



TRAVIS
PERKINS PLC

Travis Perkins plc

A leader in
builders
merchandising
and home
improvement
retailing

OUR GROUP MISSION

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

OUR GROUP VISION

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

OUR GROUP VALUES

At Travis Perkins, we:

Know our customers –

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

Talk and listen –

we say what we mean clearly and honestly, we listen carefully; we respond objectively, we explain our decisions.

Are with you, not against you –

we seek mutual benefits with all stakeholders; we think about the impact of our actions; we search for similarities.

Know how to do our jobs –

not just today, but for the next job; we equip ourselves with the skills needed to perform and be confident we can perform.

Like to deliver –

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

Work together –

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

Always try to get better –

we constructively challenge how we work; we look for fresh ideas that are different; we only have rules where they are necessary because we use our common sense.

Are proud to be here –

this is a great company; everyone working with us is welcome; we make work enjoyable for everyone.

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

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FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2008

FREE CASH FLOW UP 43% (NOTE 35)



GROSS OPERATING COST SAVINGS OF £73M (8%) ACHIEVED



GROUP REVENUE MAINTAINED AT £3,179M



ADJUSTED OPERATING PROFIT DOWN 15% TO £272M



ADJUSTED EPS DOWN 18% TO 123P



BASIC EPS DOWN 43% AFTER EXCEPTIONAL ITEMS OF £56M

OPERATING HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2008

LIKE-FOR-LIKE HEADCOUNT REDUCED BY 16%



OPERATING FOCUS SHIFTED TO COST AND DEBT REDUCTION



GAINS CONTINUE IN BOTH TOTAL AND
LIKE-FOR-LIKE MARKET SHARE



TRADE BUSINESSES RATED TOP AMONGST
NATIONAL MERCHANTS

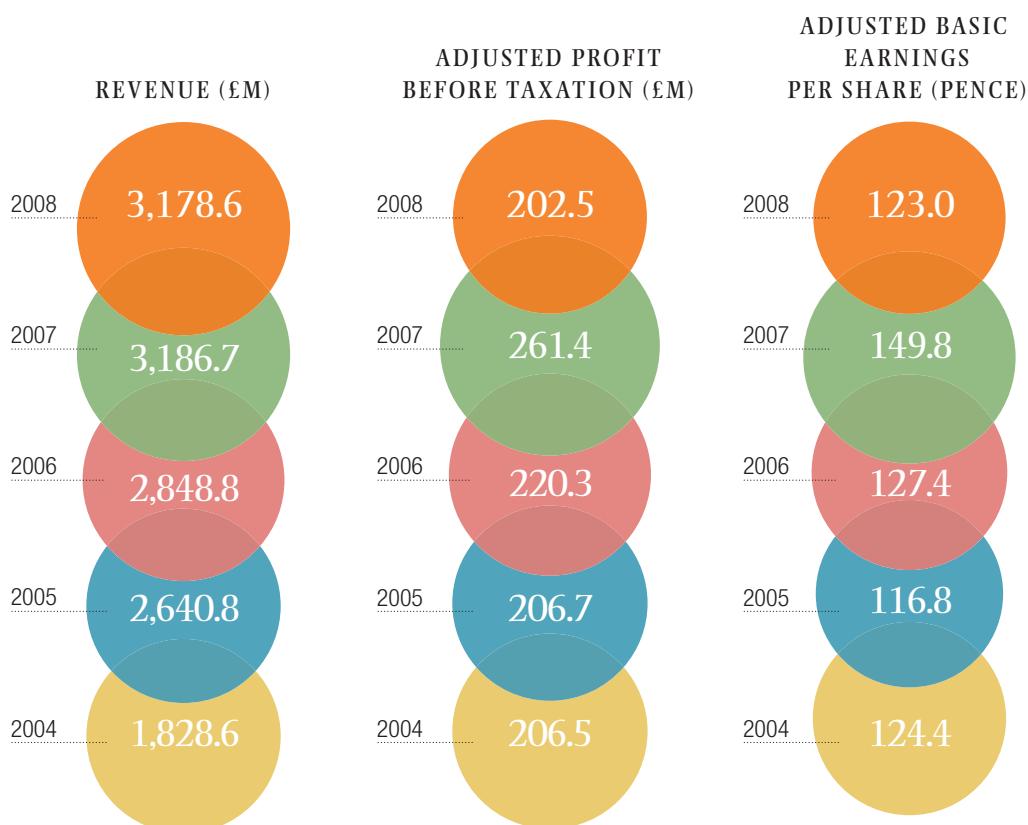


WICKES RETAINS TOP SLOT IN CONSUMER
SURVEYS OF DIY STORES

FINANCIAL HIGHLIGHTS

	2008		2007
	£m	%	£m
Revenue	3,178.6	(0.3)	3,186.7
Adjusted:*			
Operating profit (note 5a)	271.5	(15.1)	319.9
Profit before taxation (note 5b)	202.5	(22.5)	261.4
Profit after taxation (note 5b)	143.9	(20.5)	181.1
Basic earnings per ordinary share (pence) (note 12)	123.0	(17.9)	149.8
Statutory:			
Operating profit	215.3	(32.7)	319.9
Profit before taxation	146.3	(44.0)	261.4
Profit after taxation	101.9	(45.0)	185.3
Basic earnings per ordinary share (pence)	87.1	(43.2)	153.3
Total dividend declared per ordinary share (pence) (note 13)	14.5	(67.7)	44.9

* During 2008 the Group incurred an exceptional charge of £56.2m associated with the severe downturn in the construction market (note 5). During 2007 the Group recognised an exceptional deferred tax credit of £4.2m arising from the reduction in the corporation tax rate to 28% (note 11). Throughout these financial statements the term "adjusted" has been used to signify that the effect of these exceptional items has been excluded from the disclosure being made.



WHO WE ARE

Travis Perkins plc

Travis Perkins, a major PLC, is a main supplier to the building and construction market, one of the largest industries in the UK.

The present day Company was formed in 1988 out of a merger between Travis and Arnold plc, a company with 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 and Arnold was initially formed as a partnership in 1899.

During the early to mid 20th century both businesses expanded before eventually becoming listed public companies, Travis and Arnold was the first to the market in 1964, followed 22 years later by Sandell Perkins.



Andrew Pike
Company Secretary
and Lawyer



Carol Kavanagh
Group Human
Resources Director



Martin Meech
Group Property Director

GENERALIST MERCHANTING



Travis Perkins

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

Joe Mescall, who has been with the Group since 1974, leads the business in his role as Divisional Chairman. The Managing Directors of the four regional businesses are Ian Church (Travis Perkins Midlands), Phil Grandsen (Travis Perkins South East), Norman Bell (Travis Perkins South West) and Mark Nottingham (Travis Perkins Northern).

The customers of the general merchandising business are primarily professional tradesmen, ranging from sole traders to national house-builders, whose key requirements are product range and availability, pricing clarity and customer service. The general merchandising business, through the Travis Perkins brand, operates to high standards in each of these requirements and continues to improve to meet customer needs.

The strategy of the general merchandising division aims to increase market share through implementation of our Best Practice programme and ongoing branch network expansion. The Best Practice programme is designed to enhance our overall service to trade customers and covers all of their key requirements: all four general merchandising businesses are operating to high standards in these areas and also have stretching targets in place to deliver further improvements.

Network expansion will be concentrated on Local Authority and Housing Association store projects in the short term; potential exists to double the number of such outlets over the next few years.

Joe Mescall
Divisional Chairman



Mark Nottingham
MD Northern



Ian Church
MD Midlands



Phil Grandsen
MD South East



Norman Bell
MD South West



SPECIALIST MERCHANTING



The Specialist Merchanting division was formed in 2007 and is led by the Divisional Chairman, Arthur Davidson. He has worked in merchanting for over thirty years having joined Keyline prior to its acquisition by the Travis Perkins Group. The Specialist Merchanting division consists of four separate businesses trading under the following brands, Keyline, City Plumbing Supplies, CCF and Benchmarx.

Keyline is a specialist merchant supplying heavy building materials and civils and drainage solutions to the construction industry throughout the UK. Keyline is known for its knowledgeable staff and excellent delivery service and is led by Managing Director, David Stewart, who was formerly Operations Director for Keyline in Scotland.

City Plumbing Supplies is a major nationwide plumbing and heating merchant serving both the contract market and the general plumbing and heating market. The Company offers high quality products

and expert service to the trade. The Managing Director of City Plumbing Supplies is John Frost who joined the Travis Perkins Group in 1983.

CCF is a leading supplier of interior building products to the construction industry. It operates throughout the UK, offering a one-stop-shop to its customers from its nationwide branch network. CCF's Managing Director is Kieran Griffin who joined the group in 1995 and progressed via its management trainee scheme, branch management and regional management roles to the position of managing director.

In 2006, Benchmarx became the first group brand to be created as a completely new business within a market adjacent to an existing Travis Perkins market. Based mainly in the South East, the business is a leading supplier of kitchen and joinery products to the trade through its competitive pricing, quality products and knowledgeable staff. Benchmarx is led by Andrew Harrison, who joined the Travis Perkins Group following the acquisition of Sharpe and Fisher in 1999.



