formed a judgement at the time of

approving the financial statements that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Company is pleased to report that it has complied throughout the year ended 31 December 2006 with the provisions set out in Section 1 of the Code, except:

B2.1 The Remuneration Committee did not consist wholly of independent non-executive directors as the Chairman is one of its members. The Board has noted that this will be permissible under the revised Code which will apply for the financial year ending 31 December 2007. In any event, the Board considers it to be very important that the Chairman is closely involved in the establishment and application of the Company's remuneration policy.

C3.1 Pending the appointment to the Board of Stephen Carter in April 2006, the Audit Committee only consisted of two independent non-executive directors between January and April 2006.

AUDIT COMMITTEE REPORT

For the year ended 31 December 2006

ROLE OF THE AUDIT COMMITTEE

The Audit Committee is responsible for:

- Monitoring 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 judgements 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;
- 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 of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;
- Reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Reviewing and monitoring 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 the external audit firm.

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 Michael Dearden a member of the Committee, throughout the year. Stephen Carter was appointed to the Committee in April 2006. All members of the Committee are considered to be independent. The Group 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 40 and 41).

MEETINGS AND ATTENDANCE

The Committee met four times during 2006 to consider inter alia, the annual and interim results. The Chairman of the Committee also invited the Group Chairman, the Group Finance Director, the Group Chief Operating Officer; the Group Financial Controller, the Group Head of Business Risk and Assurance and the external auditors to attend each meeting. During each meeting the external auditors and the Group Head of Business Risk and Assurance were given the opportunity to talk with the Committee without the

presence of management and in addition during the year, the Committee Chairman held a number of meetings or telephone conferences 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 control matters and from the external auditors on the conduct of their audit, their review of accounting policies, areas of judgment and the financial statements and their comments on statements concerning risk and internal control. A similar review was undertaken at its August meeting when the interim statements were considered.

At these meetings, and at its meetings in July and November, the Committee also dealt with the following particular matters:

- It established terms of reference for a subcommittee to make recommendations to the Committee on administrative matters;
- It reviewed the effectiveness of the systems of internal financial control;
- It reviewed the strategy, staffing and processes of the internal audit department and recommended to the Board minor changes to the terms of reference of that department;

- It reviewed the operation of the Group's whistleblowing policy;
- It reviewed the policy on engagement of the external auditor for non-audit work, as referred to below, and its policy on the employment of anyone previously employed by the external auditor;
- It reviewed the plans presented by the external auditor for conduct of the year-end audit including terms of engagement, fees and letters of engagement;
- It reviewed the Company's accounting policies and forthcoming International Financial Reporting Standards and other regulatory changes;
- It reviewed the Company's approach to tax planning;
- It reviewed the Company's business continuity planning;
- It reviewed an evaluation of its work carried out as part of the Board evaluation process referred to on page 43 and reported to the Board on this evaluation;
- It reviewed any comments received on its 2005 report from institutional investor bodies;
- Principally by means of a questionnaire, the Committee reviewed the effectiveness of the Internal and External Audit functions.

EXTERNAL AUDITORS

The Company places great importance on the effectiveness and independence of its external auditor and together with them is careful to ensure their objectivity is not compromised. At its November meeting, the auditor

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.

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 auditor. Audit fees are negotiated by the Finance Director and approved by the Audit Committee. For other services that may be provided by the auditor, the Company's policy is:

Audit related services

The auditor is invited by the Company to undertake those services that they are required to and are most suited to perform. Such work includes certification in respect of borrowings, stock exchange related reporting and where appropriate, assistance with acquisitions.

Taxation

The external auditor assists the Group to meet general tax compliance requirements as well as providing advice on acquisitions and tax planning. Should opportunities arise for them to advise on special tax projects, their suitability is assessed at the time to ensure it would not compromise their audit independence, with the work being tendered where appropriate.

Consulting

To avoid any possible conflict of interest the Group's policy is not to employ its auditor for general consulting work.

Following its November 2006 meeting, the Committee recommended to the

Board that a resolution be put to shareholders at the Annual General Meeting for the re-appointment of the external auditor, and to authorise the Directors to fix their remuneration.

INTERNAL AUDIT

As well as its reviews of the internal audit department's strategy and processes, as described above, during its meetings in 2006, 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 2007. The Committee was satisfied with the overall effectiveness of the department.

OVERVIEW

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

C. J. Bunker
Chairman, Audit Committee
5 March 2007

DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2006

INTRODUCTION

This report sets out the Company's remuneration policies for its directors and senior executives and describes how those policies are applied in practice. We have reviewed these policies during 2006 and in this report we give and explain the conclusions of this review.

The Directors confirm that this report has been drawn up in accordance with the requirements of Schedule 7A of the Companies Act 1985 and the 2003 Combined Code on Corporate Governance ('the Code'). A resolution to approve the report will be proposed at the Annual General Meeting.

UNAUDITED INFORMATION

Remuneration committee

The Committee comprises Andrew Simon, Tim Stevenson, John Coleman (from April 2006) and Michael Dearden, all of whom are independent non-executive directors. Andrew Simon was appointed Chairman of the Committee on 1 May 2006. Michael Dearden chaired the Committee from January to April 2006.

The Committee is responsible for the broad policy on senior executives' pay and remuneration. It determines all aspects of the remuneration packages of the executive directors and reviews with the Chief Executive the remuneration packages for other senior executives. The Committee's terms of reference, which are available in the investor section of our website, require it to give due regard to the best practice contained in the Code.

The Committee met seven times in 2006. A large proportion of the Committee time during the year has been spent reviewing the incentive scheme arrangements for executive directors and senior executives, as described in more detail later in this report.

The Committee keeps itself fully informed of all relevant developments and best practice in remuneration matters and seeks advice where appropriate from external advisors. Both New Bridge Street Consultants and Towers Perrin have provided material advice to the Committee on directors' remuneration and share schemes in the past year, and Mercer Human Resources Consulting have advised on pension matters. These advisers were appointed by the Committee. In addition, Geoff Cooper (Chief Executive), Andrew Pike (Group Company Secretary), Carol Kavanagh (Group Human Resources Director) (or her predecessor Rob Tansey) have assisted the Committee in its deliberations, but never in respect of their own remuneration.

Policy on executive directors' remuneration

The Company's policy on executive remuneration is to ensure that it has an appropriate mix of fixed and variable pay over the short and long term, to attract and retain high quality executives with an appropriate blend of skills and experience. This is supported by the following policies:

1. We aim to be competitive. During the year the Committee reviewed the comparator group and concluded

that, going forward, the benchmarking group will be companies ranked in the FTSE 51-200 because Travis Perkins has consistently had a FTSE ranking of circa 125.

2. We ensure that remuneration packages contribute to the delivery of long-term shareholder value. This is reflected in the Company's annual bonus plan and share plans, which are explained in more detail below. A significant proportion of a director's total remuneration package is variable, being subject to the achievement of specified business objectives. In applying this policy the Committee has taken account of the provisions of Schedule A of the Combined Code.
3. We encourage executives to own Travis Perkins' shares. This is exemplified by the compulsory deferral of bonus in shares and our share holding guidelines.

Conclusions of remuneration review

The key conclusions of the remuneration review carried out in 2006 were:

- A coherent and graded remuneration structure should apply across all Travis Perkins' businesses for senior executives.
- The annual bonus metrics of earnings per share, return on capital employed and reduction in Group net debt all support the Company's five year business plan.
- Deferral of part of the annual bonus in Travis Perkins' shares should continue to apply, with all executives

having a common 25% deferral percentage of any bonus declared.

- For 2007 and later financial years, deferred bonus will not attract an allocation of matching shares, i.e. the annual bonus plan has been decoupled from the long term incentive plans. Instead matching shares will only be awarded to executives who voluntarily choose to invest in Travis Perkins' shares, from annual bonus or other monies.
- Subject to shareholder approval at the 2007 AGM, share options will be replaced for the most senior executives with performance share awards in 2008. Further details on this are in the letter from the Chairman to shareholders dated 5 March 2007.

The Committee believes that these changes will give a sound and robust structure to variable pay at Travis Perkins, be easier to understand and will support the five year business plan and the wish to make available variable remuneration to reward outperformance.

Basic salary

A director's basic salary is generally determined by the Committee annually taking in to account criteria such as market conditions affecting executive remuneration, affordability, the individual's contribution, and when an individual changes role. The Company's policy is to pay competitive salaries. Salaries are normally reviewed in November each year, with increases taking effect from 1 January in the following year.

Against this policy the Committee reviewed the executive directors' salaries and concluded that they were uncompetitive. Accordingly, above inflation salary increases were awarded to the three executive directors and, with effect from 1 January 2007, their basic annual salaries (and percentage increases) are:

J. P. Carter	£350,000 (11.1%)
G. I. Cooper	£500,000 (8.4%)
P. N. Hampden Smith	£350,000 (11.1%)

When awarding these salary increases, the Committee considered the salary

increases awarded to other managers and employees in the group, where a similar market driven approach was taken.

Pension arrangements

Historically, the general policy has been for executive directors to be members of the Company's final salary pension scheme, although from 1 February 2006 all new employees, including any executive directors, have been and will be provided with defined contribution benefits.

In the final salary scheme, the policy was for executive directors to accrue benefits at a rate of 1/30 of pensionable salary for each year's pensionable service after appointment as a director. In the case of John Carter and Paul Hampden Smith, the effective accrual rate is less than 1/30 (approximately 1/57 and 1/42 respectively) due to their potential length of service up to retirement age, so that their pension does not exceed two thirds of pensionable salary. Normal retirement age is 60. As with all other members, executive directors' dependants are eligible for dependants' pensions and a payment of a lump sum in the event of death in service. The pension arrangements provide for a pension in retirement based on the director's length of service in the Group pension scheme and the average of the best three of the last ten years of pensionable salary. For pensionable service from 1 December 2004, pensionable salary for all members is basic salary only. In the event that a director's pension benefits were limited by the Inland Revenue 'earnings cap', which applied up to April 2006, the general policy was to pay an age related annual salary supplement. Geoff Cooper and Paul Hampden Smith received such a salary supplement. From April 2006, an 'earnings cap' has been applied only in respect of benefits based on service to that date.

There have been no changes in the basis of directors' pension entitlements during the year except as described below for Geoff Cooper. There are no unfunded pension commitments or

similar arrangements for directors.

During the year the Committee implemented measures which reflected changes in the taxation of pension arrangements at April 2006. It recognised that the Company should not compensate such executives for any additional tax for which they would be liable under the new arrangements. It will make available at the member's option, a cost neutral alternative to continued pension provision for members the value of whose benefits are at least 80% of the Lifetime Allowance. The alternative benefit will be a salary supplement calculated with regard to the cost the Company would have incurred in providing continuing pension accrual. This supplement will not be taken into account for the purposes of bonuses or other benefits. In line with this policy, at April 2006, Geoff Cooper ceased to accrue service related benefit in the final salary scheme and instead has received a salary supplement.

Annual bonus payments

At the beginning of the year, the Committee establishes the targets that must be met in order for a bonus to be paid. As was the case in 2006, the Committee's policy for 2007 executive directors is that there are three bonus criteria: basic earnings per share growth, average cleared net debt reduction and return on capital employed. Each has an equal weighting.

Individual bonuses are capped at 120% of salary for the Chief Executive and 100% of salary for the Chief Operating Officer and the Finance Director. This compares to a maximum bonus potential of 101% of salary that applied to all three directors in 2006. The change was made as part of the remuneration review and reflects the policy of remuneration being based on reporting lines. On-target bonuses are calibrated at half the maximum and targets are set by reference to the Company's financial plans at the beginning of the year.

One of the conclusions of the incentives review was that the annual bonus plan should be de-coupled from

the long term incentives. Accordingly, annual bonus outcome in 2007 and later years will not determine the quantum of grant of matching share awards.

It was recognised by the Committee that the previous bonus deferral arrangement was unnecessarily complex. Therefore from 2007 all bonus for all senior executives will be subject to a common 25% deferral. This means that payment of a quarter of the full bonus will be deferred for three years. To ensure alignment of interest with shareholders, the deferred bonus will be payable in shares the number of which shall be calculated at the beginning of the deferral period.

For the 2006 bonus year maximum bonus (set at 101% of salary) was payable if the Company achieved 107.5% of budget for earnings per share, 105% of budget for return on capital employed, and an improvement over budget in average cleared net debt reduction of £16m. As a result of the Company's good results in 2006, bonuses worth a total of 101% of salary were awarded to the executive directors. Under the bonus plan that applied for 2006, the bonuses are sub-divided so that 75% of salary is payable immediately in cash and 26% of salary is deferred for three years in Travis Perkins' shares.

Equity incentives

The Company's previous policy on equity incentives was to grant share options and share matching awards. The grant of share matching awards was linked to the amount of bonus paid, subject to a limited top up by the executives. Subject to shareholder approval at the AGM, the future policy will be to grant performance shares instead of share options to executive directors and senior executives and to operate an amended Share Matching Scheme on a voluntary only basis. Full details of these new arrangements are given in the letter from the Chairman to shareholders dated 5 March 2007. As a result 2007 will be a transitional year, for which the new bonus plan as described above will apply, share

PERFORMANCE SHARE AWARDS

Three year earnings per share growth	Vesting percentage
Less than RPI + 3% per annum	0%
RPI + 3% per annum	30%
Between RPI + 3% per annum and RPI + 10% per annum	30% to 100% pro rata
RPI + 10% per annum	100%

The actual targets to apply to the 2008 awards will be given in next year's remuneration report.

options (and no performance shares) will be granted, and deferred share and matching share awards will be made under the previous policy because they relate to the 2006 bonus.

Share options

The 2001 Executive Share Option Scheme, provides for the grant of options on an annual basis, with a nominal value limit up to twice basic salary. Options are not granted at a discount to the market value. The exercise of options requires satisfaction of an earnings per share ('EPS') performance condition. EPS has been chosen because the Committee considers it to offer the greatest incentive and to be the best rounded measure of year-on-year financial performance at Travis Perkins. For all eligible executives, EPS must exceed inflation by at least 9% over a 3 year period. For the most senior executives, for the grants made in 2006 and 2007, this allows 25% of their options to be exercised, and for all options to be exercisable EPS growth must exceed inflation by at least 15% over that period. Between 9% and 15%, the number of exercisable options is calculated on a straight line basis. Performance criteria for earlier grants are set out on page 53. The approach to measurement of EPS as a performance measure is described below. Options granted in 2004 and thereafter do not permit any re-testing of the performance condition.

Share options normally lapse on cessation of employment but during the year the Committee exercised its

discretion to allow exercise for one early leaver (who was not an executive director).

Performance share awards

If approved by shareholders at the AGM, the 2007 Performance Share Plan will empower the Committee to grant performance share awards. For the same reason as for share options, the vesting of performance share awards will depend on the extent to which an EPS performance condition is satisfied over the normal three year vesting period. Although the first awards will not be granted until 2008, it is the Committee's general premise that calibration shall apply as shown in the table above.

Share matching awards

Under the current rules of the Share Matching Scheme, executives can be awarded shares in the Company of a value up to 35% of their annual cash bonus ("Deferred Shares"). These shares are to be held in trust for three years and generally will be forfeited if an executive leaves during this time. In addition, further awards of shares in the company (known as 'Matching Shares') are made, the vesting of which is subject to a three-year EPS performance condition. Awards of matching shares are linked to the Deferred Shares and, in addition, executives may invest up to 35% of annual salary in the Company's shares, ('Investment Shares') using the proceeds of their annual cash bonus.

There were no occasions during the year on which the Committee exercised its discretion to transfer shares to early leavers.

For the awards made this year that relate to 2006 bonuses, the performance criterion is:

- for EPS growth of less than RPI plus 12%, no Matching Shares vest;
- for EPS growth of RPI plus 12%, one Matching Share vests for each three Deferred/Investment Shares;
- for EPS growth of RPI plus 24% or higher, one Matching Share vests for every one Deferred/Investment share; and
- straight line pro-rating applies between EPS growth of RPI plus 12% and RPI plus 24%.

As part of the proposals being put to shareholders at the Annual General Meeting it is proposed that in future years, the vesting of matching share awards will depend on the extent to which a three year cash return on capital employed target is met. This has been chosen because the management and efficient utilisation of cash within the Group is important in the creation of future shareholder value. It can be measured from audited figures published in the annual accounts and more detail will be given in next year's report when the first awards are made.

In the use of EPS as a performance measure in share incentive schemes, the Committee has recognised the potential impact of changes in accounting standards. It has therefore adopted an approach whereby the basis used for measuring EPS growth for each performance period is static even if the method of measurement of EPS in the company accounts develops over the same period. This will ensure consistency in the measurement of the performance of the business for the purposes of the share schemes.

Shareholding guidelines

In March 2005, the Company issued shareholding guidelines to its most senior executives encouraging them to build up a shareholding in the Company over a five-year period. The target shareholding is 100% of salary for the executive directors and 50% of salary for the other executives. Share options which have vested but not been

exercised count towards these targets. The guidelines were reviewed in December 2006. While these guidelines are not mandatory, the Committee has reserved the right to take into account an individual's position relative to the target, when making future awards under the Company's share incentive arrangements.

Service contracts

The Company's policy for executive directors is to have contracts which are not for a fixed period, and which are terminable on twelve months notice from the Company, and six months from the director. It is not the policy to specify what compensation would be payable on termination by the Company. If such compensation was due, it would be calculated by reference to the unexpired part of the notice period, and the director's salary and other benefits, including pension rights, taking due account of the director's duty to mitigate his loss. Service contracts do not specify any particular level of compensation in the event of termination following change of control of the Company.

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.

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

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 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.

Chairman

The second three year term of the Chairman, Tim Stevenson, will expire in September 2007. In a review process led by the senior independent director, Michael Dearden, the Board agreed that in the light of the current make-up of the Board, the point that has been reached in the Company's development and the evaluation of Mr Stevenson's performance as part of the Board evaluation process described on page 43, it was highly desirable that Mr Stevenson should continue his chairmanship. It has therefore been agreed that he will continue as Chairman until September 2010.

Michael Dearden

Similarly, the Chairman led a review process in regard to the appointment of Michael Dearden, senior independent director, whose second three year term ended in November 2006. Taking into account the evaluation of his performance, it was agreed that shareholders' interests would be greatly served by his continuing presence on the Board and he has agreed to continue as senior independent director for an additional two year term until November 2008.

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 2010
Stephen Carter	April 2009
John Coleman	February 2008
Michael Dearden	November 2008
Andrew Simon	February 2009
Tim Stevenson	September 2010

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

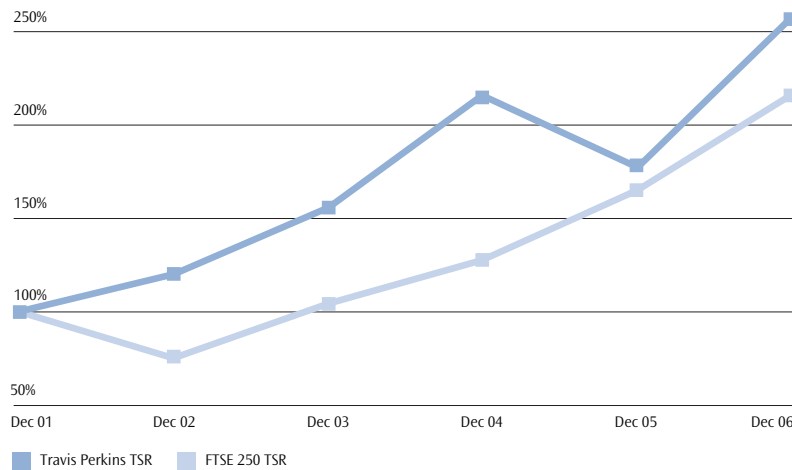
The remuneration of the non-executive directors is determined by the Board. Each non-executive director receives an annual fee. In addition Michael Dearden, Chris Bunker and Andrew Simon receive an additional fee for the role of senior independent director and for chairing the Audit

Committee and Remuneration Committee, respectively. 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.

Total shareholder return

As required by the Companies Act the graph 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 years.

TOTAL SHAREHOLDER RETURN ('TSR')



AUDITED INFORMATION

Travis Perkins' share price information

	2006	2005
Mid-market price at the year end	1,984p	1,400p
Highest mid-market price during the year	1,986p	1,979p
Average mid-market price during the year	1,616p	1,598p
Lowest mid-market price during the year	1,341p	1,205p

Directors' shareholdings

The directors' holdings of ordinary 10p shares of Travis Perkins plc at 31 December 2005 and 2006 were as follows:

Director	Interest	2006 No.	2005 No.
C. J. Bunker	Beneficial owner	4,000	4,000
J. P. Carter	Beneficial owner	15,042	14,188
S. Carter	Beneficial owner	1,000	-
J. Coleman	Beneficial owner	-	-
G. I. Cooper	Beneficial owner	10,000	5,000
M. B. Dearden	Beneficial owner	3,000	3,000
P. N. Hampden Smith	Beneficial owner	21,785	9,360
A. H. Simon	Beneficial owner	1,000	-
T. E. P. Stevenson	Beneficial owner	8,500	8,500

Details of directors' share options are given on pages 53 and 54. There have been no changes in the holdings of the Directors between 31 December 2006 and the date of this report.

Amount of directors' emoluments

Details of directors' remuneration are set out in the table below.

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.

	Basic salary		Annual bonus		Benefits in kind		Total remuneration	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Executive								
G. I. Cooper ¹	648	540	346	-	33	32	1,027	572
P. N. Hampden Smith ²	337	386	236	-	10	11	583	397
J. P. Carter	315	300	236	-	29	25	580	325
Non-executive								
T. E. P. Stevenson	160	150	-	-	-	-	160	150
C. J. Bunker	41	41	-	-	-	-	41	41
S. Carter ³	23	-	-	-	-	-	23	-
J. Coleman	33	29	-	-	-	-	33	29
M. B. Dearden	41	33	-	-	-	-	41	33
A. H. Simon ⁴	34	-	-	-	-	-	34	-
	1,632	1,479	818	-	72	68	2,522	1,547

1 Highest paid director - Basic salary includes a £34,440 (2005 £126,640) salary supplement to enable Geoff Cooper to arrange pension provision for that part of his salary, which was above the HMRC approved limit, which applied up to April 2006. It also includes a salary supplement of £152,375 which replaced continuing pension accrual from April 2006. Geoff Cooper also received, and retained, in 2006, £75,000 (2005: £65,000) in respect of his non-executive chairmanship of Dunelm Group Plc.

2 Basic salary includes a £21,870 salary supplement (2005: £84,270) to enable Paul Hampden Smith to arrange pension provision for that part of his salary, which is above the HMRC approved limit which applied up to April 2006. It also includes a £1,500 fuel allowance. Paul Hampden Smith also received, and retained, in 2006, £33,287 (2005: £35,000) in respect of his non-executive directorship of DX Services Plc.

3 Appointed 24 April 2006.

4 Appointed 20 February 2006.

Directors' pension entitlements

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

	J. P. Carter	P. N. Hampden Smith	G. I. Cooper
Age at 31 December 2006	45	46	52
	£'000	£'000	£'000
Accrued pension at 31 December 2005	176	33	3
Accrued pension at 31 December 2006	182	40	4
Increase in accrued pension in 2006	6	7	1
Real increase in accrued pension in 2006	(1)	6	1
Transfer value of the real increase in accrued pension net of member's contributions	(27)	46	13
Value of increase in accrued benefit	(7)	63	15
Member's contributions towards pension	20	17	2
Increase in transfer value net of member's contributions	241	115	21
Transfer value of benefits accrued at 31 December 2005	1,814	343	46
Transfer value of benefits accrued at 31 December 2006	2,075	475	69

Notes:

G. I. Cooper ceased future accrual on 5 April 2006 but retains his salary link (subject to the Earnings Cap which applied up to April 2006). Salary Sacrifice was introduced for member contributions in April 2006. The figures above include the sacrificed amounts.

Share matching scheme

The following shares (price at award date 1,681p) remain outstanding at 31 December 2006:

	Deferred Shares No.	Deferred Matching Shares No.	Investment Matching Shares No.
At 1 January 2006	13,966	19,539	27,158
Vested during the year	(919)	-	-
Lapsed during the year	(1,050)	(6,623)	(1,011)
At 31 December 2006	11,997	12,916	26,147

Participation by directors in the Share Matching Scheme is as follows at both 31 December 2006 and 31 December 2005:

	G. I. Cooper	P. N. Hampden Smith	J. P. Carter
Deferred shares	-	3,160	3,045
Deferred matching shares	-	3,160	3,045
Investment matching shares	-	5,746	5,537
Number of shares at 31 December 2006	-	12,066	11,627

The performance criteria for the vesting of share matching shares are disclosed on page 49 of the remuneration report.

Share options

The following options over ordinary shares have been granted under the 1995 and the 2001 Executive Share Option Schemes and the Travis Perkins' Sharesave Schemes 1992 and 2002 and remained outstanding at 31 December 2006:

Executive share options

Outstanding at 1 January 2006	Granted during year	Lapsed during year	Exercised during year	Outstanding at 31 December 2006	Exercise price	Exercise period
No.	No.	No.	No.	No.		
39,802	-	-	(4,051)	35,751	571.5p	Anytime until 26/4/08
13,520	-	-	(1,260)	12,260	602.5p	Anytime until 7/9/10
310,671	-	(3,303)	(95,059)	212,309	756.0p	Anytime until 3/7/11
136,601	-	-	(18,080)	118,521	1,071.5p	Anytime until 9/4/12
328,085	-	(12,177)	(150,575)	165,333	1,067.5p	Anytime until 10/4/13
466,605	-	(24,302)	(23,348)	418,955	1,311.0p	Anytime until 15/3/14
72,033	-	(3,332)	-	68,701	1,447.0p	From 30/4/07 until 29/10/14
9,044	-	-	-	9,044	1,382.0p	From 7/9/07 until 6/9/14
574,301	-	(51,019)	(16,777)	506,505	1,675.0p	From 1/4/08 until 31/3/15
264,156	-	-	(2,666)	261,490	1,435.0p	From 30/9/08 until 29/9/15
-	884,639	(19,315)	(11,561)	853,763	1,611.0p	From 19/4/09 until 18/4/16
-	7,180	-	-	7,180	1,777.0p	From 14/9/09 until 13/9/16
-	18,918	-	-	18,918	1,784.0p	From 23/11/09 until 22/11/16
2,214,818	910,737	(113,448)	(323,377)	2,688,730		

The performance criteria for the exercise of executive share options granted in 2006 and 2007 under the 2001 Executive Share Option Scheme are set out on page 49. For earlier grants, for the most senior executives, the number of options vesting at EPS growth of RPI plus 9% and the EPS growth required to achieve 100% vesting are shown below:

Year	Options vesting at RPI + 9%	EPS growth for 100% vesting
2001 - 2004	50%	RPI + 15%
2005	25%	RPI + 21%

The options granted under the 1995 Executive Share Option Scheme prior to 1998 do not have performance conditions, consistent with market practice at the time.

Sharesave options

Outstanding at 1 January 2006 No.	Granted during year No.	Lapsed during year No.	Exercised during year No.	Outstanding at 31 December 2006 No.	Exercise price	Exercise period
28,197		(435)	(27,762)	-	464.0p	
201,636	-	(4,634)	(183,339)	13,663	609.5p	Anytime until 31/5/07
31,584	-	(2,131)	(29,453)	-	847.5p	
196,014	-	(10,319)	(8,309)	177,386	847.5p	From 1/12/07 until 31/5/08
203,576	-	(12,530)	(174,460)	16,586	1,079.0p	Anytime until 31/5/07
146,064	-	(12,197)	(967)	132,900	1,079.0p	From 1/12/08 until 31/5/09
203,272	-	(23,029)	(1,832)	178,411	1,156.0p	From 1/12/07 until 31/5/08
154,567	-	(19,929)	(101)	134,537	1,156.0p	From 1/12/09 until 31/5/10
482,860	-	(77,181)	(2,742)	402,937	1,159.0p	From 1/12/08 until 31/5/09
298,274	-	(40,883)	(237)	257,154	1,159.0p	From 1/12/10 until 31/5/11
-	383,847	(4,152)	-	379,695	1,254.0p	From 1/12/09 until 31/5/10
-	176,019	(1,769)	-	174,250	1,254.0p	From 1/12/11 until 31/5/12
1,946,044	559,866	(209,189)	(429,202)	1,867,519		

Directors' share options (including sharesave options*) included within the previous tables

	Outstanding at 1 January 2006 No.	Granted during year No.	Outstanding at 31 December 2006 No.	Exercise price	Exercise period
J. P. Carter	29,398	-	29,398	1,071.5p	Anytime until 9/4/12
	32,786	-	32,786	1,067.5p	Anytime until 10/4/13
	34,038	-	34,038	1,311.0p	Anytime until 15/3/14
	31,343	-	31,343	1,675.0p	From 1/4/08 until 31/3/15
	-	34,217	34,217	1,611.0p	From 19/4/09 until 18/4/16
	745	-	745	1,254.0p	From 1/12/09 until 31/5/10*
P. N. Hampden Smith	30,000	-	30,000	571.5p	Anytime until 26/4/08
	39,351	-	39,351	756.0p	Anytime until 3/7/11
	31,031	-	31,031	1,071.5p	Anytime until 9/4/12
	40,983	-	40,983	1,067.5p	Anytime until 10/4/13
	36,708	-	36,708	1,311.0p	Anytime until 15/3/14
	31,343	-	31,343	1,675.0p	From 1/4/08 until 31/3/15
	819	-	819	1,156.0p	From 1/12/07 until 31/5/08*
	-	34,217	34,217	1,611.0p	From 19/4/09 until 18/4/16
G. I. Cooper	53,731	-	53,731	1,675.0p	From 1/4/08 until 31/3/15
	-	57,262	57,262	1,611.0p	From 19/4/09 until 18/4/16
	1,389	-	1,389	1,159.0p	From 1/12/10 until 31/5/11*
	393,665	125,696	519,361		

No directors' share options were exercised or lapsed during the year.

At 31 December 2006, in addition to the directors, there were 186 employees (2005: 206) who had holdings of executive share options and 4,291 employees (2005: 4,210) who were participating in the Sharesave Scheme.