Arthur Davidson
Divisional Chairman



David Stewart
MD Keyline



John Frost
MD City Plumbing Supplies



Andrew Harrison
MD Benchmarx



Kieran Griffin
MD CCF

RETAIL DIVISION

Wickes TILE GIANT

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

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

The Company meets these expectations by offering a focussed range of high quality, primarily own brand, competitively priced home improvement products, such as timber, building materials, tools and decorative materials. In addition, Wickes stores offer a range of kitchens and bathrooms, which are sold through in-store showrooms.

Wickes, which opened its first store in the UK in 1972 at Whitefield in Manchester was acquired by Travis Perkins in 2005 and the Company now operates from 192 stores nationwide.

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

In November 2007 Travis Perkins acquired its seventh brand, Tile Giant. In 2008 the division acquired Tile Magic, a 17 store chain and Tile it All a 16 store chain. The acquisitions are consistent with the Group's strategy for growth in the ceramic tile market. The brand is now trading from a total of 78 stores.

Under the leadership of Mo Iqbal, the Managing Director of Tile Giant, the brand offers a strong pipeline for further expansion.

Jeremy Bird
Divisional Chairman
and MD Wickes



Mo Iqbal
MD Tile Giant



CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

The events in financial markets, and their effects on the wider economy, continued to dominate as 2008 progressed. Against this background, the Group's focus this year has been on the deployment of plans to deal with an increasingly severe market contraction.

RESULTS

Whilst at the interim stage the Group was able to report increases in sales, operating profit and earnings per share, the deteriorating market conditions in the second half created pressure on our overall financial performance.

Group revenue for 2008 was just below 2007, and adjusted profit before tax (i.e. on an underlying basis) declined by 22.5% and adjusted earnings per share was similarly down by 17.9%.

As a result of actions taken to deal with the reduction in construction activity the Group has incurred an exceptional charge of £56.2m. These actions include a restructuring of some businesses and functions, and a programme of headcount reduction across the Group. The cash element of re-organisation costs associated with these actions is £8.5m, with the remainder of the exceptional charge mainly representing increased provisions for future lease obligations and related costs. These increased provisions directly reflect the bleak outlook for construction and home improvement markets as the country faces the most severe economic conditions for some years.

The actions we have taken are aimed at reducing costs and conserving cash. Before the effect of exchange rates on that portion of our debt denominated in US dollars, against which the Group is any case fully hedged, we have reduced underlying net debt by £14.9m.

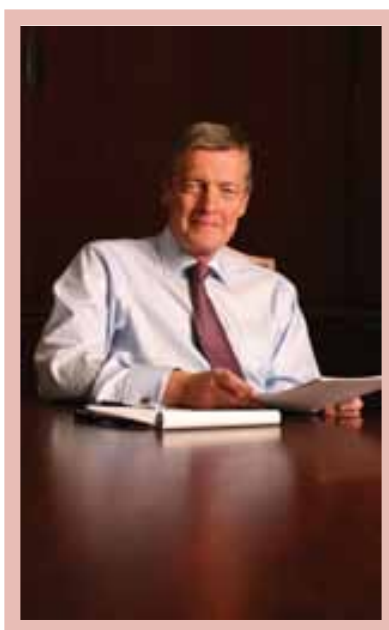
Virtually all new commitments for acquisitions and brown-field sites were suspended from early 2008, and the opening of new branches and stores almost dried up by the half-year. As at the end of the year our network comprised 1,223 branches. As we move in to 2009, we envisage restricting our new branch expansion plans to Tile Giant, where the cash payback from new branches continues to be very favourable, and, provided it meets its performance conditions, we will continue to fund the expansion of ToolStation under the terms of our buyout agreement.

DIVIDEND

In view of the continuing difficulties in our sector, the board is recommending a suspension of the final dividend. The interim dividend of 14.5 pence was paid to shareholders in November 2008. We expect to resume dividend payments once the prospects for our markets have improved.

BOARD OF DIRECTORS

Mike Dearden has been a non-executive director of the Group for 8 years, including the last three years as our senior independent non-executive director. Having been asked in 2006 to extend his appointment by a further 2 years, he retired from the board in November 2008. Mike made a very significant contribution to the board, bringing a wealth of experience of both business and corporate governance matters and we wish him well for the future. Activity is already underway to identify a non-executive director to replace Mike. Chris Bunker has taken over as senior independent director and the new non-executive director will be appointed in due course.



Tim Stevenson, Chairman

EMPLOYEES

Given the increased demands imposed on the Group from market challenges in 2008, I am sure all shareholders will join me in thanking all our people for their dedication and tenacity. I know from my visits to branches, stores, distribution centres and offices that the Group enjoys an extraordinary level of loyalty and commitment from the vast majority of its people. To those who have regrettably had to leave us as we reduced our headcount, we have provided support and wish them well for the future. To all the people who have worked in the Group, on behalf of shareholders, I offer my thanks for their efforts in 2008.

OUTLOOK

We expected the well-documented problems emanating from financial markets would adversely impact growth rates in our markets progressively over the year. However, the speed and scale of the impact of the turmoil emanating from the financial markets has been greater than the expectations of most commentators and 2009 is likely to prove a very tough year for

all participants in the construction sector. As we have commented previously, we see little prospect of a return to market growth this year, and limited prospects for a return to growth in 2010.

It is reassuring to report that our businesses continue to outperform competitors. In 2008 our divisions grew market share on a like-for-like basis and continue to record leading operating margins in each segment of their markets – both key



components of our strategy. Without underplaying the importance of absolute returns, these relative aspects of our performance are particularly important to our prospects at this juncture. This positioning significantly enhances our resilience as we manage the Group through this downturn, since it means we continue to enjoy the confidence of our customers and have a relative advantage in being able to withstand a given fall in market volume. A number of competitors have already closed branches and some have exited the sector altogether. We expect further rationalisation to take place over the next year, improving our prospects for further like-for-like market share gains from our estate.

However, outperforming competitors and enjoying the benefits of sector rationalisation will not, in themselves, be sufficient to safeguard shareholder returns. We have already

taken decisive action, and stand ready to take further steps if necessary. Our actions are aimed at cutting costs and conserving cash to mitigate the effects of the difficult market and to protect the Group's capital structure whilst safeguarding the Group's core strengths. We believe this stance will produce the best outcome for shareholders in this unusually challenging economic environment.

Tim Stevenson
Chairman
18 February 2009

CHIEF EXECUTIVE'S REVIEW OF THE YEAR

FOR THE YEAR ENDED 31 DECEMBER 2008

INTRODUCTION

In response to the remarkable worsening of economic conditions during 2008, the Group changed its operational plans and priorities very significantly. We had anticipated, and warned shareholders about, a probable downturn in construction markets and had prepared contingency plans from the latter part of 2007. However, the speed and severity of the change in conditions meant that we implemented those contingency plans more rapidly, and to a greater extent, than previously expected.

Our previous priorities – each successfully pursued – were to drive market-leading like-for-like (“LFL”) sales growth and operating margin performance from each of our businesses; expand our branch networks; and to enter adjacent channels for the distribution of construction materials. These priorities evolved as construction markets slowed rapidly during 2008 to cost and debt reduction whilst maintaining our market leading LFL performance.

PERFORMANCE

The Group's financial results suffered in 2008 in comparison with the previous year.

Throughout this annual report, consistent with our approach last year, the term “adjusted” has been used to signify that the effects of exceptional items have been excluded from the disclosures being made.

The Group incurred an exceptional charge of £56.2m in 2008 as a result of actions taken in response to the downturn in construction markets.

For 2008, Group revenue was down very slightly to £3,178.6m (2007: £3,186.7m), with adjusted operating profit down 15.1% to £271.5m (2007: £319.9m), adjusted profit before tax down 22.5% to £202.5m (2007: £261.4m), and adjusted earnings per share down by 17.9% to 123.0 pence (2007: 149.8 pence). The revenue decrease of 0.3% comprised a decline of 4.5% in like-for-like sales, with network expansion accounting for growth of 4.2%.

Adjusted group operating margin fell by 1.5% to 8.5% (2007: 10.0%) (note 5c). This primarily reflects a reduction in overhead recovery from declining LFL sales. Whilst variable costs have been cut back in line with falling activity levels, and some significant fixed costs have been eliminated, a proportion of the

Group's costs – such as branch rents – are both unavoidable and fixed.

As 2008 progressed, our markets began to experience falling volume and, as expected, competition intensified, with a related deterioration in pricing conditions. Despite this, our work to protect gross margin, both by the optimisation of pricing and by sourcing benefits, meant the Group was able to more than offset the market pricing pressure. Gross margin for the Group increased by 0.2%, with gross margin in the merchandising division up by 0.3%, whilst in the retail division, it was down by 0.5%.