SHAREHOLDERS' APPROVAL

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:

A. H. Simon

Chairman, Remuneration Committee

5 March 2007

NOMINATIONS COMMITTEE REPORT

For the year ended 31 December 2006

The Nominations Committee was established in July 2003, and its principal role 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 reviews the induction process for newly appointed directors, reviews annually the time required of non-executive directors, 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. During the year, the Committee members were Tim Stevenson (Chairman), together with Chris Bunker and Michael Dearden both of whom are independent non-executive directors.

During first half of the year, the Committee reviewed the balance of experience on the Board, following the retirements of Ted Adams and Peter Maydon, and the appointment of Andrew Simon, as reported last year. It recommended to the Board that a further non-executive director should be appointed. A description of the

experience and capabilities required for this appointment was agreed by the Committee in consultation with the other directors. Recruitment consultants, Russell Reynolds, assisted the Committee in this process and a number of candidates were interviewed by the Committee and by other directors. As a result, Stephen Carter was appointed on 24 April 2006.

The Committee also considered the forthcoming expiry of the terms of appointment of Michael Dearden (in November 2006) and Tim Stevenson (in September 2007) and made recommendations to the Board for the continuation of their appointments, as described in the remuneration report on page 50. Neither Michael Dearden nor Tim Stevenson took part in the discussion about his own appointment.

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



T. E. P. Stevenson

Chairman, Nominations Committee
5 March 2007

DIRECTORS' REPORT

For the year ended 31 December 2006

The Directors present their annual report and audited accounts for the year ended 31 December 2006.

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, plumbing and heating products, and the hiring of tools to the building trade and industry generally and, (since the acquisition of Wickes), to 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.

ENHANCED BUSINESS REVIEW

A review of the Group's position, developments and future prospects is contained in the Chairman's statement on pages 10 and 11, the Chief Executive's review on pages 12 to 23, the Chief Operating Officer's review on pages 24 to 29 and the Finance Director's report on pages 30 to 37. A review of the Group's environmental performance is contained in the Chief Executive's review on pages 16 to 20.

RESULTS AND DIVIDENDS

The Group results and dividends for the year ended 31 December 2006 are set out on page 64. If approved, the final dividend will be paid on 17 May 2007 to those shareholders on the register at the close of business on 20 April 2007.

BALANCE SHEET AND POST BALANCE SHEET EVENTS

The balance sheet on pages 65 and 66 shows the Group's financial position. At the year end, in both net assets and cash terms, it is consistent with the prior year. 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 contained in the Finance Director's report on pages 34 to 37 and in note 3 to the accounts.

DIRECTORS AND THEIR INTERESTS

The names of the Directors at 31 December 2006, together with their biographical details, are set out on pages 40 and 41. All of those Directors held office throughout the year except Andrew Simon, who was appointed on 20 February 2006 and Stephen Carter, who was appointed on 24 April 2006. In accordance with the Company's Articles of Association, John Carter, John Coleman and Michael Dearden will retire by rotation 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, John Coleman and Michael Dearden do not have service contracts. In light of the evaluation of their performance as a result of the process described on page 43, Tim Stevenson, Chairman, confirms on behalf of the Board that John Coleman and Michael Dearden continue

to be effective in, and committed to, their roles as non-executive directors.

In accordance with the Company's Articles of Association, Stephen Carter, who has been appointed as a director since the last Annual General Meeting, will retire at the forthcoming Annual General Meeting and will offer himself for election. The Board believes that, with his experience of a number of different business sectors, he will continue to make a valuable contribution to the Board. Tim Stevenson, Chairman, confirms on behalf of the Board that Stephen Carter continues to be effective in and committed to his role as a non-executive director. As a non-executive director, Stephen Carter does not have a service contract.

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 147 of the Company's Articles of Association, the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 1985 (as amended), against liabilities incurred by them in the execution of their duties and exercise of their powers. This indemnity is currently in force. 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 the

SUBSTANTIAL SHAREHOLDINGS AT 19 JANUARY 2007

	Beneficial		Non-beneficial	
	Number	%	Number	%
E. R. A. Travis	1,966,026	1.61	6,402,252	5.24
C. M. Travis	1,016,992	0.83	5,793,257	4.74
Legal and General Group PLC	4,267,030	3.49	-	-

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 disclosable interests of Directors at 31 December 2006, including holdings, if any, of wives and of children aged under 18, were as detailed in the directors' remuneration report on pages 51, 53 and 54.

SUBSTANTIAL SHAREHOLDINGS

Until 19 January 2007, the Company maintained a register of substantial shareholdings in accordance with the provisions of s.211 of the Companies Act 1985. At 19 January 2007, the register showed that the holdings exceeding the 3% disclosure threshold were as the table above.

On 20 January 2007, the Companies Act 1985 provisions in respect of substantial shareholdings were repealed and replaced by the Disclosure and Transparency Rules of the FSA. As at 5 March 2007, the Company had received notification that the holdings of voting rights exceeding the 3% notification threshold was as follows:

Baillie Gifford & Co which held 9,079,300 voting rights (representing 7.44% of the total voting rights attaching to the issued ordinary share capital of the Company).

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 Operating Officer's review and in the Chief Executive's review respectively on pages 28, 29 and 20.

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

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 established 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. The sharesave scheme has been running successfully since its inception and is open to all employees after 3 months service.

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 2006 represented 52.5 days (31 December 2005: 50.5 days) of average purchases of goods and services. The Company trade creditors at 31 December 2006 represented 30 days (2005: 30 days).

AUDITOR

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

STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITOR

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

ANNUAL GENERAL MEETING SPECIAL BUSINESS

The Annual General Meeting of the Company will be held at Northampton Rugby Football Club, Franklin's Gardens, Weedon Road, Northampton, NN5 5BG on Tuesday 15 May 2007 at 11.45 a.m. The following items are to be proposed at the forthcoming Annual General Meeting as items of special business, 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 report of the Directors' Remuneration Report as set out on pages 47 to 54.

Resolution 9: Amendment of share matching scheme

This resolution seeks shareholders' approval to amend the rules of the Travis Perkins' Share Matching Scheme which is summarised on pages 49 and 50 and further details of which are given in the letter from the Chairman to shareholders dated 5 March 2007.

Resolution 10: Approval of performance share plan

This resolution seeks shareholders' approval to the proposed rules of the Travis Perkins 2007 Performance Share Plan which is summarised on page 49 and further details are given in the

letter from the Chairman to shareholders dated 5 March 2007.

Resolution 11: Renewal of authority to allot shares

Under the Companies Act 1985 the Board is not able to allot shares except with the general or specific authority of shareholders. Resolution 11 renews the Board's authority to issue share capital up to an aggregate nominal amount of £1,288,449.20 (being the Company's authorised but unissued share capital). This represents 10.55% of the issued share capital of the Company as at 5 March 2007 (excluding treasury shares). The Company holds no treasury shares at 5 March 2007. The authority extends until the earlier of the conclusion of the next Annual General Meeting and the date fifteen months from the passing of this resolution. The Board does not have any present intention of exercising this authority other than for the purposes of the Company's employee share option schemes.

Resolution 12: Limited authority to allot shares for cash

The Companies Act 1985 provides that, when equity securities are being issued for cash, such securities must first be offered pro-rata to existing shareholders unless the Board is given power to allot them without regard to that requirement. Resolution 12 therefore empowers the Board to allot for cash, equity securities of a nominal amount not exceeding £610,577.54 (representing 5% of the issued share capital as at 5 March 2007) without first offering such securities to existing shareholders. Under the relevant institutional shareholder voting guidelines, the annual disapplication of pre-emption rights should not exceed 5% of the issued share capital and there is also a cumulative limit of 7.5% of issued share capital in any three year period. Although the Board is seeking a disapplication in respect of 5% the Board will have due regard to the effect of the placing in connection with the Wickes acquisition on such 7.5% cumulative limit until 18 December 2007, at which

time such placing will cease to be relevant to this cumulative limit. The authority extends until the earlier of the conclusion of the next Annual General Meeting and the date fifteen months from the passing of this resolution. Any issue of shares for cash will, however, still be subject to the requirements of the UK Listing Authority.

Resolution 13: Amendment of Articles of Association

Resolution 13 proposes certain amendments to the Company's Articles of Association. The revised Articles of Association would enable the Company to benefit from broader powers under the Companies Act 2006 (the '2006 Act') in relation to the sending or supplying of notices, documents or information by the Company in electronic form (including via a website). Although the Company's Articles of Association currently contain provisions relating to electronic communications, the relevant provisions of the 2006 Act, which came into force on 20 January 2007, permit the use of electronic communications to a greater extent than was previously possible. In particular, the 2006 Act permits all communications between shareholders and the Company to be made in electronic form and allows notices, documents or information (including, for example, the Company's annual report and accounts) to be sent or supplied via the Company's website unless a shareholder has specifically requested to continue to receive notices, documents and information in hard copy form.

The Directors believe that it is in the interests of the Company to take advantage of these broader powers. Subject to the passing of this resolution, the Company intends to make use of these provisions in the future in order to facilitate communications between the Company and its shareholders and to reduce the cost currently incurred in sending paper copies of documents to a large number of shareholders. If this resolution is passed the Company will write to shareholders, in accordance with the 2006 Act, inviting those

shareholders who wish to continue to receive notices, documents and information in hard copy form to notify the Company accordingly. As this will only take place after the Annual General Meeting, shareholders need take no action at present.

In addition, the references to sections of the Companies Act 1985 contained in the existing Articles of Association dealing with the disclosure of Directors' interests and the Company's power to investigate holdings of its shares are to be updated to reflect the repeal and/or re-enactment of those sections by the 2006 Act.

A copy of the Company's existing Articles of Association, a copy marked to show the differences between the existing Articles of Association and the Articles of Association as proposed to be amended pursuant to resolution 13 and a copy of the Articles of Association incorporating such amendments will be available for inspection from the date of this notice up to the time of the Annual General Meeting at the registered office of the Company during usual business hours and at the place of the Annual General Meeting for at least 15 minutes before and during the meeting.

Resolution 14: 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 104, will be proposed as special business 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 1985. The authority limits the number of shares that could be purchased to a maximum of 12,211,550 (representing 10% of the issued ordinary share capital of the Company as at 5 March 2007) and sets minimum and maximum prices. This authority will expire no later than 15 months after the date of the forthcoming Annual General Meeting.

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 5 March 2007, there were options over 4,515,230 ordinary shares in the capital of the Company, (including

11,997 Deferred Shares, 12,916 Deferred Matching Shares and 26,147 Investment Matching Shares, these are described in the Share Matching Awards section of the Remuneration Report on pages 49 and 50), which represent 3.70% of the Company's issued ordinary share capital (excluding treasury shares). If the authority to purchase the Company's ordinary shares were exercised in full, these options would represent 4.11% of the Company's issued ordinary share capital (excluding treasury shares). As at 5 March 2007, 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
A. S. Pike
 Secretary
 5 March 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2006

The Directors are responsible for preparing the Annual Report, Directors' Remuneration 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. The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards ('IFRS') as adopted by the European Union and have also elected to prepare the Parent Company financial statements in accordance with IFRS as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulations.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all

applicable International Financial Reporting Standards. Directors are also required to:

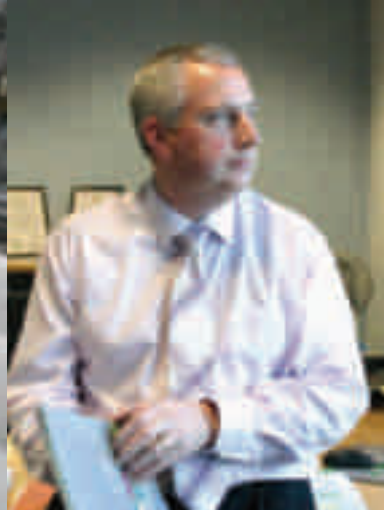
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions in the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report and enhanced business review that comply with the requirements of the Companies Act 1985.

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



Rob Castle,
Assistant Manager,
Travis Perkins,
Wrenningham



Russ Pittingale,
Manager, CCF
East London



Sylvia Spray,
Cleaner, Wickes,
Halesowen

Ian Kirkby, Driver and Andy McDonald, Fork-lift Driver (now plumbing counter sales assistant), Travis Perkins, Ulverston

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAVIS PERKINS PLC

For the year ended 31 December 2006

We have audited the Group and Parent Company financial statements (the 'financial statements') of Travis Perkins plc for the year ended 31 December 2006 which comprise the Group and Individual Company Income Statements, the Group and Individual Company Balance Sheets, the Group and Individual Company Cash Flow Statements, the Group and Parent Company Statement of Recognised Income and Expense and the related notes 1 to 37. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the

financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement, the Chief Executive's review, the Chief Operating Officer's review and the Finance Directors' report that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law

regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments

made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's and the Parent Company's affairs as at 31 December 2006 and of the Group's and the individual Company's profit for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial

statements, Article 4 of the IAS Regulation; and

- the information given in the Directors' Report is consistent with the financial statements.

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligations to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2006 and of its profit for the year then ended.

Deloitte & Touche LLP

Chartered Accountants and
Registered Auditors
Birmingham, United Kingdom

5 March 2007

INCOME STATEMENTS

For the year ended 31 December 2006

	Notes	The Group						The Company	
		2006			2005			2006	2005
		Non-Wickes related £m	Identified impact of Wickes (Note below) £m	Total £m	Non-Wickes related £m	Identified impact of Wickes (Note below) £m	Total £m	Total £m	Total £m
Revenue	4	2,000.3	848.5	2,848.8	1,881.0	759.8	2,640.8	72.5	65.6
Operating profit (before exceptional property profit)		207.4	70.6	278.0	208.3	59.7	268.0	59.9	56.8
Exceptional property profit	5	11.6	–	11.6	–	–	–	–	–
Operating profit	5	219.0	70.6	289.6	208.3	59.7	268.0	59.9	56.8
Finance income	10	0.8	1.1	1.9	0.4	–	0.4	1.9	0.3
Finance costs	10	–	(59.6)	(59.6)	(10.8)	(50.9)	(61.7)	(55.6)	(54.4)
Profit before tax		219.8	12.1	231.9	197.9	8.8	206.7	6.2	2.7
Tax	11	(63.5)	(1.4)	(64.9)	(61.9)	(4.0)	(65.9)	17.6	18.2
Profit for the year		156.3	10.7	167.0	136.0	4.8	140.8	23.8	20.9
Earnings per ordinary share	12								
Basic				137.9p			116.8p		
Diluted				136.8p			115.6p		
Total dividend per ordinary share	13			37.4p			34.0p		

All results relate to continuing operations.

Note: The column headed “Identified impact of Wickes” includes the post-acquisition result of Wickes, together with the synergies that have arisen from specific integration projects, and the additional finance related costs incurred by the Group as a result of the acquisition, (note 5c).

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2006

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Actuarial gains and losses on defined benefit pension scheme	41.4	2.4	–	–
Gains/(losses) on cash flow hedges	7.9	(5.0)	7.9	(5.0)
Tax on items taken to equity	(13.7)	10.1	(1.4)	1.4
Net income recognised directly in equity	35.6	7.5	6.5	(3.6)
Transferred to income statement on cash flow hedges	0.6	0.5	0.6	0.5
Tax on items transferred from equity	0.1	(0.1)	0.1	(0.1)
Profit for the year	167.0	140.8	23.8	20.9
Total recognised income and expense for the year	203.3	148.7	31.0	17.7

BALANCE SHEETS

As at 31 December 2006

	Notes	The Group		The Company	
		2006	2005	2006	2005
		£m	£m	£m	£m
ASSETS					
Non-current assets					
Property, plant and equipment	16	426.4	445.2	0.3	0.3
Goodwill	14	1,282.0	1,273.8	–	–
Other intangible assets	15	162.5	162.5	–	–
Derivative financial instruments	25	3.8	1.3	3.8	1.3
Investment property	17	3.9	4.1	–	–
Available-for-sale investments	18	2.0	–	–	–
Investment in subsidiaries	18	–	–	1,614.5	1,607.8
Deferred tax asset	27	24.2	42.9	1.7	2.4
Total non-current assets		1,904.8	1,929.8	1,620.3	1,611.8
Current assets					
Inventories		294.4	263.2	–	–
Trade and other receivables	19	363.8	322.4	125.2	114.1
Derivative financial instruments	25	0.5	–	0.5	–
Cash and cash equivalents	20	56.3	56.1	13.0	11.0
Total current assets		715.0	641.7	138.7	125.1
Total assets		2,619.8	2,571.5	1,759.0	1,736.9

BALANCE SHEETS *CONTINUED*

As at 31 December 2006

	Notes	The Group		The Company	
		2006 £m	2005 £m	2006 £m	2005 £m
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	21	12.2	12.1	12.2	12.1
Share premium account	23	172.2	165.6	171.1	164.5
Revaluation reserve	23	25.3	26.3	–	–
Hedging reserve	23	4.0	(3.2)	4.0	(3.2)
Own shares	23	(7.9)	(8.1)	(7.9)	(8.1)
Accumulated profits	23	727.3	565.3	124.9	142.3
Total equity		933.1	758.0	304.3	307.6
Non-current liabilities					
Interest bearing loans and borrowings	24	763.6	1,027.4	732.8	994.0
Derivative financial instruments	25	30.9	–	30.9	–
Retirement benefit obligation	8	80.8	142.8	–	–
Long-term provisions	26	13.1	13.2	–	–
Amounts due to subsidiaries		–	–	549.4	267.1
Deferred tax liabilities	27	71.1	72.6	–	–
Total non-current liabilities		959.5	1,256.0	1,313.1	1,261.1
Current liabilities					
Interest bearing loans and borrowings	24	89.2	2.9	110.0	129.8
Unsecured loan notes	24	7.9	8.2	7.9	8.2
Derivative financial instruments	25	0.2	5.1	0.2	5.1
Trade and other payables	28	565.2	482.3	23.5	25.1
Tax liabilities		34.2	33.3	–	–
Short-term provisions	26	30.5	25.7	–	–
Total current liabilities		727.2	557.5	141.6	168.2
Total liabilities		1,686.7	1,813.5	1,454.7	1,429.3
Total equity and liabilities		2,619.8	2,571.5	1,759.0	1,736.9

The financial statements were approved by the Board of Directors on 5 March 2007 and signed on its behalf by:

G. I. Cooper
P. N. Hampden Smith } *Directors*

CASH FLOW STATEMENTS

For the year ended 31 December 2006

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Operating profit	289.6	268.0	59.9	56.8
Adjustments for:				
Depreciation and impairment of property, plant and equipment	53.7	54.5	–	–
Other non cash movements	3.8	2.4	0.6	0.4
(Gain)/loss on disposal of property, plant and equipment	(17.1)	0.7	–	–
Operating cash flows before movements in working capital	330.0	325.6	60.5	57.2
(Increase)/decrease in inventories	(29.7)	12.4	–	–
(Increase)/decrease in receivables	(38.9)	(1.5)	6.4	3.7
Increase in payables	82.9	2.8	284.3	27.9
Cash payments to the pension scheme in excess of the charge to profits	(21.0)	(28.5)	–	–
Cash generated from operations	323.3	310.8	351.2	88.8
Interest paid	(59.8)	(38.6)	(57.3)	(33.6)
Income taxes paid	(57.3)	(47.0)	–	–
Net cash from operating activities	206.2	225.2	293.9	55.2
Cash flows from investing activities				
Interest received	0.8	0.4	0.8	0.3
Acquisition of shares in unit trust	(2.0)	–	–	–
Proceeds on disposal of property, plant and equipment	38.9	1.4	0.1	–
Purchases of property, plant and equipment	(50.4)	(71.6)	(0.1)	(0.2)
Acquisition of businesses net of cash acquired (note 29)	(10.9)	(1,045.5)	(6.7)	(1,042.5)
Net cash used in investing activities	(23.6)	(1,115.3)	(5.9)	(1,042.4)
Financing activities				
Proceeds from the issue of share capital	6.9	6.4	6.9	6.4
Purchase of own shares	–	(8.1)	–	(8.1)
Payment of finance lease liabilities	(2.8)	(2.3)	–	–
Repayment of unsecured loan notes	(0.3)	(0.8)	(0.3)	(0.8)
(Decrease)/increase in bank loans	(143.7)	872.7	(250.1)	941.3
Dividends paid	(42.5)	(38.6)	(42.5)	(38.6)
Net cash from financing activities	(182.4)	829.3	(286.0)	900.2
Net increase/(decrease) in cash and cash equivalents	0.2	(60.8)	2.0	(87.0)
Cash and cash equivalents at beginning of year	56.1	116.9	11.0	98.0
Cash and cash equivalents at end of year	56.3	56.1	13.0	11.0

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. GENERAL INFORMATION

Overview

Travis Perkins plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 108. The nature of the Group's operations and its principal activities are set out in the Chief Executive's review, the Chief Operating Officer's review and the Finance Director's report on pages 12 to 37.

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"). 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.

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:

- IFRS 7 – Financial Instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures
- IFRS 8 – Operating segments
- IFRIC 7 – Applying the restatement approach under IAS 29 reporting in hyper-inflationary economies
- IFRIC 8 – Scope of IFRS 2
- IFRIC 9 – Reassessment of embedded derivatives
- IFRIC 10 – Interim reporting and impairment
- IFRIC 11 – IFRS 2 – group and treasury share transactions
- IFRIC 12 – Service concession arrangements

The Directors anticipate that adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, except for the additional disclosures required by IFRS 7 in respect of financial instruments, when the relevant Standard comes into effect for periods commencing on or after 1 January 2007.

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.

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, plus expenses. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. It is this fair value, which is incorporated into the consolidated accounts.

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.

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.

Non current assets held for sale

Non current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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
- 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED***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 other than investment properties, deferred tax assets and inventories 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 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 cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price less the estimated costs of disposal.

Financial instruments

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

Trade receivables

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

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 and other loans are recognised in the balance sheet at amortised cost. Costs 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 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), which do not include market related conditions. 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. No cost is recognised for awards that do not ultimately vest.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 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 shareholder equity. Where such shares vest to employees under the terms of the Group's share options or the Group's share saving 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. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Audit Committee has been party to discussions about the development, selection and disclosure of the Group's critical accounting policies and estimates and about their actual application. The key estimates made by management are detailed below:

Goodwill

In testing for impairment, management have made certain assumptions concerning the future development of the business that are consistent with its annual budget and three-year plan. Should these assumptions regarding the growth in profitability be unfounded then it is possible that goodwill included in the balance sheet could be impaired. Management are confident that this is not the case.

Pension liabilities

The Group has chosen to adopt assumptions that are more conservative than average, particularly in respect of longevity. If the future return on equities is lower than anticipated, or if the difference between actual inflation and the actual increase in pensionable salaries is greater than that assumed, or if 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 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.

Management 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.

4. REVENUE

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Sale of goods	2,848.8	2,640.8	–	–
Management charges	–	–	7.5	6.8
Dividends from subsidiaries	–	–	65.0	58.8
	2,848.8	2,640.8	72.5	65.6
Other operating income	18.7	1.4	–	–
Finance income	1.9	0.4	1.9	0.3
	2,869.4	2,642.6	74.4	65.9

5. PROFIT

(a) Operating profit

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Revenue	2,848.8	2,640.8	72.5	65.6
Cost of sales	(1,855.0)	(1,723.1)	–	–
Gross profit	993.8	917.7	72.5	65.6
Selling and distribution costs	(596.3)	(540.7)	–	–
Administrative expenses	(126.6)	(110.4)	(12.6)	(8.8)
Other operating income*	18.7	1.4	–	–
Operating profit	289.6	268.0	59.9	56.8
Exceptional property profit	(11.6)	–	–	–
Adjusted operating profit	278.0	268.0	59.9	56.8

*Other operating income for the Group includes exceptional property profits of £11.6 million (2005: £nil).

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

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Provisions against inventories	2.2	1.8	–	–
Cost of inventories recognised as an expense	1,852.8	1,721.3	–	–
Pension costs in administration expenses	2.7	2.0	0.5	0.4
Pension costs in selling and distribution costs	12.5	12.1	–	–
Depreciation of property, plant and equipment	53.7	53.9	–	–
Impairment of property, plant and equipment	–	0.6	–	–
Staff costs (see note 7)	326.2	302.9	7.4	4.1
(Gain)/loss on disposal of property, plant and equipment	(5.5)	0.7	–	–
Exceptional property profit	(11.6)	–	–	–
Rental income	(3.4)	(2.5)	–	–
Hire of vehicles, plant and machinery	13.9	11.3	–	–
Other leasing charges – property	100.4	86.3	–	–
Auditor's remuneration for audit services	0.3	0.3	–	–

Exceptional property profit, which is exceptional due to the magnitude of the deal in comparison to other deals undertaken by the Group, arises from the sale of long leasehold interests in 35 properties to an investment vehicle, in which the Group retains a 15% interest. The sale proceeds (net of costs) were £31.5 million and the carrying value of the properties was £15.2 million. The profit of £11.6 million reflects the profit deferment in respect of land of £4.7 million in accordance with the requirements of IAS 17.

5. PROFIT CONTINUED

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

	The Group	
	2006 £000	2005 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	225	321
Fees paid the Company's auditor for other services:		
The audit of the Company's subsidiaries pursuant to legislation	103	100
Other services pursuant to legislation	30	58
Other services relating to taxation – compliance	70	93
– advisory	29	7
Corporate finance transactions	18	42
Other services	2	4
	477	625

Audit fees include £9,000 (2005: £9,000) which was paid to the auditor by the Travis Perkins Pension and Dependents Benefit Scheme.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 45 and 46, and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

(b) Adjusted profit before and after tax

	The Group	
	2006 £m	2005 £m
Profit before tax	231.9	206.7
Exceptional property profit	(11.6)	–
Adjusted profit before tax	220.3	206.7

	The Group	
	2006 £m	2005 £m
Profit after tax	167.0	140.8
Exceptional property profit	(11.6)	–
Tax effect of exceptional property profit	(1.2)	–
Adjusted profit after tax	154.2	140.8

(c) Identified impact of Wickes

In the year to 31 December 2006 (2005: 10.5 months to 31 December), Wickes contributed operating profit of £54.2 million and profit before tax of £51.8 million (2005: operating profit £55.9 million and profit before tax of £52.7 million) to the Group's profits. In addition to the profit before tax, the Wickes acquisition contributed £16.4 million (2005: £4.7 million) of identifiable synergy benefits (arising from specific integration projects) to the existing builders merchants business and increased group finance costs by £56.1 million (2005: £48.6 million). The total pre-tax identifiable impact of Wickes was £12.1 million (2005: £8.8 million) as disclosed in the income statement.

5. PROFIT CONTINUED

(d) Adjusted operating margin

	Group £m	Merchanting £m	Retail £m
Revenue	2,848.8	2,000.3	848.5
Operating profit	289.6	240.3	54.2
Corporate expenses	–	(4.8)	–
Property profits	–	–	(4.5)
Exceptional property profits	(11.6)	(11.6)	–
Adjusted segment result	278.0	223.9	49.7
Adjusted operating margin	9.8%	11.2%	5.9%

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

The retail reduction in operating margin from 2005 of 11.1% is calculated by deducting the £49.7 million shown above from the retail segment result for 2005 of £55.9 million and dividing by £55.9 million.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into two operating divisions – Builders Merchanting and DIY Retailing, both of which operate entirely in the United Kingdom. These divisions are the basis on which the Group reports its primary segment information. Segment results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest bearing loans, borrowings and expenses and corporate assets and expenses. There are no inter-segment sales.

	2006			Consolidated £m
	Builders merchanting £m	DIY retailing £m	Eliminations £m	
Revenue	2,000.3	848.5	–	2,848.8
Result				
Segment result	240.3	54.2	(0.1)	294.4
Unallocated corporate expenses				(4.8)
Net finance costs				(57.7)
Profit before taxation				231.9
Taxation				(64.9)
Profit for the year				167.0
Segment assets	1,256.9	1,232.9	–	2,489.8
Unallocated corporate assets				136.9
Consolidated total assets				2,626.7
Segment liabilities	(454.1)	(218.8)	–	(672.9)
Unallocated corporate liabilities				(1,020.7)
Consolidated total liabilities				(1,693.6)
Consolidated net assets	802.8	1,014.1		
Capital expenditure	39.8	12.0		51.8
Depreciation	38.0	15.7		53.7

6. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

	2005			
	Builders merchandising £m	DIY retailing £m	Eliminations £m	Consolidated £m
Revenue	1,881.0	759.8	–	2,640.8
Result				
Segment result	213.3	55.9	–	269.2
Unallocated corporate expenses				(1.2)
Net finance costs				(61.3)
Profit before taxation				206.7
Taxation				(65.9)
Profit for the year				140.8
Segment assets	1,186.1	1,235.2	–	2,421.3
Unallocated corporate assets				150.2
Consolidated total assets				2,571.5
Segment liabilities	(425.3)	(213.5)	–	(638.8)
Unallocated corporate liabilities				(1,174.7)
Consolidated total liabilities				(1,813.5)
Consolidated net assets	760.8	1,021.7		
Capital expenditure	54.1	17.5		71.6
Depreciation	39.4	14.5		53.9
Impairment losses	–	0.6		0.6

7. STAFF COSTS

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

	The Group		The Company	
	2006 No.	2005 No.	2006 No.	2005 No.
Sales	11,948	11,082	–	–
Distribution	1,506	1,582	–	–
Administration	1,412	1,384	62	58
	14,866	14,048	62	58

(b) Aggregate remuneration

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Wages and salaries	(285.8)	(265.8)	(6.1)	(3.4)
Social security costs	(25.2)	(23.0)	(0.8)	(0.3)
Other pension costs (note 8)	(15.2)	(14.1)	(0.5)	(0.4)
	(326.2)	(302.9)	(7.4)	(4.1)

8. PENSION ARRANGEMENTS

Defined benefit schemes

During the year, the Group operated two final salary schemes; the Travis Perkins Pensions and Dependants Benefit Scheme ("TP"), which is a 1/60th scheme, and the Wickes Group Retirement Benefits Plan ("Wickes"). The Wickes' scheme merged into the TP scheme on 30 June 2006. The assets of each scheme were held in separate trustee administered funds. 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 a 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 2005, then updated to 31 December 2006 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.

The comparative disclosures for the TP scheme and the Wickes' scheme, which were shown separately last year, have been merged to allow easier comparison with the 2006 values for the combined scheme.