Our trade division continued its work to ensure we offer superior services and products to customers. Our research continues to indicate the success of this strategy, with our trade branch network rated as a preferred source of building materials in 12 out of the top 13 criteria used by customers when selecting a merchant. Although much new work in 2008 on continuous improvement of our trade offer was curtailed in view of the difficult market, we made good progress in improving product availability and service standards. This superior offer was used by our sales and marketing teams as a platform to launch targeted marketing initiatives,

particularly in market segments that continued to grow in 2008, and we achieved good sales gains from new accounts without sacrificing gross margin.

Trade division sales fell by 0.7%, with sales from new branch openings contributing 3.5% and LFL sales falling by 4.2%. The latter comprised 6.4% of price inflation offset by a 10.6% decline in volume. Both general and specialist merchandising performed ahead of their respective markets, with LFL sales per working day down by 4.1% in general merchandising and 4.3% in specialist merchandising. We estimate that our trade businesses have continued to record sales some 2% ahead of market rates, with market share gains coming mainly from national competitors.

Our retail businesses also achieved creditable revenue performance, growing both like-for-like and total market share for much of the year. The Wickes and Tile Giant value-for-money positioning in the home improvement market has become more attractive as consumers have found their discretionary purchasing power eroded. This was reflected in Wickes' recent success in retaining its position in the annual Verdict retail



Geoff Cooper, Chief Executive

consultancy survey as the nation's favourite DIY retailer. Whilst higher priced competitors have increasingly used advertising and promotions to boost customer perceptions of their price cutting credentials, we have maintained the more competitive price position of our product ranges, and continue to attract customers in greater numbers.

LFL sales for the full year of Wickes' core products were down by 4.8% and on the same basis showroom sales fell by 8.1%. Tile Giant LFL sales were up by 5.5%. Our showroom business was disrupted towards the end of the year by two significant events; stock liquidation from the administration and closure of a major kitchen and bathroom competitor; and the administration and closure of our supplier of conservatories. Overall LFL sales in the Retail Division were down 5.3% with 1.7% price inflation and a 7.0% volume decrease. Network expansion added 6.2% to retail sales which in total increased by 0.9%. Retail Division operating margin decreased by 156 basis points to 5.1% (note 5c) for 2008.

Group underlying net debt, used for covenantable purposes fell by £14.9m (note 34), despite an outflow of £125.9m on capital expenditure. This reduction in net debt was boosted by an inflow of £23.1m from targeted working capital reductions from our supply chain projects.

The £125.9m net outflow on capital and acquisition expenditure, comprised £97.0m spent on expanding the Group and £43.8m on maintenance capital items less £14.9m of asset disposal proceeds. Since most work on new expansion opportunities was halted from early in the year, the majority of this expenditure related to deals agreed in late 2007 and early 2008 for which the related cash out flow mainly occurred in the first half-year.

Covenantable net debt is calculated after eliminating the £80.2m impact of exchange rate movement that is any event offset by an equal and opposite debit balance in fixed assets. The improvement in covenantable net debt was achieved despite very significant pressures on our customers at the year-end which caused a 3-day deterioration in outstanding debtor balances. Reported net debt was £1,017.4m.

More importantly, our average net debt position over the year was tightly controlled against daily targets. This helped us mitigate the impact on interest charges of the volatility in LIBOR rates experienced throughout the year. However with pressure on operating profit, interest cover for the year, as calculated for covenant purposes, was 4.3 times compared to 5.4 times in 2007. The net debt to EBITDA covenant, which is not affected by exchange rate movements was 2.8 times. In both cases our covenant test level is 3.5 times. We therefore remain in compliance with our lending agreements and expect to do so throughout 2009.

MARKETS

Having grown for longer than we expected through 2007, the trade market contracted in value terms from the second quarter of 2008. Market value in 2007 was supported by stronger than expected and rising inflation in building materials. Despite commodity and energy prices falling towards the end of the year, product cost and sales price inflation accelerated, ending the year at an annual rate of 7 to 8%. In volume terms, we estimate

the construction material market, in which our trade businesses won market share, has been contracting since January 2008, and is now running at an annual rate of decline of around 20%.

The retail market followed a similar pattern and trend, with an early and poor Easter trading period, a small recovery in the second quarter, and "steps" down in July and October. Although inflation in retail prices was more modest, at 1.7%, we estimate the retail market to be currently running at an annual rate of decline in volume terms of around 15%.

Whilst the long-term prospects for growth in our markets remain positive, the short and medium term outlook is sensitive to recessionary influences. Our revenue sources are well balanced with our businesses serving a diverse range of customers performing a wide variety of construction work, from infrastructure, new domestic, public sector and commercial construction, to repair maintenance and improvement ("RMI") works in all types of building. This downturn was first felt in the new housing segment of our market, where volumes to these customers fell in 2008 by 40% over the prior year. In contrast, activity levels in RMI – a sector where projects are often non-discretionary by nature – held up well for much of the year, and our general merchandising and retail businesses benefitted as a result. In addition, for public sector buildings, activity in new construction and RMI continued to grow, despite some signs of reduced availability of funding to some public sector sponsors.

We monitor about 20 criteria that indicate the likely strength of purchasing activity for construction materials, including indicators for housing (for example, mortgage approvals), commercial and public sector new build (architects' enquiries) and consumer markets (propensity to spend on "big ticket" items). Generally, trends for spending in our markets react some 6 to 9 months after a change is detected amongst these criteria. The current downturn has followed this pattern, with market trends in the merchant and home improvement markets first reacting in the spring of 2008 to the significant shift in housing market activity which occurred from October 2007.

Most of the criteria we monitor showed a sharp fall in activity levels through the first 3 quarters of 2008, followed by some stabilisation of activity, albeit at a very low level. Were the established pattern of lag between these criteria and our markets to be repeated, our markets might be expected to see a similar stabilisation, again at a low level, by the middle of 2009. However, two significant reservations that must be applied to any forward view of our markets; firstly, the unprecedented nature of the current economic turmoil led by a sudden withdrawal of credit and now involving an increase in unemployment means that well established economic relationships are less reliable; and secondly the level at which our markets stabilise is difficult to forecast whilst we are currently experiencing a rapid fall in purchasing activity by customers.

Our early sales performance in 2009 reflects these trends, with, LFL sales per trading day in our merchandising division for January down by 15.8% and LFL sales for retail for the first five weeks of 2009, on a delivered basis, down by 12.2%. We are continuing to outperform our markets, aided in particular by competitor closures and the success of Wickes new marketing strategy, which uses TV and radio advertising rather than direct

marketing. This has contributed to a strong start to the year for our showroom category sales through Wickes, and on an ordered basis Wickes' overall LFL sales are up by 1.5%. Meaningful interpretation of February sales trends has not been possible due to the effect of adverse weather conditions on construction activity.

We have now established a pattern of out-performing markets for over 2 years, and expect to continue to do so. For almost all of that period capacity has been added to our merchanting market by our competitors, and ourselves and the retail market has also seen a small capacity increase. However, the severity of the current downturn has significantly changed those trends. Branch closures by competitors accelerated towards the end of 2008, with around 300 closures now recorded across merchant and retail markets. Clearly, this improves the prospects for LFL sales in all remaining branches in the sector, including our own.

We monitor the profit and cash contribution of all branches on a continuous basis, compared to the alternative use value that could be derived from closure and possible disposal. In a "normal" year we would expect to close around 5 to 10 branches as part of a continuous process of upgrading and improving our estate. In 2009 we do not expect to increase significantly that level, although it is

clearly sensitive to the level at which our sales performance stabilises. Given our stronger operating margin we would expect our competitors to be more vulnerable to the market downturn than ourselves - as has been the case in recent months. In assessing potential closures, we allow for the support to future sales levels provided by actual and probable competitor closures.

MANAGING THROUGH THE DOWNTURN

Given the poor short and medium term outlook for our markets, as indicated by the analysis described above, we have taken action in 2008, across the Group, to deal with anticipated tough trading conditions continuing into 2009. We also retain a number of contingency plans should it be necessary to take further action in response to downside scenarios we have analysed.

Based on our analysis of previous recessions in our sector and our monitoring of lead indicators, we estimate that volumes purchased in our markets will fall by some 25% from

a peak in early 2008, with the trough being reached by the third quarter of 2009. With inflation, market share gains, maturing performance from recently opened stores and full year effects, our annual revenues for 2009, compared to 2008, are expected to decline by less than our peak to trough estimated decline of 25%.

In this scenario, with cost reduction plans already in place, an expected net £20 million inflow from working capital, capital expenditure falling by £80 million, anticipated income from property realisations and lower interest rates, we are targeting a reduction in covenantable net debt by at least £125m in 2009. Should trading conditions worsen from our forecasts, we will implement more aggressive contingency plans to further reduce

costs and release cash with the aim of achieving our target for debt reduction.

Led by John Carter, our Chief Operating Officer, the actions we have taken comprise: cost reduction; working capital efficiency; enhanced management focus; targeting market share gains; gross margin protection; property realisations; and reduced capital expenditure – all implemented while we maintain the motivation of our people.

Subject to these assumptions and contingency plans proving reliable, we have sufficient capital to manage the Group through the downturn, as described in the Finance Director's

review of the year. However, given the increased economic volatility, we are closely monitoring trading trends, and are continuously updating plans for, and evaluation of, options for protecting the Group's capital position.

We believe that the most efficient companies will emerge from this severe downturn in a relatively stronger position. We fully intend to be one of those companies and to evaluate attractive market opportunities which might present themselves.

Management Focus

We have now halted all non-capital development projects, such as technology developments, except those with an attractive short-term cash return. All management resources are now dedicated to "the day job". This has increased the time and attention available for developing sales, servicing customer requirements and maintaining our offer at the highest possible standards. It has also enabled us to reduce management resources, both in our central functions and in our businesses.



Market Share Gains

The strength of our offer in all our businesses continues to drive LFL growth rates that are superior than each of their markets. This has been further supported by sales gains from competitor closures, the maturing of recently opened branches and the withdrawal of credit insurance from some merchant competitors. All these factors will remain in 2009, and we expect our overall trend of out-performing the market to continue.

We have also enjoyed considerable success in targeting contractors working in segments of the construction market that have continued to grow, and that show good medium-term prospects. In particular, many more social housing landlords and their contractors are seeking to outsource their stores operations and our public sector stores business continues to win the majority of bids it enters. Prospects for this and similar sectors have been further boosted by recent government announcements about investing in public sector buildings and infrastructure as part of its economic stimulus package. Our activities here, conducted by dedicated teams of managers, will continue to add to the market share gains we have made.

Gross Margin Protection

As the contraction in our market has deepened, we have experienced the normal pressure on margins caused by some merchants delaying the introduction of price rises, and by some retailers seeking to support volumes through heavily advertised price promotions. Despite this we have been able to increase gross margins in 2008 by 0.2% through the organisation of our commercial relationships, the extension of our global sourcing activities, and the introduction of new IT based pricing tools in our trade branches.

These initiatives leave us well placed to compensate for the further market originated margin pressure we expect to experience in 2009. Our global sourcing activities are now capable of significant expansion following our investment in expanded central distribution facilities, and wider and better use of our pricing tools is planned. Falling commodity prices and intensifying competition amongst far eastern exporters are expected to compensate for Sterling weakness compared to 2008. Our relationship with key suppliers puts us in a good position to deal with what we expect to be continued high cost and price inflation, due in part to Sterling's recent weakness. We anticipate there will be some commodity categories where we may see some price deflation. In these cases we are in a strong position to benefit from any

such reductions in price due to our tactical buying initiatives. However, the full year effect of strong cost and price inflation across our ranges seen in 2008 is likely to underpin continued overall high inflation in 2009.

Cost Reduction

Action has already been taken to rein back discretionary costs, cut variable costs to a level capable of handling anticipated 2009 volumes (cuts here were deliberately timed with the lull in building activity over the winter months to enable us to take this early action without compromising service), and to streamline fixed elements of cost, such as management structures.

Variable costs comprise approximately 40% of our total cost base, with the largest elements being people and transport. During the first half of 2008 we were successful in not replacing

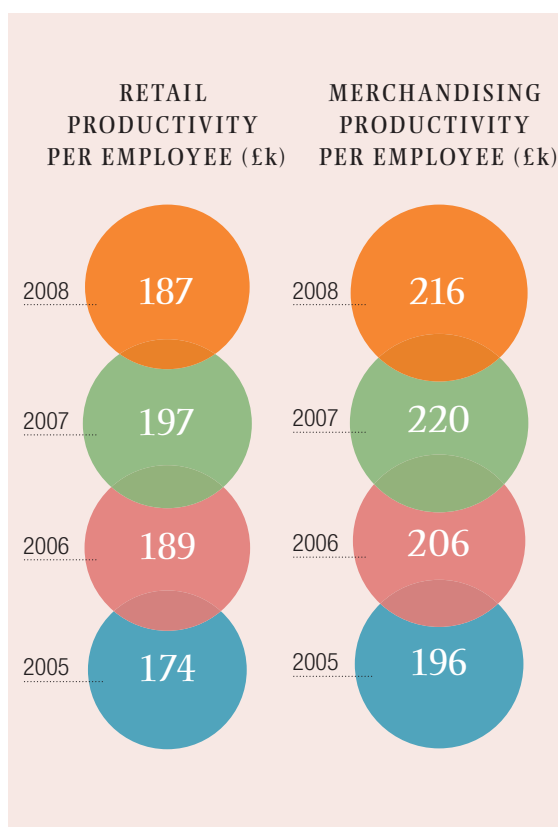
leavers to enable us to achieve the required level of headcount reduction. This enabled us to maintain productivity ratios as LFL sales fell. However, the sharp steps down in activity we saw in the second half and our prediction of a continuing contraction of our markets in 2009 prompted us to set our staffing at a level consistent with lower expected revenues in 2009. Total headcount, has been reduced in both businesses and central functions and is now over 1900 full time equivalents (14%) lower than in January 2008. After allowing for an extra 600 people added in new branches, the LFL fall in headcount was 2,500, a reduction of 16%. Our transport fleet has also reduced by 14%, with over

300 vehicles eliminated. Some of these vehicles are available for redeployment, thereby reducing capital expenditure requirements in the next two years.

We will continue to manage our transport fleet and headcount on an active basis.

Working Capital Efficiency

Management of our efficient working capital ratios became increasingly difficult in 2008 as both suppliers and customers sought to conserve cash. Despite this, we reduced working capital by £23m compared with the end of 2007 and also our total working capital to sales ratio at the end of 2008 was 4.2% compared to 5.3% at the end of 2007. Our supply chain projects delivered some £34m of cash savings in 2008 from stock reductions, whilst at the same time improving product availability. The work we have completed on working capital manage-



ment has reduced the working capital investment we carry into 2009, which we expect to further improve by £20m as more projects complete.

Additional resources have been allocated to the collection of trade debts in an environment where an increased number of building contractors are struggling to survive. Whilst we have increased the attention given to this aspect of our business, improving co-ordination between our central credit control function and our business teams, we expect a further deterioration in both debtor days outstanding and our bad debt charge in 2009.

We enjoy very close and long-standing relationships with our suppliers and work actively to support development of their business plans. Whilst we are conscious of possible restrictions in the availability of trade credit insurance, we do not anticipate this impacting the terms on which we trade with our suppliers.

Taken together, the above actions are expected to enable us to maintain this ratio. With a falling market and sales volume, cash generation from working capital will significantly contribute to our target of a £125m reduction in covenantable net debt in 2009.

Property Realisations

Since late 2005 we have pursued a programme of active management of our property portfolio to maximise value generated from each site. That programme has involved, on a site-by-site basis, sales of surplus land, relocations of trading sites to less valuable locations, establishment of a special purpose vehicle to raise capital from low capital growth properties via partial sale and leaseback, and the purchase of a limited number of freeholds to maintain the overall quality of our estate. Our portfolio retains excellent defensive characteristics as we manage through the downturn, comprising 351 freehold and 57 long leasehold properties in a total estate of 1,307 properties.

The current book value, established from a 1999 valuation exercise plus subsequent additions at cost, is £257m, an increase of £15m over the value at the end of 2007. At the same time as improving the quality of the estate, we have been able to generate £49.5m of cash and £28.7m contribution to operating profit over the last three years via 22 projects involving 56 properties.

We have 24 projects under active development covering 41 properties. Whilst the current restriction of funding to property developers has reduced our targets for 2009, we still remain optimistic we will exceed the average annual cash raised from the programme to date. A number of projects involve counterparties such as discount food retailers who, despite the economic conditions, have sustained expansion plans and available funds.

Reduced Capital Expenditure

Clearly, our decision to halt almost all network expansion and withdraw from acquisition opportunities will considerably assist our debt reduction plans. In addition, we have eliminated all but the most essential capital projects and lengthened the replacement cycle for all classes of asset. This, together with our mothballing of delivery vehicles withdrawn from trade branches in 2008, will substantially reduce capital expenditure in 2009, which we have targeted at £37m. Expenditure at broadly this



level is sustainable for two to three years, following which, with our depreciation charge at just over £60 million, an increase would be expected.

Further Cost and Cash Actions

Whilst we have already taken sufficient actions to deal with our forecast for falling volumes into 2009 in both trade and retail markets, we retain the flexibility to take action in response to various alternative scenarios. We expect to be able to flex our variable costs in line with variations from forecast volumes handled. The inflation rate on fixed costs, particularly rents, is falling close to zero. We have also developed plans to reduce debt and fixed costs further should the need arise. In 2009 a number of projects will complete, including projects aimed at reducing fuel costs through vehicle tracking technology, waste costs through greater separation and recycling, and energy costs through improved management information and monitoring.

DEVELOPMENT

Over the last 3 years we have broadened our revenue sources, entered a few selected new adjacent markets and channels and also added 240 branches to our existing businesses. However, our stance on expansion changed significantly in early 2008. Apart from deals agreed in late 2007 or the first few weeks of 2008, most expansion activity has been halted. This meant we added 75 new branches in the first half-year, but only 23 new

branches in the second half. We are continuing to expand our tile retail business since each new branch produces a very quick cash payback, and we will continue to provide funding to Tool-Station to support its expansion, subject to it meeting performance conditions incorporated in our acquisition agreement. Aside from these developments, very few new branches will be added to our network in 2009.