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

	At 31 December 2006	At 31 December 2005
Rate of increase in pensionable salaries	4.1%	3.8%
Rate of increase of pensions in payment	3.1%	2.8%
Discount rate	5.1%	4.8%
Inflation assumption	3.1%	2.8%

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 2006

	Male Years	Female Years
Member age 65 (current life expectancy)	21.5	24.5
Member age 40 (life expectancy on reaching age 65)	23.0	26.0

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

	2006 £m	2005 £m
Current service costs charged to operating profit in the income statement	13.5	11.6
Interest cost	27.4	25.8
Expected return on scheme assets	(27.0)	(22.1)
Total pension costs	13.9	15.3

In consultation with the scheme actuary and the Trustees of the pension fund the Directors are in the process of fixing the employers' contribution rate for 2007.

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

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 2006		At 31 December 2005	
	Expected return	Fair value £m	Expected return	Fair value £m
Equities	7.3%	321.5	6.9%	269.8
Gilts	4.3%	144.7	3.9%	132.0
Corporate bonds	4.9%	34.3	4.6%	29.8
Total fair value of assets		500.5		431.6
Actuarial value of liability		(581.3)		(574.4)
Deficit in scheme		(80.8)		(142.8)
Related deferred tax asset		24.2		42.9
Net pension liability		(56.6)		(99.9)

The actual returns on scheme assets

	2006		2005	
	£m	%	£m	%
TP scheme	41.7	9.7	64.3	19.2

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

	2006 £m	2005 £m
At 1 January*	(142.8)	(173.7)
Expense recognised in the income statement	(13.9)	(15.3)
Contributions received by the scheme	34.5	43.8
Actuarial gains recognised in the statement of recognised income and expenditure	41.4	2.4
At 31 December	(80.8)	(142.8)

*The opening liability at 1 January 2005 includes the value of the Wickes' scheme acquired on 11 February 2005.

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

	2006 £m	2005 £m
At 1 January*	(574.4)	(503.5)
Service cost	(13.4)	(11.6)
Past service cost	(0.1)	–
Interest cost	(27.4)	(25.8)
Contributions from scheme members	(4.7)	(4.3)
Actuarial gains and losses	26.7	(39.8)
Benefits paid	12.0	10.6
At 31 December	(581.3)	(574.4)

*The opening liability at 1 January 2005 includes the value of the Wickes' scheme acquired on 11 February 2005.

8. PENSION ARRANGEMENTS CONTINUED

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

	2006	2005
	£m	£m
At 1 January *	431.6	329.8
Expected return of scheme assets	27.0	22.1
Actuarial gains and losses	14.7	42.2
Contributions from sponsoring companies	34.5	43.8
Contributions from scheme members	4.7	4.3
Benefits paid	(12.0)	(10.6)
At 31 December	500.5	431.6

*The opening liability at 1 January 2005 includes the value of the Wickes' scheme acquired on 11 February 2005.

(g) Cumulative actuarial gains and losses recognised in equity

	2006	2005
	£m	£m
At 1 January	(192.7)	(195.1)
Net actuarial gains recognised in the year	41.4	2.4
At 31 December	(151.3)	(192.7)

(h) History of experience gains and losses

	2006	2005	2004	2003	2002
Fair value of scheme assets (£m)	500.5	431.6	253.4	192.7	148.6
Present value of scheme obligations (£m)	(581.3)	(574.4)	(381.7)	(314.3)	(271.1)
Deficit in the scheme (£m)	(80.8)	(142.8)	(128.3)	(121.6)	(122.5)

Experience adjustments on scheme liabilities

	2006	2005	2004	2003	2002
Amounts (£m)	–	9.0	0.1	0.1	(15.4)
Percentage of scheme liabilities (%)	–	1.6%	–	–	5.7%

Experience adjustments on scheme assets

	2006	2005	2004	2003	2002
Amounts (£m)	14.7	42.2	10.9	14.7	(43.1)
Percentage of scheme assets (%)	2.9%	9.8%	4.3%	7.6%	29.0%

(i) Defined contribution schemes

There is one defined contribution scheme in the Group. The pension cost, which represents contributions payable by the Group, amounted to £1.7 million (2005: £0.4 million).

9. SHARE-BASED PAYMENTS

Details of the share option schemes run by the Company, including information concerning vesting periods, amounts outstanding and the exercise price are contained in the remuneration report on pages 49, 50, 53 and 54.

The Black-Scholes option-pricing model is used to calculate the fair value of the options and the amount to be expensed. No performance conditions were included in the fair value calculations. The inputs into the model expressed as weighted averages are as follows:

	Executive Options		SAYE	
	2006	2005	2006	2005
Share price at grant date (pence) – group	1,611	1,601	1,754	1,265
Option exercise price (pence) – group	1,611	1,601	1,254	1,159
Share price at grant date (pence) – company	1,611	1,659	1,754	1,265
Option exercise price (pence) – company	1,611	1,659	1,254	1,159
Volatility (%) – group and company	18.5%	16.4%	21.4%	22.0%
Option life (years) – group and company	4.0	4.0	3.6	3.8
Risk-free interest rate (%) – group and company	4.5%	4.6%	4.7%	4.4%
Expected dividends as a dividend yield (%) – group and company	2.3%	1.9%	2.4%	2.0%

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 3¹/₂ or 5¹/₂ 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. It has also been assumed that performance conditions in respect of the executive share options and the share matching scheme will be met.

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.

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

<i>The Group</i>	2006		2005	
	Weighted average exercise price p	Number of options No.	Weighted average exercise price p	Number of options No.
<i>In thousands of options</i>				
Outstanding at the beginning of the period	1,256	3,430	1,112	2,180
Forfeited during the period	1,266	(315)	1,147	(167)
Exercised during the period	1,108	(423)	903	(222)
Granted during the period	1,478	1,471	1,388	1,639
Outstanding at the end of the period	1,349	4,163	1,256	3,430
Exercisable at the end of the period	1,069	182	848	32

Share options were exercised on a regular basis throughout the year. The weighted average share price for options exercised during the year was 1,690 pence (2005: 1,356 pence). Details of the options outstanding at 31 December 2006 were as follows:

	2006		2005	
	Executive Options	SAYE	Executive Options	SAYE
Range of exercise prices (pence)	1,068-1,784	848-1,254	1,068-1,675	848-1,159
Weighted average exercise price (pence)	1,508	1,151	1,412	1,101
Number of shares (thousands)	2,309	1,854	1,714	1,716
Weighted average expected remaining life (years)	2.4	2.5	2.6	2.8
Weighted average contractual remaining life (years)	8.2	3.0	8.4	3.3

9. SHARE-BASED PAYMENTS CONTINUED

<i>The Company</i>	2006		2005	
	Weighted average exercise price p	Number of options No.	Weighted average exercise price p	Number of options No.
<i>In thousands of options</i>				
Outstanding at the beginning of the period	1,346	589	1,200	410
Forfeited during the period	1,529	(42)	–	–
Exercised during the period	1,134	(138)	879	(6)
Granted during the period	1,615	233	1,655	185
Outstanding at the end of the period	1,478	642	1,346	589
Exercisable at the end of the period	1,068	94	–	–

Share options were exercised during the year. The weighted average share price for options exercised during the year was 1,134 pence. Details of the options outstanding at 31 December 2006 were as follows:

	2006		2005	
	Executive Options	SAYE	Executive Options	SAYE
Range of exercise prices (pence)	1,068-1,784	1,079-1,254	1,068-1,675	1,008-1,159
Weighted average exercise price (pence)	1,484	1,186	1,352	1,039
Number of shares (thousands)	628	14	577	12
Weighted average expected remaining life (years)	1.8	2.5	2.2	2.1
Weighted average contractual remaining life (years)	8.2	3.0	8.2	2.6

The Group and the Company

Executive options were granted on 19 April 2006, 14 September 2006 (Group only) and 23 November 2006. SAYE options were granted on 1 December 2006. The aggregate of the estimated fair values of the options granted on those dates is £6.4 million for the Group and £0.9 million for the Company.

Executive options were granted on 1 April 2005 and 30 September 2005. SAYE options were granted on 1 December 2005. The aggregate of the estimated fair values of the options granted on those dates is £5.5 million for the Group and £0.7 million for the Company.

The Group charged £3.8 million (2005: £2.4 million) and the Company charged £0.6 million (2005: £0.4 million) to the income statement in respect of equity-settled share-based payment transactions.

10. FINANCE COSTS

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Interest on bank loans and overdrafts*	(55.5)	(54.1)	(55.0)	(53.4)
Interest on unsecured loans	(0.4)	(0.4)	(0.4)	(0.4)
Interest on obligations under finance leases	(2.0)	(2.0)	–	–
Unwinding of discounts in provisions	(1.1)	(0.9)	–	–
Net loss on re-measurement of derivatives at fair value	(0.2)	(0.6)	(0.2)	(0.6)
Interest payable	(59.2)	(58.0)	(55.6)	(54.4)
Other finance costs – pension schemes	(0.4)	(3.7)	–	–
Finance costs	(59.6)	(61.7)	(55.6)	(54.4)
Net gain on re-measurement of derivatives at fair value	1.1	–	1.1	–
Interest on bank deposits	0.8	0.4	0.8	0.3
Net finance costs	(57.7)	(61.3)	(53.7)	(54.1)
Adjusted interest cover	4.9	4.9		

*Includes £0.6 million (2005: £1.0 million) of amortised fees.

Adjusted interest cover is calculated by dividing adjusted operating profit of £278.0 million (2005: £268.0 million) by the combined value of interest on bank loans and overdrafts (excluding amortised fees), unsecured loans, finance leases and interest on bank deposits, which total £56.5 million (2005: £55.1 million).

11. TAX

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Current tax				
UK corporation tax				
– current year	62.7	59.1	(17.5)	(16.7)
– prior year	(4.1)	(0.4)	(0.1)	(1.4)
Total current tax	58.6	58.7	(17.6)	(18.1)
Deferred tax				
– current year	2.6	7.0	0.1	(0.1)
– prior year	3.7	0.2	(0.1)	–
Total deferred tax	6.3	7.2	–	(0.1)
Total tax charge	64.9	65.9	(17.6)	(18.2)

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 is as follows:

The Group	2006		2005	
	£m	%	£m	%
Profit before tax	231.9		206.7	
Tax at the UK corporation tax rate of 30% (2005: 30%)	69.6	30.0%	62.0	30.0%
Tax effect of expenses that are not deductible in determining taxable profit	1.1	0.5%	1.1	0.5%
Depreciation of non-qualifying property	1.1	0.5%	3.0	1.5%
Property sales	(6.4)	(2.8)%	–	–
Prior period adjustment	(0.5)	(0.2)%	(0.2)	(0.1)%
Tax expense and effective tax rate for the year	64.9	28.0%	65.9	31.9%

The Company	2006		2005	
	£m	%	£m	%
Profit before tax	6.2		2.7	
Intercompany dividends	(65.0)		(58.8)	
Profit before tax and dividends	(58.8)		(56.1)	
Tax at the UK corporation tax rate of 30% (2005: 30%)	(17.6)	(30.0)%	(16.8)	(30.0)%
Tax effect of expenses that are not deductible in determining taxable profit	0.1	–	–	–
Prior period adjustment	(0.1)	–	(1.4)	(2.5)%
Tax expense and effective tax rate for the year	(17.6)	(30.0)%	(18.2)	(32.5)%

12. EARNINGS PER SHARE

(a) Basic and diluted earnings per share

	2006	2005
	£m	£m
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	167.0	140.8
<hr/>		
Number of shares		
	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	121,060,158	120,542,092
Dilutive effect of share options on potential ordinary shares	1,054,815	1,205,748
<hr/>		
Weighted average number of ordinary shares for the purposes of diluted earnings per share	122,114,973	121,747,840

At 31 December 2006, no (2005: 561,736) share options had an exercise price in excess of the market value of the shares on that day. As a result, for 2005, these share options were excluded from the calculation of diluted earnings per share.

(b) Adjusted earnings per share

Adjusted earnings per share is calculated by excluding the effect of the exceptional property profit from earnings.

	2006	2005
	£m	£m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	167.0	140.8
Exceptional property profit	(11.6)	–
Tax on exceptional property profit	(1.2)	–
<hr/>		
Earnings for adjusted earnings per share	154.2	140.8
<hr/>		
Adjusted basic earnings per share	127.4p	116.8p
<hr/>		
Adjusted diluted earnings per share	126.3p	115.6p

13. DIVIDENDS

The Group and the Company

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

	2006	2005
	£m	£m
Final dividend for the year ended 31 December 2005 of 23.0p (2004: 21.0p) per ordinary share	27.8	25.3
Interim dividend for the year ended 31 December 2006 of 12.1p (2005: 11.0p) per ordinary share	14.7	13.3
<hr/>		
Total dividends recognised during the year	42.5	38.6

The proposed final dividend of 25.3 pence per ordinary share in respect of the year ending 31 December 2006 was approved by the Board on 5 March 2007. As the final dividend has not yet been approved by shareholders, in accordance with IFRS, it has not been included in the balance sheet as a liability at 31 December 2006. It will be paid on 17 May 2007 to shareholders on the register on 20 April 2007.

Adjusted dividend cover of 3.4x (2005: 3.4x) is calculated by dividing adjusted basic earnings per share (note 12) of 127.4 pence (2005: 116.8 pence) by the total dividend for the year of 37.4 pence (2005: 34.0 pence).

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

14. GOODWILL

The Group

	DIY	Builders merchandising	Total
	£m	£m	£m
Cost			
At 1 January 2005	–	304.8	304.8
Recognised on acquisitions during the year	939.2	29.8	969.0
At 1 January 2006	939.2	334.6	1,273.8
Recognised on acquisitions during the year	–	8.2	8.2
At 31 December 2006	939.2	342.8	1,282.0

Goodwill arising on the acquisition of businesses during the year was allocated to those cash generating units (“CGU”) that are expected to benefit from those acquisitions. With the exception of the Wickes’ business, no individual CGU is significant in comparison with the total carrying amount of goodwill.

During the year management has carried out an impairment test for the goodwill and other indefinite life intangible assets carried in the balance sheet. No impairments were identified as a result of the review. All of the recoverable amounts were based on value in use. The key assumptions applied in the value in use calculations were:

- cash flow projections based on management approved budgets for 2007 and three-year plan for 2008 to 2010;
- the weighted average cost of capital (“WACC”) of the Group of 7.5%;
- long-term forecast growth rates of 2.5% in line with the average long-term GDP growth trend applied from 2010 onwards.

Whilst management is confident that its assumptions are appropriate, it is possible an impairment would be identified if any of the above key assumptions were changed significantly. However, as they are all inextricably linked it is not possible to determine the impact of a significant change to one or more of them.

The Company has no goodwill.

15. OTHER INTANGIBLE ASSETS

	The Group	
	2006 £m	2005 £m
Cost		
At 1 January	162.5	–
Additions – brand	–	162.5
At 31 December	162.5	162.5

The brand is not amortised. As a leading brand in the DIY sector, with significant growth prospects, it is considered to have an indefinite useful life and is reviewed annually for impairment. Details of impairment testing are given in note 14. No impairments were identified in either year.