Wickes

Total retail selling space at Wickes expanded by 3.3% as a result of launching a net 8 new stores. At 31 December, we traded from 193 stores. The re-configuration programme, which involves reclaiming storage space for use as selling area and the construction of mezzanine floors in stores with very high sales densities, has been suspended to conserve cash.

Following the liquidation of our supplier of conservatories, and against a background of recent weakening demand for these products, we decided to exit this market. During 2009 we plan to re-lay our showrooms in Wickes stores to incorporate an expanded bathroom offer – a product category which continues to offer good growth and synergies across the Group, and yet where our retail market share has underperformed the rest of the retail business.

Outside Great Britain, we signed an agreement to develop a franchised chain of Wickes stores in Eire. The first store, at Limerick opened in October and, against a background of home improvement market conditions that are even worse than the UK, traded in 2008 in line with expectations. Our franchise partner will evaluate the performance of this store against the difficult market conditions in Eire before reviewing further expansion plans.

Travis Perkins

We added a net 30 sites during the year to the Travis Perkins' branch network and traded from 611 sites at the year-end. Around 80% of new sites were brownfields, which have relatively attractive returns compared to acquisitions. We also added a gross 27 tool hire outlets taking our total to 191 in the Group.

Keyline

Under the guidance of a new managing director, our heavyside merchant added 4 branches to its network, finishing the year with 83 branches. Over recent years we have sought to increase focus on both depth and breadth of specialist stock range and to concentrate on major civil engineering customers. This programme continued in 2008, with 18 branches being re-configured to take new ranges. Keyline performs strongly amongst groundwork contractors, who are amongst the first tradesmen on new housing sites, and have therefore been more severely affected in this recession. We expect to continue Keyline's branch expansion once housing market prospects are more positive.

City Plumbing Supplies

With a newly refined and better balanced business model serving plumbing contractors and the installed bathroom sector, CPS continues to offer good returns from expansion. Having added a net 7 new branches in 2008 CPS now trades from 196 locations. CPS is the smallest of 4 national businesses serving

the plumbing heating and ventilation market, and we have significant scope for growth once market conditions become more favourable.

CCF

Our dry-lining, screeding ceilings and insulation specialist had a very busy year, integrating the 9 new branches mainly added via acquisition in 2007. Having closed 1 branch in 2008 through planned rationalisation, the CCF business operated from 33 branches at the end of the year. CCF's market is now very largely held in the hands of major national or international distributors who have recently invested in the sector, and with only a few suppliers of the key products, competitive conditions remained very tight. Despite this, CCF's "one-stop shop" offer to contractors means it enjoys a good reputation and new branches deliver good returns. Following promotion of the incumbent, a Travis Perkins regional director was appointed as the new managing director of CCF in June 2008.

Benchmark

A new managing director was appointed in late 2007 to Benchmark, our specialist kitchen and joinery business for the trade which was launched in 2006. During 2008 the Benchmark business model was refined to improve new branch breakeven volumes and cash payback profile, and 4 new branches were opened. The successful elements of this model are now being retrofitted to the entire estate. Benchmark serves a market with attractive returns and growth characteristics and our offer has scored very highly with our new customers in this market. We plan further branch openings and we remain committed to creating a business with a significant market share in this sector.



Tile Giant

We entered the retail tile market at the end of 2007 via the acquisition of Tile Giant, a 29-store chain operating mainly in the Midlands. This business has subsequently been expanded rapidly through 2 acquisitions and a number of brownfield openings. It traded from 78 stores at the year-end and we have a good pipeline of further opportunities to expand. The cash payback profile of new tile retail branches remains excellent despite the impact of a weaker consumer market.

ToolStation

In April 2008, the Group acquired a 30% equity interest in ToolStation, a rapidly growing direct retailer of lightside products from its founding shareholders for £5 million. Since then the Group has provided an initial loan of £7 million to allow ToolStation to repay its outstanding early stage loan capital. The Group has the right to acquire the outstanding share capital of ToolStation through an earn-out formula in April 2012.

ToolStation sells a wide range of tools, fixings, hardware, electrical, plumbing and heating materials to retail and merchanting customers throughout the United Kingdom and through a franchised operation in the Netherlands. At the date of taking our interest, ToolStation traded from 11 branches. By the end of 2008, its network had expanded to 33 outlets, and it had also grown its sales on a LFL basis, joining the other businesses in the Group in taking LFL market share through a better offer. It plans to continue its successful strategy of branch network expansion, with the aim of operating from at least 80 trade counters within the next five years.

Travis Perkins will use its buying scale, global sourcing capabilities, supply chain facilities and property expertise with the aim of accelerating ToolStation's rate of growth. Through this investment Travis Perkins has also acquired the right to use ToolStation's ecommerce, warehousing and fulfilment software for direct selling of Travis Perkins' existing merchanting and retailing brands.



ORGANISATIONAL CAPABILITIES

Over the previous 3 years, we have supported the development and expansion of the Group with the implementation of a wide range of development projects and new initiatives, with a strengthening of our senior management team and the creation by consolidation of some new central functions – for example the creation of a new group IT function via the merger of the former Travis Perkins and Wickes IT functions. During 2008 our stance on these developments changed.

Most new development projects, except those with a rapid cash payback, have been postponed. Many new functions have been reduced in size and cost so they support only essential activity. One central function has been disbanded all together. Some external services have been in-sourced as a preferred alternative to making our people redundant and losing key skills. Some management teams in businesses and central functions have been reduced in size.

These changes have affected every business, department and level of the Group, including senior management. Starting

4 years ago we built on the Group's outstanding merchanting senior management capability via managers joining from acquired businesses, the addition of a number of external appointments, and internal promotions. A significant proportion of our management at every level have experienced a recession in our sector before, and are well equipped to take action as appropriate to manage their branches, departments and businesses.

This work also helped us build and strengthen our central management functions, which have been the source of many of the synergy benefits and initiatives that have enabled our business teams to deliver a market leading performance. The high quality and experienced senior management group were organised in 2007 in to 3 divisions (general merchanting, specialist merchanting and retailing), together with a streamlined senior management structure for central functions, to add focus to our continuous improvement programmes. To further strengthen our management arrangements, Robin Procter, our Supply Chain Director will join the Group's Executive Committee, following the considerable success of projects to improve supply chain performance, lower costs, and reduce working capital.

Throughout the Group, colleague retention and experience is monitored as a key target. We believe that a significant part of our superior performance in each market can be directly linked to the better retention and quality of our people and management at every level. The recession has caused an increased rate of senior management turnover amongst a number of our competitors, and our senior management have reported an increased frequency of approaches. Whilst it is not unusual for our managers to be sought after, this increased attention has meant that unusually in 2008 we experienced some undesirable turnover amongst this group, with 17 of our 110-strong senior management group leaving the business. Whilst 11 of these departures were linked to our cost saving programmes or retirements, 3 leavers joined competitors and 3 left for other reasons.

The action we have taken to deal with the contraction in our markets has increased the demands on our people. We are, as evidenced by our superior cost ratios and operating margins, an effective and efficient organisation. The effect of seeking to reduce fixed costs in line with sales trends whilst continuing to run a base level of service has manifested itself in an increased and more diverse workload for many of our people. They have responded magnificently. In 2008 I continued my programme of regular visits to our branches, stores, distribution centres and offices and by the end of the year had seen over 350 sites. I also continued to meet with all colleagues in our support func-

tions over a rolling series of communication and feedback sessions 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 all their hard work.

ENVIRONMENT

Summary

In these tougher trading conditions we have refocused our environmental priorities on initiatives where environmental efficiency also generates rapid cost savings. However, despite this, we have retained our resolve to continue to effectively manage all the environmental impacts of our activities and to create commercial opportunities by providing superior environmental services to our customers.

We continue with 4 key objectives to reduce our environmental impact - to reduce our carbon emissions, reduce waste to landfill, increase certified timber purchases and prevent pollution.

We are committed to external certification of our performance and have renewed our certificates for well-managed timber chain of custody and continue to operate with an ISO 14001 certified environmental management system.

In 2008 we actively communicated with colleagues, customers, suppliers, regulators, government and civil society, recognising that a partnership and broad consensus across operators in the supply chain and those seeking to influence it is required for genuine reductions in environmental impact.

In particular, we:

- Inaugurated our Non-Executive Environmental Advisory Panel;
- Significantly increased our communications activities on environmental issues;
- Continued to work with the Waste and Resources Action Programme (WRAP), the Energy Saving Trust and Carbon Trust;
- Signed 2 agreements with the Green 500 organisation and the British Retail Consortium;
- Continued our membership and participation in 4 environmental forums at the WWF, United Kingdom Forest and Trade Network (UKFTN), British Retail Consortium and Construction Products Association;
- Received constructive feedback from 3 reports we produced on our environmental performance from the Carbon Disclosure Project, Business in the Community, WWF and UKFTN.