16. PROPERTY, PLANT AND EQUIPMENT

	The Group				The Company	
	Freehold £m	Long leases £m	Short leases £m	Plant & equipment £m	Total £m	Plant & equipment £m
Cost or valuation						
At 1 January 2005	186.2	19.9	33.4	224.9	464.4	0.3
Additions	9.1	0.4	9.4	52.7	71.6	0.2
Additions from acquired businesses	7.8	0.2	38.5	42.9	89.4	–
Disposals	(0.5)	–	–	(18.1)	(18.6)	–
At 1 January 2006	202.6	20.5	81.3	302.4	606.8	0.5
Additions	8.1	2.0	9.3	31.0	50.4	0.1
Additions from acquired businesses	0.2	–	–	1.2	1.4	–
Disposals	(17.4)	–	(0.2)	(10.9)	(28.5)	(0.1)
At 31 December 2006	193.5	22.5	90.4	323.7	630.1	0.5
Accumulated depreciation						
At 1 January 2005	15.6	1.8	8.4	97.9	123.7	0.2
Charged this year	5.2	0.6	5.9	42.1	53.8	–
Impairment loss	–	–	0.2	0.4	0.6	–
Disposals	(0.2)	–	–	(16.3)	(16.5)	–
At 1 January 2006	20.6	2.4	14.5	124.1	161.6	0.2
Charged this year	3.3	0.4	6.7	43.2	53.6	–
Disposals	(2.1)	–	–	(9.4)	(11.5)	–
At 31 December 2006	21.8	2.8	21.2	157.9	203.7	0.2
Net book value						
At 31 December 2006	171.7	19.7	69.2	165.8	426.4	0.3
At 31 December 2005	182.0	18.1	66.8	178.3	445.2	0.3

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 & equipment £m	Total £m	Total £m
At valuation	75.6	6.1	1.9	–	83.6	–
At cost	117.9	16.4	88.5	323.7	546.5	0.5
	193.5	22.5	90.4	323.7	630.1	0.5

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.

16. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Included within freehold property is land with a value of £77.8 million (2005: £80.8 million) which is not depreciated.

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
2006	0.9	19.5	3.3	23.7	–
2005	0.9	20.8	4.3	26.0	–

Comparable amounts determined according to the historical cost convention:

	The Group				The Company	
	Freehold £m	Long leases £m	Short leases £m	Plant & equipment £m	Total £m	Total £m
Cost	184.9	21.5	95.3	323.7	625.4	0.5
Accumulated depreciation	(39.7)	(4.1)	(24.0)	(157.9)	(225.7)	(0.2)
Net book value						
At 31 December 2006	145.2	17.4	71.3	165.8	399.7	0.3
At 31 December 2005	154.2	15.8	68.9	178.3	417.2	0.3

17. INVESTMENT PROPERTY

	The Group
	£m
Cost	
At 1 January 2005 and 1 January 2006	4.3
Disposals	(0.1)
At 31 December 2006	4.2
Accumulated depreciation	
At 1 January 2005	0.1
Provided in the year	0.1
At 1 January 2006	0.2
Provided in the year	0.1
At 31 December 2006	0.3
Net book value	
At 31 December 2006	3.9
At 31 December 2005	4.1

Investment property rental income totalled £0.3 million (2005: £0.2 million). 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.

18. INVESTMENTS

Shares in group undertakings

	The Company	
	2006	2005
	£m	£m
At 1 January	1,619.1	1,612.4
Provision for impairment	(4.6)	(4.6)
At 31 December	1,614.5	1,607.8

The principal operating subsidiaries of the Group and Company at 31 December 2006 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)	Southbank House, 1 Strathkelvin Place, Kirkintilloch, Glasgow G66 1HX
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)	Mercury Drive, Brackmills, Northampton NN4 7PN

* Held directly by Travis Perkins plc

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

All subsidiaries are 100 per cent owned. Each company is registered and incorporated in England and Wales, other than Keyline Builders Merchants Limited and five dormant companies, which are registered and incorporated in Scotland, and City Investments Limited and 13 dormant companies, which are registered and incorporated in Jersey.

Available-for-sale investments

	The Group		The Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Fair value investment	2.0	–	–	–

The investment represents a minority holding in the unit trust that acquired the properties disposed of during the year which resulted in the exceptional property profit (note 5). 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	
	2006 £m	2005 £m	2006 £m	2005 £m
Trade receivables	250.6	229.3	–	–
Amounts owed by subsidiaries	–	–	106.7	90.5
Other receivables, prepayments and accrued income	113.2	93.1	18.5	23.6
	363.8	322.4	125.2	114.1

The Group's principal financial assets are trade and other receivables, which for the Group at the balance sheet date comprise principally amounts receivable from the sale of goods, together with amounts due from rebates and sundry prepayments. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The average credit term for sales of goods is 50 days (2005: 48 days).

The amounts presented in the balance sheet are net of allowances for doubtful debts of £20.4 million (2005: £19.0 million), 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.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

21. SHARE CAPITAL

	Authorised		Issued fully paid	
	No.	£m	No.	£m
<i>Ordinary shares of 10p</i>				
At 1 January 2005	135,000,000	13.5	120,519,379	12.1
Allotted under share option schemes	–	–	790,510	–
At 1 January 2006	135,000,000	13.5	121,309,889	12.1
Allotted under share option schemes	–	–	738,105	0.1
At 31 December 2006	135,000,000	13.5	122,047,994	12.2

The net contribution received for the issue of shares during the year was £6.8 million. Details of the share option schemes are given in the remuneration report on pages 49, 50, 53 and 54.

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

22. OWN SHARES

<i>The Group and the Company</i>	2006	2005
	No.	No.
At 1 January	494,427	–
Acquired in the year	–	500,000
Re-issued in the year	(14,474)	(5,573)
At 31 December	479,953	494,427

The own shares are stated at cost and held to satisfy options under the Group's share option schemes. All rights attaching to own shares are suspended until the shares are re-issued.

23. RESERVES

<i>The Group</i>	Share premium account £m	Other reserve £m	Hedging reserve £m	Own shares £m	Accumulated profits £m	Total reserves £m
At 1 January 2005	159.2	26.7	–	–	452.6	638.5
Dividends paid	–	–	–	–	(38.6)	(38.6)
Total recognised income and expense	–	–	(3.2)	–	151.9	148.7
Difference between depreciation of assets on a historical basis and on a revaluation basis	–	(0.4)	–	–	0.4	–
Effect of share options	–	–	–	–	(1.0)	(1.0)
Own shares	–	–	–	(8.1)	–	(8.1)
Premium on the issue of equity shares	6.4	–	–	–	–	6.4
At 31 December 2005	165.6	26.3	(3.2)	(8.1)	565.3	745.9
Dividends paid	–	–	–	–	(42.5)	(42.5)
Total recognised income and expense	–	–	7.2	–	196.1	203.3
Difference between depreciation of assets on a historical basis and on a revaluation basis	–	(0.4)	–	–	0.4	–
Realisation of revaluation reserve in respect of property disposals	–	(0.6)	–	–	0.6	–
Effect of share options	–	–	–	–	7.4	7.4
Own shares re-issued	–	–	–	0.2	–	0.2
Premium on the issue of equity shares	6.6	–	–	–	–	6.6
At 31 December 2006	172.2	25.3	4.0	(7.9)	727.3	920.9

The other 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 Benefit Scheme to satisfy options under the Group's share save options.

23. RESERVES CONTINUED

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

<i>The Company</i>	Share premium account £m	Hedging reserve £m	Own shares £m	Accumulated profits £m	Total reserves £m
At 1 January 2005	158.1	–	–	159.9	318.0
Total recognised income and expense	–	(3.2)	–	20.9	17.7
Dividends paid	–	–	–	(38.6)	(38.6)
Effect of share options	–	–	–	0.1	0.1
Own shares	–	–	(8.1)	–	(8.1)
Premium on the issue of equity shares	6.4	–	–	–	6.4
At 31 December 2005	164.5	(3.2)	(8.1)	142.3	295.5
Total recognised income and expense	–	7.2	–	23.8	31.0
Dividends paid	–	–	–	(42.5)	(42.5)
Effect of share options	–	–	–	1.3	1.3
Own shares re-issued	–	–	0.2	–	0.2
Premium on the issue of equity shares	6.6	–	–	–	6.6
At 31 December 2006	171.1	4.0	(7.9)	124.9	292.1

24. BORROWINGS

A summary of the Group policies and strategies with regard to financial instruments can be found in the Finance Director's report on page 34. At 31 December 2006 all borrowings were made in Sterling except for the unsecured senior notes (note 24i).

<i>(a) Summary</i>	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Unsecured senior notes	201.0	–	201.0	–
Bank loans (note 24c)*	620.0	995.0	620.0	995.0
Bank overdrafts	–	–	23.4	129.8
Finance leases (note 24d)	33.5	36.3	–	–
Loan notes (note 24e)	7.9	8.2	7.9	8.2
Fair value of commitment to debt*	–	1.3	–	1.3
Issue costs netted off bank loans*	(1.7)	(2.3)	(1.6)	(2.3)
	860.7	1,038.5	850.7	1,132.0
Current liabilities	97.1	11.1	117.9	138.0
Non-current liabilities	763.6	1,027.4	732.8	994.0
	860.7	1,038.5	850.7	1,132.0

*These balances together total the amounts shown as bank loans in note 24b.

24. BORROWINGS CONTINUED

(b) Analysis of borrowings

<i>The Group</i>	Bank loans and overdrafts		Other borrowings	
	2006 £m	2005 £m	2006 £m	2005 £m
<i>Borrowings repayable</i>				
On demand or within one year	86.6	–	10.5	11.1
More than one year, but not more than two years	86.6	84.0	1.9	2.5
More than two years, but not more than five years	445.2	910.0	4.6	5.0
More than five years	–	–	225.3	25.9
	618.4	994.0	242.3	44.5

<i>The Company</i>	Bank loans and overdrafts		Other borrowings	
	2006 £m	2005 £m	2006 £m	2005 £m
<i>Borrowings repayable</i>				
On demand or within one year	110.0	129.8	7.9	8.2
More than one year, but not more than two years	86.6	84.0	–	–
More than two years, but not more than five years	445.2	910.0	–	–
More than five years	–	–	201.0	–
	641.8	1,123.8	208.9	8.2

(c) Facilities

At 31 December 2006 the Group had the following bank facilities available:

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
<i>Drawn facilities</i>				
5 year term loan	270.0	500.0	270.0	500.0
5 year revolving credit facility	350.0	495.0	350.0	495.0
Unsecured senior notes	201.0	–	201.0	–
Bank overdrafts	–	–	23.4	–
	821.0	995.0	844.4	995.0
<i>Undrawn facilities</i>				
5 year revolving credit facility	350.0	205.0	350.0	205.0
Bank overdrafts	25.0	25.0	1.6	25.0
	375.0	230.0	351.6	230.0

The disclosures in note 24(c) do not include finance leases, loan notes, fair value adjustments, or the effect of issue costs.

24. BORROWINGS CONTINUED

(d) Obligations under finance leases

<i>The Group</i>	Minimum lease payments		Present value of minimum lease payments	
	2006 £m	2005 £m	2006 £m	2005 £m
Amounts payable under finance leases:				
Within one year	4.8	5.3	2.6	2.9
In the second to fifth years inclusive	7.5	11.9	6.5	7.4
After five years	46.8	46.1	24.3	26.0
	59.1	63.3	33.4	36.3
Less: future finance charges	(25.7)	(27.0)	–	–
Present value of lease obligations	33.4	36.3	33.4	36.3
Less: Amount due for settlement within 1 year (shown under current liabilities)			(2.5)	(2.9)
Amount due for settlement after 1 year			30.9	33.4

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 50 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 2006, the average implicit borrowing rate was 14.6% (2005: 14.2%). 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 the year are £7.9 million (2005: £8.2 million) in respect of loan notes issued as consideration for the acquisition of two groups during 1999 and 2000. The loan notes of £4.3 million issued in 1999 to acquire Sharpe and Fisher can be redeemed on 31 January and 31 July each year, the final redemption date being 31 January 2010. The £3.6 million of loan notes issued for the acquisition of the business of Broombys Limited are redeemable on 30 June and 31 December each year until the final redemption date of 30 June 2015.

(f) Interest

The weighted average interest rates paid were as follows:	2006 %	2005 %
Unsecured senior notes	5.8	–
Bank loans and overdrafts	5.7	5.5
Other borrowings	5.0	4.9

Bank term loans and revolving credit facilities of £970 million (2005: £1.2 billion) were arranged at variable interest rates. The \$400 million unsecured senior notes were issued at fixed rates of interest and swapped into variable rates. This exposes the Group to fair value interest rate risk. As detailed in note 25, to manage the risk the Group entered into amortising interest rate swap arrangements, which for 2006, fix interest rates on £315 million of borrowing. For the year to 31 December 2006 this had the effect of increasing the weighted average interest rates paid by 0.01%.

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.

24. BORROWINGS CONTINUED

<i>The Group</i>	2006		2005	
	Effective interest rate	6 months or less Total £m	Effective interest rate	6 months or less Total £m
Unsecured senior notes	5.8%	201.0	–	–
Unsecured variable rate bank facilities	5.8%	620.0	5.2%	995.0
Loan notes	5.1%	7.9	5.0%	8.2
		828.9		1,003.2

<i>The Company</i>	2006		2005	
	Effective interest rate	6 months or less Total £m	Effective interest rate	6 months or less Total £m
Unsecured senior notes	5.8%	201.0	–	–
Unsecured variable rate bank facilities	5.8%	620.0	5.2%	995.0
Loan notes	5.1%	7.9	5.0%	8.2
Bank overdrafts	6.0%	23.4	5.5%	129.8
		852.3		1,133.0

(g) Fair values

For both the Group and the Company the fair value 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 25.

(h) Guarantees and security

No debt is secured, except for that relating to £1.9 million (2005: £3.6 million) of finance lease obligations, which are secured on the assets subject to the leases.

There are cross guarantees on the overdrafts between group companies.

The companies listed in note 18, with the exception of Benchmarx Kitchens and Joinery Limited, together with Wickes Limited are guarantors of the following facilities advanced to Travis Perkins plc:

- £270 million term loan;
- £700 million revolving credit facility;
- \$400 million unsecured senior notes (note 24i);
- The interest rate and currency swaps (note 25).

The Group companies have entered into other guarantee and counter-indemnities arrangements in respect of guarantees issued in favour of group companies by the clearing banks amounting to approximately £14 million (2005: £14 million).

(i) Unsecured senior notes

On 26 January 2006 the Group finalised a US private placement that resulted in it receiving \$400 million and repaying £230 million of the term loan. \$200 million of the unsecured senior notes is repayable in January 2013 and \$200 million in January 2016. The US borrowings carry fixed rate coupons of between 130 bps and 140 bps over US treasuries. As described in note 25, to protect itself from currency movements and bring interest rate exposures back into line with the Group's desired risk profile the Group entered into five cross currency swaps.

25. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowing 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 and interest rate collars.

As part of their interest rate management processes, the Group and the Company are parties to two amortising interest rate swaps, one amortising interest rate floor option and an amortising interest rate cap option. The two interest rate swaps each have a notional value of £157.5 million. The interest rate cap and floor options provide a collar on £157.5 million of borrowings. Contracts with nominal values of £315 million have fixed interest payments at an average rate of 4.95% for periods up until February 2010 and have floating interest receipts at 0% plus LIBOR.

At 31 December 2006 the fair value of interest rate derivatives, all of which terminate approximately 3 years from the balance sheet date, to which the Group and the Company were parties was estimated at £4.3 million (2005: £(5.1) million). This amount is based on market values of equivalent instruments at the balance sheet date. All of these interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. An amount of £1.1 million (2005: £(0.5) million) in respect of the fair value movement on the cap and floor has been taken to the income statement as the Company has not applied hedge accounting.

Currency swaps

In order to eliminate the currency risk associated with the \$400 million unsecured senior notes described in note 24(i) the Group and the Company have entered into five cross currency swaps in varying amounts between £23 million and £63 million to fix the exchange rate at £1 equal to \$1.73 for the entire lives of the unsecured senior notes, although there is a mutual break clause on each swap on 1 December 2010. The forward options fix the notional amount receivable and payable in respect of the unsecured senior notes to £231 million as well as fixing the exchange rate applicable to future coupon payments.

The currency swaps manage the Group's and the Company's exposure to the fixed interest rate on the US dollar denominated borrowing arising out of a private placement on 26 January 2006. There are two interest rate swaps of £58 million that convert the borrowing rate on \$200 million 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 three interest rate swaps of £29 million, £23 million and £63 million convert the borrowing rates on \$50 million, \$40 million and \$110 million of debt from 5.89% to a variable rate based on six month LIBOR plus basis point increment of 86.5, 86.7 and 86.05 respectively. At 26 January 2006 the variable rates were at 5.47 weighted average per cent.

At 31 December the fair value of currency derivatives, all of which terminate more than five years after the balance sheet date, was estimated at £(30.9) million (2005: £1.3 million). All of these currency swaps are designated and effective as fair value hedges.

In addition the Group is party to US\$ forward foreign exchange contracts. At the balance sheet date the total notional value of contracts to which the Group was committed was \$12 million (2005: US\$ nil). The fair value of these derivatives are £(0.2) million (2005: £nil). These contracts have not been designated as hedges and accordingly the fair value movement has been reflected in the income statement.

26. PROVISIONS

	The Group			
	Property £m	Insurance £m	Other £m	Total £m
At 1 January 2006	18.1	19.7	1.1	38.9
Additional provision in the year	4.3	7.1	–	11.4
Utilisation of provision	(0.2)	(4.2)	(0.2)	(4.6)
Release of pre-acquisition provision	(3.2)	–	–	(3.2)
Unwinding of discount	1.1	–	–	1.1
At 31 December 2006	20.1	22.6	0.9	43.6
Included in current liabilities	7.0	22.6	0.9	30.5
Included in non-current liabilities	13.1	–	–	13.1
	20.1	22.6	0.9	43.6

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 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.

27. DEFERRED TAX

The Group

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

	At 1 Jan 2005 £m	Recognised in non- current assets £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2005 £m	Recognised in non- current assets £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2006 £m		
Provided											
Capital allowances	13.7	(3.3)	–	1.0	–	11.4	0.1	–	1.7	–	13.2
Revaluation	13.5	–	–	–	–	13.5	–	–	–	(0.2)	13.3
Share based payments	(5.3)	–	–	–	3.1	(2.2)	–	–	–	(2.9)	(5.1)
Provisions	5.8	(8.1)	–	(2.0)	(9.4)	(13.7)	–	–	0.6	–	(13.1)
Business combinations	10.6	–	5.9	(0.3)	–	16.2	–	0.1	(2.3)	–	14.0
Brand	–	–	48.8	–	–	48.8	–	–	–	–	48.8
Derivatives	–	–	–	–	(1.4)	(1.4)	–	–	–	1.4	–
Deferred tax liability	38.3	(11.4)	54.7	(1.3)	(7.7)	72.6	0.1	0.1	–	(1.7)	71.1
Deferred tax asset	(38.5)	(13.6)	–	8.5	0.7	(42.9)	–	–	6.3	12.4	(24.2)
Net	(0.2)	(25.0)	54.7	7.2	(7.0)	29.7	0.1	0.1	6.3	10.7	46.9

At the balance sheet date the Group has unused capital losses of £67.0 million (2005: £71.5 million) 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 £24.2 million (2005: £42.9 million) in respect of the deficit on its pension scheme. The Directors believe that the deferred tax asset will be realised as the deficit is reduced over the coming years.

27. DEFERRED TAX CONTINUED

The Company

	At 1 Jan 2005 £m	Recognised in income £m	Recognised in non- current assets £m	Recognised in equity £m	At 31 Dec 2005 £m	Recognised in equity £m	At 31 Dec 2006 £m
Provided							
Share based payments	(0.9)	–	–	0.4	(0.5)	(0.7)	(1.2)
Provisions	(0.4)	(0.1)	–	–	(0.5)	–	(0.5)
Derivatives	–	–	(1.4)	–	(1.4)	1.4	–
	(1.3)	(0.1)	(1.4)	0.4	(2.4)	0.7	(1.7)

28. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006 £m	2005 £m	2006 £m	2005 £m
Trade payables	392.8	352.6	–	–
Other taxation and social security	33.9	23.0	–	–
Other payables	62.9	61.3	23.5	24.6
Accruals and deferred income	75.6	45.4	–	0.5
	565.2	482.3	23.5	25.1

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 52.5 days (2005: 50.5 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

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. The Directors consider that the carrying amount of trade payables approximates to their fair value.

29. ACQUISITION OF BUSINESSES

During the year the Group acquired 5 limited companies and the assets of 4 other businesses, details of which on an individual basis are not material to the financial statements. All the acquisitions were accounted for using the purchase method of accounting.

	2006			2005		
	Book value acquired £m	Provisional fair value adjustments £m	Provisional fair value acquired £m	Other acquisitions fair value acquired £m	Wickes fair value acquired £m	Provisional fair value acquired £m
<i>Net assets acquired:</i>						
Property, plant and equipment	1.4	–	1.4	8.4	81.0	89.4
Inventories	1.5	–	1.5	4.5	70.5	75.0
Trade and other receivables	2.5	–	2.5	7.1	25.9	33.0
Cash and cash equivalents	1.8	–	1.8	1.4	6.7	8.1
Trade and other payables	(2.7)	–	(2.7)	(5.7)	(204.9)	(210.6)
Retirement benefit obligations	–	–	–	–	(31.8)	(31.8)
Tax (liabilities)/assets	–	–	–	(1.6)	6.1	4.5
Bank overdrafts and loans	(0.1)	–	(0.1)	(1.9)	–	(1.9)
	4.4	–	4.4	12.2	(46.5)	(34.3)
Other intangible assets (net of deferred tax)			–	–	113.7	113.7
Goodwill			8.2	29.8	939.2	969.0
Costs not charged to goodwill			–	–	3.3	3.3
			12.6	42.0	1,009.7	1,051.7
<i>Satisfied by:</i>						
Cash			12.6	42.0	994.3	1,036.3
Directly attributable costs included in goodwill			–	–	12.1	12.1
			12.6	42.0	1,006.4	1,048.4
Directly attributable costs not included in goodwill			–	–	3.3	3.3
			12.6	42.0	1,009.7	1,051.7

On the day following completion, the trade and assets of each acquired business were transferred into another Travis Perkins' subsidiary. The acquired subsidiary companies are now dormant.

Acquisitions made in the periods under review are not material to the Group in respect of turnover, profits or cashflows. Therefore, the results and cash flows of the Group, prepared on the basis that the acquisitions were made on 1 January 2006, are not disclosed on the grounds of materiality.

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

Goodwill arising on acquisition

The goodwill arising on acquisitions made during the year is attributable to the anticipated profitability of these acquisitions and the future operating synergies arising in the enlarged group. No intangible assets were acquired during the year.

Prior period acquisitions

The provisional fair values ascribed to the net assets of acquisitions made during 2005 and disclosed in the 2005 financial statements were finalised during the year. There were no significant changes to the values disclosed last year.

30. 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.

<i>The Group as lessee</i>	2006	2005
	£m	£m
Minimum lease payments under operating leases recognised in income for the year	105.7	90.2

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:

	2006	2005
	£m	£m
Within one year	109.0	101.2
In the second to fifth years inclusive	412.2	380.7
After five years	985.8	949.9
	1,507.0	1,431.8

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 £3.4 million (2005: £2.5 million).

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

	2006	2005
	£m	£m
Within one year	2.5	2.7
In the second to fifth years inclusive	7.6	8.9
After five years	9.1	12.7
	19.2	24.3

31. 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, who are the key management personnel of the Group, are provided in the audited part of the remuneration report on pages 51 to 54.

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 £7.5 million (2005: £6.8 million);
- receiving annual dividends totalling £65.0 million (2005: £58.8 million).

There have been no material related party transactions with directors.

32. CAPITAL COMMITMENTS

	The Group		The Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Contracted for but not provided in the accounts	15.3	15.2	–	–

33. NET DEBT RECONCILIATIONS

(a) Actual

	The Group		The Company	
	2006	2005	2006	2005
	£m	£m	£m	£m
Net debt at 1 January	(982.4)	(30.7)	(1,121.0)	(94.5)
Increase/(decrease) in cash and cash equivalents	0.2	(60.8)	2.0	(87.0)
Cash flows from debt	146.8	(871.9)	250.4	(940.5)
Reduction/(increase) in fair value of debt	31.6	(1.3)	31.6	(1.3)
Additional finance charges netted off bank debt	(0.6)	2.3	(0.6)	2.3
Finance leases acquired	–	(20.0)	–	–
Net debt at 31 December	(804.4)	(982.4)	(837.6)	(1,121.0)

(b) Proforma net debt reduction

	£m
Net debt at 31 December 2004	(30.7)
Debt to acquire Wickes	1,009.7
Finance leases acquired	(20.0)
Cash acquired	6.7
Proforma net debt at 31 December 2004	(1,053.7)
Net debt at 31 December 2006	(804.4)
Proforma net debt reduction	249.3

34. GEARING

	The Group	
	2006	2005
	£m	£m
Net debt under IFRS	(804.4)	(982.4)
IAS 17 finance leases	31.5	32.7
Fair value adjustment to debt	(30.3)	1.3
Finance charges netted off bank debt	(1.7)	(2.3)
Net debt under UK GAAP	(804.9)	(950.7)
Total equity	933.1	758.0
Gearing	86.3%	125.4%

35. ADJUSTED FREE CASH FLOW

	The Group	
	2006 £m	2005 £m
Net debt at 1 January	(982.4)	(30.7)
Net debt at 31 December	(804.4)	(982.4)
Movement in net debt	178.0	(951.7)
Wickes finance leases acquired	–	20.0
Dividends	42.5	38.6
Net cash outflow for expansion capital expenditure	31.6	42.2
Net cash outflow for acquisitions	10.9	1,045.5
Net cash outflow for acquisition of investments	2.0	–
Own shares purchased	–	8.1
Shares issued	(6.9)	(6.4)
Movement in fair value of debt and amortisation of fees	(31.0)	1.3
Special pension contributions	21.0	28.5
Free cash flow	248.1	226.1
Cash impact of exceptional property profits	(31.5)	–
Adjusted free cash flow	216.6	226.1

Adjusted free cash flow yield is calculated by dividing adjusted free cash flow of £216.6 million (2005: £226.1 million) by the Company's market capitalisation at 31 December of £2.4 billion (2005: £1.7 billion).

36. ADJUSTED RETURN ON ADJUSTED EQUITY AND ADJUSTED RETURN ON CAPITAL

Adjusted return on equity

	The Group	
	2006 £m	2005 £m
Profit before tax	231.9	206.7
Exceptional property profit	(11.6)	–
Adjusted profit before tax	220.3	206.7
Closing adjusted equity	933.1	758.0
Equity impact of exceptional property profit	(12.8)	–
Net pension deficit	56.6	99.9
Closing goodwill written off	92.7	92.7
	1,069.6	950.6
Opening equity	758.0	650.6
Net pension deficit	99.9	89.8
Opening goodwill written off	92.7	92.7
	950.6	833.1
Average net assets	1,010.1	891.9
Adjusted return on equity	21.8%	23.2%

36. ADJUSTED RETURN ON ADJUSTED EQUITY AND ADJUSTED RETURN ON CAPITAL *CONTINUED*

Adjusted return on capital

	The Group	
	2006	2005
	£m	£m
Operating profit	289.6	268.0
Exceptional property profit	(11.6)	–
Adjusted operating profit	278.0	268.0
Opening net assets	758.0	650.6
Goodwill written off	92.7	92.7
Net borrowings	982.4	30.7
Pension deficit	99.9	89.8
Opening capital employed	1,933.0	863.8
Closing net assets	933.1	758.0
Equity impact of exceptional property profit	(12.8)	–
Goodwill written off	92.7	92.7
Net borrowings	804.4	982.4
Pension deficit	56.6	99.9
Closing adjusted capital employed	1,874.0	1,933.0
Average adjusted capital employed*	1,903.5	1,812.9
Adjusted return on capital	14.6%	14.8%

*On 11 February 2005, borrowings and therefore capital employed were substantially increased. Therefore, average capital employed for 2005 has been calculated using £863.8 million for 41 days and £1,933.0 million for 324 days.