Environmental Improvement Plan

We have again asked Lloyds Register of Quality Assurance to assure both the statements we make and the figures we report against our key performance indicators in this section of our annual report. A copy of their statement can be found in the environment section of the Travis Perkins web site.

Performance trends can be seen by examining the graphs which combine information from across the business converted into a common base. 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.

We had set ourselves interim targets for 2008 against which to judge our progress. The sections below outline how we have performed against those targets, provide some information about how we plan to ensure ongoing improvements and, despite against the trend performance in some areas in 2008, set out challenging future 5 year targets.

Whilst our objectives have been consistently pursued, environmental reporting is an immature and evolving discipline. From time to time it becomes necessary for us to refine the metric that we use to measure and communicate our progress.

This year;

- In preparation for the likely UK Carbon Reduction Commitment regulations, and in response to changing government guidelines published in 2008, we have for the first time, distinguished between our carbon dioxide emission reductions achieved through the purchase of grid based renewable electricity from those achieved through other efficiencies;
- We have made adjustments because of changes in guidelines on emission factors to apply to carbon dioxide emission calculations as well as including an estimate for plane, train and taxi emissions;
- We have employed OECD standardised deflation rates back to the baseline year to ensure turnover acts as a valid representation of activity. We had been using our own measured rates that are particular to construction products, but recognise that this makes comparison of performance between companies more difficult;
- We have re-calculated our carbon dioxide and waste KPIs back to the baseline year and present both sets of figures for comparison;



- As we indicated in our half year update, we have provided information to judge future progress against our new packaging and water reduction targets.

In future years:

- We will use only the re-calculated KPIs to illustrate our performance trends;
- We will simplify our measure of waste management by adopting a single KPI of reduced waste to landfill;
- We will continue to listen to and have regard to stakeholder interest in the way which we communicate performance and in particular we will ensure that our targets continue to be in

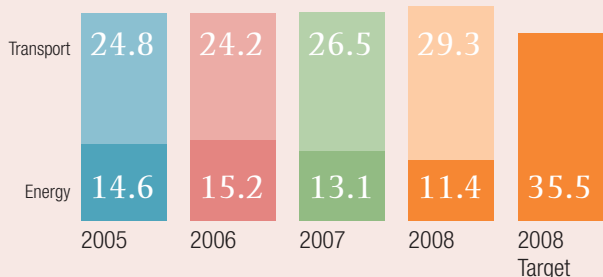
line with sector agreements and any signatory commitments to which we have committed, details of which can be found on our website.

Carbon Management

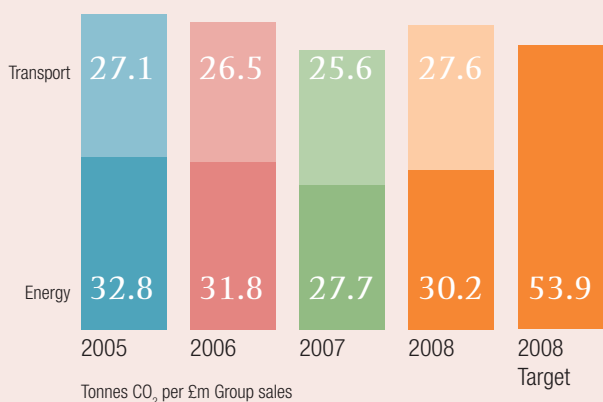
In 2008 direct and indirect emissions of carbon dioxide were 111,070 tonnes, or 167,241 tonnes if discounts for grid based renewables are excluded. Whilst we can report a significant reduction in our emissions of CO₂ from energy consumption (22%); this reduction is mainly from discounting grid renewable electricity which going forward we are unable to do. Moreover, the reduction is balanced by similar rises in emissions from transportation, as we continue to replace customer journeys with our own deliveries in the merchandising division.

CO₂ EMISSIONS 2005-2008

Original data (Based on Travis Perkins sales deflated figures)



Revised data (Based on corrected data and OECD sales deflated figures)



The performance reflects:

- Our cessation, in October 2008, of purchasing grid based renewables for most of our estate, since in the future we can no longer count these purchases as a reduction in our carbon emissions;
- The ratio of delivered sales to total sales continuing to rise. Delivered sales accounted for 30% of turnover in the base-line year of 2005 and 33% of turnover in this last year.

Our performance trend with our revised KPIs - which take into account, UK government changes in reporting guidelines and conversion standards, OECD standardised deflation, corrected energy invoice data from 2005/06, as well as including estimates for our taxi, train and plane business miles - shows a similar modest reduction in carbon dioxide emissions.

We continue to invest in projects aimed at energy efficiency improvements. Towards the end of the year we started installing

improved heating controls in the Wickes estate. These controls offer a 25% minimum reduction in carbon dioxide emissions from gas consumption.

Our specialist Eco and renewable energy centres that were launched in 2008 have also generated much interest. Sales of our solutions for renewable energy, micro-renewables and water capture and storage equipment remain modest but we have seen growth in this sector over the year and see this as an important product group for the future.

Overall we have not succeeded in meeting our 10% reduction target by 2008. In current market conditions, a 2010 target of a 20% reduction now seems unlikely. Our plan to take over direct responsibility for more inbound shipments of products into our central warehouses, with the consequent rise in associated emissions, will make this target even harder to achieve.

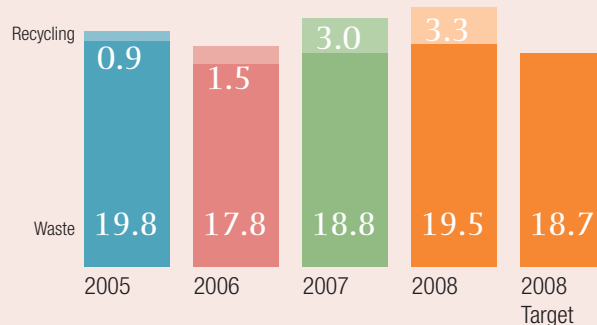
Taking in to account the present economic conditions in construction markets, we feel that a 20% reduction in tonnes of carbon dioxide emitted per million pounds of sales by 2013 is appropriate and we will revise our 2010 target to a 15% reduction from the 2005 baseline year.

Waste Management

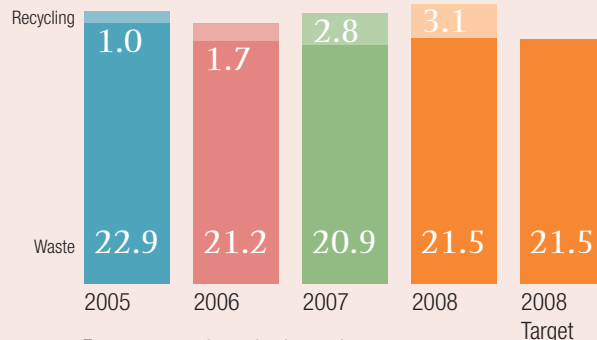
In 2008 we diverted 7,499 tonnes or 14.5% of our waste away from landfill. Much of this reduction to landfill was achieved by recycling 14% of our waste. Only 0.5% of our waste was sent for incineration. Using our revised figures, which incorporate OECD deflation rates, we also reduced our waste to landfill arising, per million pounds of yard and core sales, by 6% over 2005 as part of a wider focus on cost savings by operational colleagues within the Group.

WASTE TONNAGE 2005-2008

Original data (Based on Travis Perkins sales deflated figures)



Revised data (Based on corrected data and OECD sales deflated figures)



Tonnes waste per £m yard and core sales
Excludes sales from direct deliveries

Our improvement plans on recycling are progressing well and by the end of 2008 we had more than 150 sites sending cardboard and plastic waste back to regional hubs for processing and onward sale. Once this is fully operational across all our distribution networks in early 2009 we expect to be achieving a recycling rate of 20%.

Even though we have reduced our landfill waste arising

our chain of custody procedures to ensure we maximise supplies of certified timber and timber products. In 2008 we estimate that we purchased 80% of our timber from certified well managed sources, taking us close to our 85% target.

Each incremental movement from this point gets progressively harder because of the availability of material needed for the "awkward" product groups which remain largely uncertified.



levels on a like-for-like basis, our target of a 10% decrease in intensity of waste has not been reached and our recycling target will not be met until 2009. Our challenge now is to adopt further segregation of waste to allow for recycling so that we can achieve a 50% reduction in waste to landfill from 2005 levels, by 2013.

Packaging and Water Management

The amount of packaging that we pass on to our customers is also an area of attention. Earlier this year we set ourselves a 20% weight reduction target per million pounds of sales from the 2008 level by 2013. In 2008 an estimated 64,041 tonnes of packaging waste was generated for products sold to customers, equating to 22 tonnes per million pound of sales. Our immediate priority is to establish good practice guidance and communicate this with our suppliers.