37. ADJUSTED EARNINGS BEFORE INTEREST, TAX AND DEPRECIATION

Adjusted earnings before interest, tax and depreciation ('EBITDA') is derived as follows:

	The Group	
	2006	2005
	£m	£m
Profit before tax	231.9	206.7
Finance costs	57.7	61.3
Depreciation and impairments	53.7	54.5
EBITDA under IFRS	343.3	322.5
Exceptional property profits	(11.6)	–
Reversal of IFRS effect and for 2005 inclusion of Wickes' pre-acquisition EBITDA	4.0	4.4
Adjusted EBITDA as defined in UK banking agreements	335.7	326.9
Net debt under UK GAAP (note 34)	804.9	950.7
Adjusted net debt to EBITDA	2.4x	2.9x

FIVE YEAR RECORD

<i>Consolidated income statement</i>	IFRS			UK GAAP	
	2006 £m	2005 £m	2004 £m	2003 £m	2002 £m
Revenue	2,848.8	2,640.8	1,828.6	1,678.3	1,417.5
Operating profit before exceptional property profits, amortisation and impairment charges	278.0	268.0	217.7	191.4	158.2
Amortisation and impairment charges	–	–	–	(15.3)	(12.1)
Exceptional property profits	11.6	–	–	–	–
Operating profit	289.6	268.0	217.7	176.1	147.3
Net finance costs	(57.7)	(61.3)	(11.2)	(13.4)	(9.7)
Profit before tax	231.9	206.7	206.5	162.7	137.6
Income tax expense	(64.9)	(65.9)	(64.4)	(53.8)	(45.8)
Net profit	167.0	140.8	142.1	108.9	91.8
Adjusted return on capital	14.6%	14.8%	25.0%	25.5%	24.0%
Adjusted return on equity	21.8%	23.2%	29.2%	29.3%	29.0%
Basic earnings per share	137.9p	116.8p	124.4p	96.5p	81.9p
Adjusted earnings per share	127.4p	116.8p	124.4p	110.0p	91.6p
Dividend declared per ordinary share (pence)	37.4p	34.0p	30.5p	24.4p	19.5p
Branches at 31 December (No.)	1,022	983	751	700	610
Average number of employees (No.)	14,866	14,048	9,385	9,199	8,497

<i>Consolidated cash flow statement</i>	IFRS			UK GAAP	
	2006 £m	2005 £m	2004 £m	2003 £m	2002 £m
Cash generated from operations	323.3	310.8	222.9	230.8	179.8
Net interest paid	(59.0)	(38.2)	(8.0)	(9.3)	(8.3)
Income taxes paid	(57.3)	(47.0)	(54.2)	(50.9)	(42.7)
Net purchases of investments, property and plant	(13.5)	(70.2)	(65.1)	(46.9)	(31.6)
Acquisition of businesses net of cash acquired	(10.9)	(1,045.5)	(39.0)	(72.3)	(111.5)
Proceeds from issuance of share capital	6.9	6.4	90.6	3.5	2.8
Dividends paid	(42.5)	(38.6)	(30.0)	(23.7)	(20.0)
Own shares acquired	–	(8.1)	–	–	–
Payment of finance lease liabilities	(2.8)	(2.3)	(1.0)	–	(0.1)
Repayment of unsecured loan notes	(0.3)	(0.8)	(3.2)	–	(2.0)
(Decrease)/increase in bank loans	(143.7)	872.7	(30.0)	–	–
Net increase/(decrease) in cash and cash equivalents	0.2	(60.8)	83.0	31.2	(33.6)
Net debt at 1 January	(982.4)	(30.7)	(128.5)	(159.7)	(126.1)
IFRS adjustment	–	–	(19.4)	–	–
Cash flows from debt and debt acquired	177.8	(890.9)	34.2	–	–
Net debt at 31 December	(804.4)	(982.4)	(30.7)	(128.5)	(159.7)

FIVE YEAR RECORD CONTINUED

<i>Consolidated balance sheet</i>	IFRS			UK GAAP	
	2006 £m	2005 £m	2004 £m	2003 £m	2002 £m
Assets					
Property, plant and equipment	426.4	445.2	340.7	284.7	258.2
Goodwill and other intangibles	1,444.5	1,436.3	304.8	285.7	249.9
Derivative financial instruments	3.8	1.3	–	–	–
Investment property and other investments	5.9	4.1	4.2	4.3	4.6
Deferred tax asset	24.2	42.9	38.5	–	–
Inventories	294.4	263.2	200.6	178.1	152.1
Trade and other receivables	364.3	322.4	287.8	265.6	251.4
Cash and cash equivalents	56.3	56.1	116.9	33.9	30.0
Total assets	2,619.8	2,571.5	1,293.5	1,052.3	946.2
Equity					
Issued capital	12.2	12.1	12.1	11.3	11.3
Share premium account	172.2	165.6	159.2	69.4	65.7
Other reserves	21.4	15.0	26.7	30.6	31.2
Accumulated profits	727.3	565.3	452.6	365.7	287.2
Total equity	933.1	758.0	650.6	477.0	395.4
Non-current liabilities					
Interest bearing loans and borrowings	763.6	1,027.4	137.8	150.0	175.0
Derivative financial instruments	30.9	–	–	–	–
Retirement benefit obligations	80.8	142.8	128.3	85.1	85.8
Long term provisions	13.1	13.2	–	–	–
Deferred tax liabilities	71.1	72.6	38.3	10.2	7.9
Current liabilities					
Interest bearing loans and borrowings	97.1	11.1	9.8	12.4	14.7
Derivative financial instruments	0.2	5.1	–	–	–
Trade and other payables	565.2	482.3	293.4	281.8	218.5
Tax liabilities	34.2	33.3	22.6	25.9	42.7
Short-term provisions	30.5	25.7	12.7	9.9	6.2
Total liabilities	1,686.7	1,813.5	642.9	575.3	550.8
Total equity and liabilities	2,619.8	2,571.5	1,293.5	1,052.3	946.2

The amounts disclosed for 2002 and 2003 and earlier periods are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the forty-third Annual General Meeting of Travis Perkins plc will be held at Northampton Rugby Football Club, Franklin's Gardens, Weedon Road, Northampton, NN5 5BG on Tuesday 15 May 2007 at 11.45 a.m.

The Resolutions

Resolutions 1 to 11 (inclusive) will be proposed as ordinary resolutions. Resolutions 12 to 14 (inclusive) will be proposed as special resolutions.

Ordinary Business

1. To receive the Company's annual accounts for the financial year ended 31 December 2006, together with the directors' report, the directors' remuneration report and the auditors' report on those accounts and on the auditable part of the directors' remuneration report.
2. To declare a final dividend for the financial year ended 31 December 2006 of 25.3 pence per ordinary share, payable to shareholders on the register at the close of business on 20 April 2007.
3. To appoint, as a non-executive director, pursuant to Article 71 of the Company's Articles of Association, Stephen Carter who was appointed as a non-executive director by the Board on 24 April 2006. Biographical details of Stephen Carter appear on page 41.
4. To re-appoint John Carter as a director, who is retiring by rotation pursuant to Article 76 of the Company's Articles of Association. Biographical details of John Carter appear on page 40.
5. To re-appoint John Coleman as a non-executive director, who is retiring by rotation pursuant to Article 76 of the Company's Articles of Association. Biographical details of John Coleman appear on page 41.
6. To reappoint Michael Dearden as a non-executive director, who is retiring by rotation pursuant to Article 76 of the Company's Articles of Association. Biographical details of Michael Dearden appear on page 41.
7. To re-appoint Deloitte & Touche 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 and to authorise the Directors to fix their remuneration.

Special Business

8. That the directors' remuneration report for the financial year ended 31 December 2006 set out on pages 47 to 54 be approved.
9. That the amendments to the rules of the Travis Perkins Share Matching Scheme (the "**Matching Scheme**"), the effect of which is explained in the letter from the Chairman to shareholders dated 5 March 2007, and which are included in the draft produced to this meeting which, for the purposes of identification, is initialled by the Chairman, be and are hereby approved and the Directors be authorised to:
 - (a) do all such acts and things as they may consider appropriate to implement the Matching Scheme, as amended; and
 - (b) establish further plans based on the Matching Scheme, as amended, but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans shall be treated as counting against the limits on individual or overall participation in the Matching Scheme.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

10. That the rules of the Travis Perkins 2007 Performance Share Plan (the "Performance Share Plan"), the principal terms of which are summarised in the letter from the Chairman to shareholders dated 5 March 2007 and which are included in the draft produced to this meeting which, for the purposes of identification is initialled by the Chairman, be and are hereby approved and the Directors be authorised to:
- (a) do all such other acts and things as they may consider appropriate to implement the Performance Share Plan; and
 - (b) establish further plans based on the Performance Share Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans shall be treated as counting against the limits on individual or overall participation in the Performance Share Plan.
11. That, in substitution for all existing unexercised authorities, the authority conferred on the Directors to allot relevant securities by Article 4(B) of the Company's Articles of Association be and is hereby renewed for the period expiring fifteen months after the date of the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting (unless previously renewed, varied or revoked by the Company in general meeting) and for that period the "section 80 amount" is £1,288,449.20.
12. That, subject to the passing of Resolution 11, and in substitution for all existing unexercised authorities, the power conferred on the Directors to allot equity securities wholly for cash on a non-prescriptive basis by Article 4(C) of the Company's Articles of Association be and is hereby renewed for the period expiring fifteen months after the date of the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting and for that period the "section 89 amount" is £610,557.54.
13. That the amendments to the Company's Articles of Association set out in the document presented to the meeting, and initialled by the Chairman for the purposes of identification only, be and are hereby approved.
14. That the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) 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 12,211,550 (representing 10% of the issued share capital of the Company as at 5 March 2007);
 - (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 the date fifteen months from the date of passing of this resolution, 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 Secretary

Lodge Way House, Harlestone Road, Northampton NN5 7UG.

5 March 2007

Registered in England No. 824821

(Directions to Northampton Rugby Football Club can be found on page 107).

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.
2. To be effective, the instrument appointing a proxy and any authority under which it is signed (or a notarially certified copy of such authority) must be returned by post to the Proxy Processing Centre, Telford Road, Bicester, OX26 4LD, or may be delivered by courier or by hand to the offices of the Company's Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held at Northampton Rugby Football Club, Franklin's Gardens, Weedon Road, Northampton NN5 5BG at 11.45 a.m. on 15 May 2007 and any adjournment(s) thereof 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 CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must 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. 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.

CREST members and, where applicable, their CREST sponsors and voting service providers should note that CRESTCo 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 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.

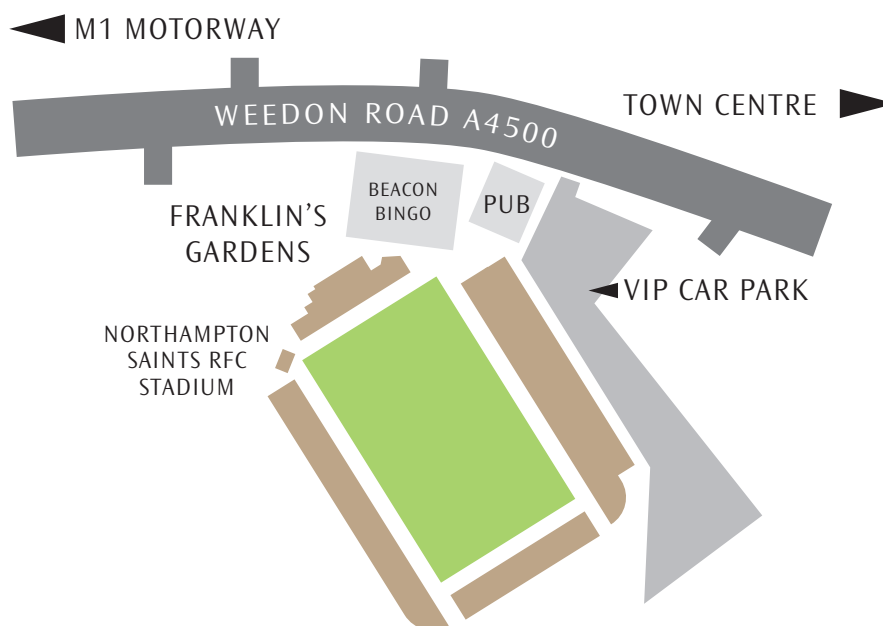
A form of proxy is enclosed with this notice. The appointment of a proxy does not preclude a member from attending the meeting and voting in person, in which case any votes of the proxy will be superseded.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at 11.45 a.m. on 13 May 2007 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.
4. The register referred to in note 2 means the issuer register of members and the Operator register of members maintained in accordance with Regulation 20 of the Uncertificated Securities Regulations 2001.
5. The following documents will be available for inspection at the Registered Office of the Company during usual business hours on any weekday (Saturdays 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 a.m. on the day of the meeting until the conclusion of the meeting.
 - 5.1 Copies of contracts of service of directors and non-executive directors', letters of appointment with the Company, or with any of its subsidiary companies.
 - 5.2 The register of directors' interests kept by the Company.
 - 5.3 A copy of article 147 of the Company's existing Articles of Association, which sets out the directors' and officers' indemnity entitlements.
 - 5.4 A statement giving particulars of directors' relevant transactions.
 - 5.5 The proposed new Articles of Association of the Company.
6. Copies of the draft rules of the Travis Perkins 2007 Performance Share Plan and of the Travis Perkins plc Share Matching Scheme (as marked with the proposed amendments) will be available for inspection at the Registered Office of the Company and at New Bridge Street Consultants LLP at 20 Little Britain, London EC1A 7DH during normal business hours on any weekday (Saturdays and public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

DIRECTIONS TO NORTHAMPTON RUGBY FOOTBALL CLUB

FRANKLIN'S GARDENS, WEEDON ROAD, NORTHAMPTON, NN5 5BG

The Travis Perkins AGM will be held in The Captains Suite and The Rodber Suite. Parking is directly outside in the VIP Car Park (follow VIP Car park signs off Weedon Road).



DIRECTIONS

From the South (via the M1)

Exit the motorway at junction 15A, follow the signs towards Sixfields and then right onto the Weedon Road (A4500) sign posted Town Centre. For VIP Car Park turn right after the Franklin's Pub.

From the North (via the M1)

Exit the motorway at junction 16 and follow the A45 on to the Weedon Road (A4500). Then follow directions from the south.

From Peterborough, Cambridge, Wellingborough

Follow the ring road (A45) to Northampton and follow directions from the south.

From Welford, Market Harborough

Aim for Kingsthorpe area of Northampton. Turn right at the major set of traffic lights, signposted Sixfields. Follow the dual carriageway to the major roundabout at Dallington. Go to the next major roundabout at the Sixfields Stadium and turn left onto the A4500 and continue as from the M1.

From the train station

It is 5 minutes in a taxi or a 10 minute walk from the train station. Turn right out of the station, follow road into St James area of town, keep going and follow road past St James Working Men's Club on your left hand side, and the rugby club is 100 metres on the left hand side.

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

REGISTRAR'S ON-LINE SERVICE

By logging onto www.capitaregistrars.com, clicking on "shareholders" at the top of the page and then the link under "The Share Portal" and following the prompts, shareholders can view and amend various details on their account. Please note that you will require your unique investor code, which can be found on your share certificate, proxy card or dividend tax voucher.

FINANCIAL DIARY

Annual General Meeting	15 May 2007
Payment of final dividend	17 May 2007
Announcement of interim results	August 2007
Payment of interim dividend	November 2007
Announcement of 2007 annual results	March 2008

SHARE DEALING SERVICES

Capita IRG ("Capita"), the Company's Registrar, offers an on-line and telephone share dealing service which is available by logging on to www.capitadeal.com or telephoning 0870 458 4577. For the on-line service, Capita's commission rates are 1% of the value of the deal (minimum £17.50, maximum £50) and for the telephone service, Capita's commission rates are 1.50% of the value of the deal (minimum £22.50, maximum £100). An additional £2.50 will be levied on all share dealings to cover Capita's compliance and administrative costs.

DIVIDEND RE-INVESTMENT PLAN ("DRIP")

This is a scheme which allows you to use your dividends to buy further shares in Travis Perkins. The DRIP is administered by Capita IRG Trustees Ltd ("CIRGT"). CIRGT will instruct the broker to buy shares 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. The DRIP commission, charged to the shareholder is 1% of the purchase price of the shares, with a minimum charge of £2.50. This is exclusive of stamp duty reserve tax at 0.5% of the deal value. Should you wish to apply you should request an application pack by telephoning 0870 162 3181; or, if calling from overseas +(44) 20 8639 3404; alternatively you can email shares@capitaregistrars.com.

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.travisperkins.co.uk *	www.cityplumbing.co.uk *
www.trademate.co.uk	www.tpextranet.co.uk
www.gardendimensions.co.uk	www.ccfltd.co.uk *
www.tpph.co.uk	www.toolmart.co.uk
www.buildthedream.co.uk	www.keyline.co.uk *
www.homedimensions.co.uk	www.wickes.co.uk *
www.bmpublicsector.co.uk	www.tpnet.co.uk

*These sites allow credit account holders to order on-line with the exception of the Wickes' site which allows on-line ordering by secure card transaction.

Some 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.



Travis Perkins

Lodge Way House, Harlestone Road, Northampton NN5 7UG

Telephone 01604 752 424