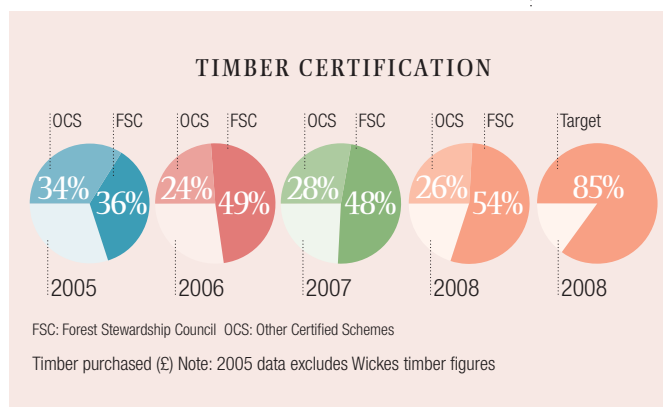
Water, like our consumption of other utilities, has an indirect environmental impact when used. Water supply is likely to reduce in certain regions because of climate change so it is important that demand is controlled. Improving the efficiency with which we use water will be an important way to reduce this demand. We have set ourselves a target of a 5% reduction in water usage per million pounds of sales from 2008 levels by 2013. In 2008 we estimate that we used 403,779 litres equating to 140 litres per million pound of sales (based on OCED figures).

Timber Management

In 2008 we have seen a growth in demand for certified well-managed timber products. We have undertaken a full review of

However, we recognise that it is important to keep the pressure on the timber supply chain to promote change in the source forests of the world.

In 2008 we have had notable success in plywood sourcing and are now bringing in new FSC sources from China and Malaysia. We have also replaced our American sourced joists



with product manufactured in Germany from FSC sources.

In 2009 we will continue to influence and change our external supply chain. We will also develop our internal controls thereby strengthening the chain of custody for certified well-managed materials.

Whilst our 5-year ambition remains for full certification, we believe a target of 90% certified by value purchased is achievable by 2011.

Pollution Prevention

We hold 12 Environmental Permits (PPC "Part B" permits) for our timber cutting and timber treatment activities. We recorded no incidents or complaints about these installations.

Across our branch and store network we had 4 reportable incidents, including spillages of either diesel or paint. In each case the quantity was small and the established emergency procedures were used. There were no investigations by the Environment Agency.

We are pleased to report that we had no prosecutions for any environmental offences in 2008.

Complaints

In 2008 we recorded 17 environmental complaints. Four were from the Vehicle Certification Agency (VCA), the regulator for some aspects of the Waste Electrical Electronic Equipment Regulations, over potential non-compliance with the consumer information requirements in these regulations. The VCA were satisfied with our responses and are not pursuing the matter.

Two complaints were from neighbours about traffic, noise or lighting. Eight complaints were from customers, 7 of which were related to customer timber reporting and we continue to work with these customers on the issue. Three complaints were from colleagues dissatisfied with aspects of delivery of our environmental services.

COMMUNITY RELATIONS

With an extensive national presence of over 1,233 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.

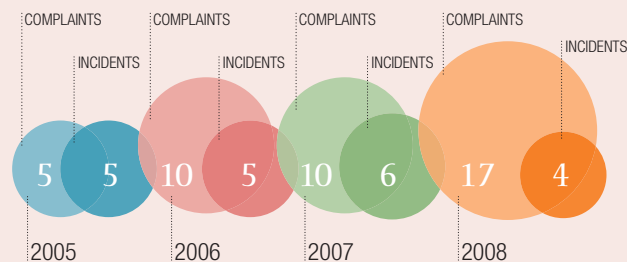
Our business raised more than £665,000 (2007: £885,000) for charities, including our three nationally supported charities, NCH (the Children's Charity), Mencap (and its sister charity ENABLE Scotland) and Leukaemia Research UK. This total raised includes direct donations by the Group amounting to £69,083 (2007: £153,656) and donations by our colleagues through our payroll giving scheme amounting to £76,672 (2007: £40,254).

In 2008, we continued our role as main sponsor of Northampton Saints rugby club and continued to involve our Northamptonshire colleagues in joint community activities.

INVESTOR RELATIONS

Our share price ended the year some 72% lower than at the beginning of the year compared to a decline in the FTSE 250 index of 40%. 2008 proved to be a trying year for shareholders, and there has naturally been much debate, internally and

ENVIRONMENTAL INCIDENTS AND COMPLAINTS



amongst our advisors, about the underlying causes of the disproportionate movement in our share price.

Regular feedback about investors' views is gathered after our scheduled meetings by brokers and occasionally by the Company Chairman. In addition, in 2008, we engaged an independent consultant to research investor's views and then reviewed the outcome of this research with the Board. From this work a number of clear views emerged, with shareholders very supportive of the Group's strategy, relative performance and management capabilities. Unfortunately, with the Group's activities involved in two currently unloved sectors – construction and retailing – and with a balance sheet that until the present crisis was regarded as suitably efficient, there has been little buying

support for the shares, and hence the relative underperformance. The fall in the share price relative to the prospects for long-term generation of value for shareholders prompted a number of long-term "value funds" to take a position in our stock. Many of these funds emanate from North America, and by the end of 2008 we estimate that 26% of the register was represented by institutional investors from that region.

In contrast, deepening poor economic forecasts for our sectors attracted the interest of short sellers, as indicated by the proportion of our stock on loan. This rose through 2008 from a previous long run average of around 3 to 4% to over 10% for much of the year. At the year-end stock on loan was 10%. Management's policy, as long term holders of Travis Perkins shares, is

not to meet with any institution that is known to hold a short position in our equity. Unfortunately, information about short positions is difficult to find.

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 at which we 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 2008 we conducted nearly 200 meetings with investors. As part of each exercise to present interim and preliminary results, we typically meet shareholders representing around 60% of the shares outstanding. This includes a "family lunch" where we meet with representatives of the Travis, Perkins and Fisher families.

STRATEGY

In last year's report to shareholders, we set out the progress we made on our strategic priorities. These priorities were set and selected to pursue our strategy of out-performing our markets on a like-for-like basis, expanding our networks and entering adjacent channels for the supply of building materials.

Whilst we have outperformed our markets and expect to continue to do so, we have, as noted above, suspended almost all our expansion activity and have postponed any further moves into adjacent channels. Given the conditions we face in our markets and in the wider economy, we believe our current strategy is very clear – maximise revenues from our existing assets, cut costs, and generate cash. This, together with the fall in interest rates, will enable us to reduce debt further and retain the support of our debt providers by maintaining the biggest possible margin of safety on our covenants. All our management and resources are focussed on these priorities.

Until we can see signs of a recovery in our markets, we do not think it worthwhile to comment on, or further develop, our longer-term strategies. There will come a time when such a review and report to shareholders will be appropriate, but that time is difficult to determine in present conditions.

Our businesses have strong brands, experienced management teams and market leading financial performance. Longer-term growth prospects for our markets remain positive. These strengths mean we remain confident of our ability to trade through the present difficult environment and to position the Group to take advantage of further opportunities we believe will arise when our sector returns to growth.

Geoff Cooper
Chief Executive
18 February 2009



CHIEF OPERATING OFFICER'S REVIEW OF THE YEAR

FOR THE YEAR ENDED 31 DECEMBER 2008

INTRODUCTION

Although we went into 2008 with real concerns about a downturn in trading within the building sector, the pace and severity when it happened, was so much greater than we had anticipated. We had acted to not add new staff to the payroll, and not replace leavers wherever possible during the early part of the year, but had to instigate a much more proactive action plan during the second half of 2008. This involved dramatically reducing our headcount, and network expansion, cutting capital expenditure and managing the Group on a positive cash basis. Each business and functional department head across the Group played a vital and full part in positioning ourselves for this most difficult of trading conditions.

We are fortunate that the Group is blessed with the strongest and most stable senior operating team within our sector. They have the widest and deepest experience of both growing a business, and of defending its position during the hardest of times that we are now facing.

OUR PEOPLE

Our vision – to create a “people first” environment that facilitates high performance, provides opportunity for career progression, and celebrates and rewards success, thereby encouraging all staff to play their part in making the Travis Perkins Group a great and safe place to work.

We recognise that our success depends upon our people and the relationships that are built at all levels of our business. Our people, and the environment in which they work drive the development of sustainable, profitable customer relationships. We believe that a high level of colleague engagement is financially rewarding for the Group, in that it directly contributes to healthy operating margins in all our businesses.

A proactive approach was taken early in 2008 to the management of our cost base through our people to prepare our business for an anticipated fall in sales across our sector. We accelerated this action in September in response to a more rapid decline in market prospects.

At the beginning of 2008, Travis Perkins employed over 17,500 people across more than 1,200 sites in the UK. As a result of these difficult market conditions, the actions we have taken have reduced the number of employees by over 1,900

full time equivalents – a reduction of 14% or 2,500 FTEs (16%) on a LFL basis.

A proactive stance was taken in order to limit the number of redundancies required to achieve this reduction. Early in 2008 we froze most recruitment activity and conducted a review to identify additional actions to manage the difficult trading environment confronting us.

The review involved examination of:

- Activity impacts – identifying activities critical to drive additional business and sustain our added value. Activities with longer term benefits have been eliminated or reduced in scale;
- Available opportunities – identifying opportunities to accelerate, through the prudent reallocation of resources and skills, the delivery of new revenue or profits.

The review identified a significant number of opportunities to reduce and re-align our resources through the active engagement of all managers and key colleagues in central functions and in the businesses. This holistic approach to reviewing our organisation and activities, combined with an early discussion to curtail costs, has been the key to ensuring we achieve our cost reduction targets whilst minimising redundancies.

We worked collaboratively with all of our businesses to put in place colleague support mechanisms wherever possible. This ensured that those colleagues whose positions were redundant were helped to make the transition into other roles both inside and outside the Group. We believe that this supportive approach for both those leaving and those remaining in the Group has helped maintain a higher level of morale and motivation than would normally be expected in these circumstances. This is particularly pleasing given that this is the first time for a number of years that our agenda has moved from growth to deceleration.

Our people have risen to this challenge and have supported all of our actions with the same intensity and vigour they showed when making our organisation the success it is today. In making these changes, many of our senior leaders were personally impacted financially, however, they have recognised the need for change if our business is to be protected for the longer term.

We are pleased that many of the people who have left our employment have secured positions externally.



John Carter, Chief Operating Officer

Engagement – Building on our Success

We concluded an employee opinion survey in 2007 and, as a result, we now have consistent people metrics for our employer brand and employee engagement objectives. A number of operational and employee management practices have been changed in response to the feedback received.

In 2007, our colleagues told us what a great place Travis Perkins is to work, however, this message was not as strong in the wider job market. Early in 2008, work commenced to improve the impact of our “employer brand”. This involved developing a new brand identity – “Building People, Building Britain”, which because we have identified pride as a key ingredient in driving employee engagement and motivation, focused on developing pride in our people our contribution as a supplier to the UK’s Building and Construction industry.

A direct relationship exists between the level of engagement and colleague retention. Our own data is confirmed by external research, which shows that highly engaged employees are more than twice as likely to be top performers and will miss 40% fewer days of work due to illness. As a result, actions have been taken throughout the Group to impact critical improvement areas, including initiatives on reward, communications and training and development. Further improvements in these improvement areas will take place in response to our continuous monitoring of employee reaction.

Our next engagement survey will take place in 2009. Meanwhile, we are tracking the impact of initiatives we are taking as a result of the first survey.

We already have a high degree of loyalty to our brands from colleagues and for many we are considered to be the employer of choice in our industry. In Wickes our colleagues were proud to put their name to our brand, supporting our new TV advertising campaign. We work hard to ensure that every colleague related decision we make is aligned with being the employer of choice in our sector. It is this engagement which will see us through these tough times. Over 80% of our branch managers and regional directors, who are key to our success this year, have been promoted from within and have an expertise that cannot be matched elsewhere.

In Wickes we have strengthened our regional team with some external appointments to sustain continuous improvement in our customer offer. We are seeing increased performance levels as a result of this strategy evidenced by our growth in market share.

Training and Developing for Success

In reviewing our costs we have considered what training and development needs to be retained for immediate success. Other training plans, orientated towards our previous priorities for growth and expansion, have been postponed. Maintaining our very high standards of customer

relationship management and sales delivery has been retained as a key priority.

Senior management development activity has been postponed, whilst our investment in improving our role specific training in sales has been maintained. We will continue to invest in other individual skills, in particular where we have developed a number of new products to meet the demands of the current trading climate. Managing in tough times for leaders who have not experienced a recession is at the forefront of this delivery. This follows a re-definition of a number of key roles to drive results, and to enable all activity to be aligned with the retention and development of current and new revenue streams. The impact of these new projects is being felt across the organisation, and feedback from our senior business leaders has confirmed that they match the needs of each business and that they have given our people the best possible start to the year.

Each business has agreed target revenue increases by branch so that we can review the returns from this training investment and tailor any future training to improve sales further.

In seeking to continually improve our leadership capacity, we have reviewed our core management development programmes for assistant manager and branch manager levels. This work has also focused on building the

skills necessary to manage in tough markets.

We have realigned our training and development team to meet our vision for people and our three key business needs; operating management development and succession; sales improvement, and core skills. Programmes will be tailored to meet the nuances of the specific brands.

We chose to protect our management trainee scheme from our reorganisation as it remains a key building block for our future. Our investment in management trainees increased in 2008 and we now have a record 156 trainees employed across our brands.

In 2009, our key focus in Wickes retail management development will be to address the current trend of bringing in a high proportion of external deputy managers to meet a shortage of internal candidates. We anticipate this will impact on our people retention statistics favourably.

Rewarding Success

We have aligned all bonus plans for both businesses and individuals to reflect our priority of driving current results. Our focus is on delivery of key results within colleagues areas of accountability. Those that have exceeded expectations, and so have driven profitability and people retention, will be well rewarded.

As a result of our “You Talk, We Listen” employee survey in 2007, we introduced an “all colleague” bonus scheme in 2008 to reward employees not participating in any other scheme for their dedication to delivering and exceeding expectations.



The scheme rewards colleagues in branches that achieve a high set of standards when measured against key result areas ("KRAs"), which in turn measure performance against our "Brand Bullseye" for each brand. This balanced scorecard approach ensures that there are appropriate measures across both financial and non financial performance. We are proud that 30% of qualifying employees earned a bonus payment under this scheme with a number qualifying for a "super" bonus, having greatly exceeded expectations.

There is no doubt that this motivational tool ensured a keen focus on each business's KRAs and helped us to maintain our position as the top rated merchant in the UK. We are continuing the scheme in 2009, having made some improvements based on employee feedback.

This approach to reward ensures that our people are rewarded for their commitment and motivated to continue delivering against our high expectations.

In order to continuously improve our position in the DIY sector we will review our reward strategy in 2009, supporting Wickes, which continues to be the nation's favourite DIY retailer, by rewarding and recognising our store-based colleagues.

Communication and Recognising Success

In tough times, effective communication is key. We took a proactive approach to communication in 2008, ensuring that our people were consulted and advised ahead of the difficult actions we needed to take in our business to ensure profitability.

We continued to recognise great ideas and the contribution of colleagues to our success through our employee publication "The Bridge" and also through our "Building Britain" awards scheme. The latter saw many colleagues receiving awards through our "Getting it Right" scheme by excelling in customer service or championing our values and also through our annual special achievement awards, where individuals are nominated by their peers for going that "extra mile". Travis Perkins employees Nathan Davies and Russell Shurmer were recognised for their quick actions to help the emergency services with equipment and manpower during the floods that decimated the South West of England in 2007; Buyer Asif Valiji proved his ability by saving the company more than £750,000 through his ideas for better sourcing; Jeff Eyre of City Plumbing Supplies was given an award for his outstanding commitment to branch performance, colleague development and his local community; and Kay Greatbatch (Tile Giant) and Marilyn James (Northampton Head Office) were honoured for their relentless hard work and dedication to their respective business areas despite both undergoing treatment for breast cancer.

When trading is tough it's up to everyone to dig in and help all of our businesses. We launched a new programme called "Skip Spotters" in December 2008 to make it easier for non-sales employees to seek out new business opportunities and be rewarded for it. The programme is in its infancy, but progress so far has been encouraging.



We have improved two-way communications through employee consultation processes – a liaison group in retail and an employee representative group in our Northampton head office. This generated a great opportunity for our people to tell us what they thought we should be doing. Their feedback was included in our organisational effectiveness review which, in turn, supported our £73m cost saving initiative.

We have continued to develop our culture of open and honest communication with employees. Our business update meetings, hosted by an executive director and senior leaders are held monthly at our Northampton head office and our Wickes support centre, offer employees the opportunity to openly discuss business issues and voice their concerns. The key points of

these discussions are then cascaded to employees across the Group. In addition, senior leaders in our retail division continue to drive engagement with monthly "Big Breakfasts", at which regional store management discuss business issues raised by their teams. Within Wickes stores, a new communication event, "Team 5" has been introduced, ensuring that branch management communicate daily with our colleagues, driving engagement and delivery of priorities.

Employer of Choice – Sharing in our Success

Our SAYE scheme had a record number of applicants in 2008 as did our salary sacrifice scheme. We negotiated and launched a new reward gateway scheme, which enables employees to take advantage of a number of voluntary benefits together with discounts on everyday items from high street stores and assistance with their household finances. We believe that our approach to reward maintains and enhances our position as an employer of choice with a range of core benefits:

- Staff discount – Reward Gateway and TP Group brands;
- Pension (including death in service benefit);
- Private health care;
- Salary exchange scheme - childcare vouchers, cycle2Work, Give As You Earn, Small Change Big Difference;
- Annual leave;
- Employee assistance programme;
- Flexible working options;
- Share save option scheme;
- Loyalty awards;
- Recognition Awards – Getting It Right, Branch/Store Manager of the Year in each business unit, Management Trainee of the Year, Special Achievement Awards, and CEO Award for Manager of the Year.

We will continue to align our people management activity to our business objectives and to our people vision in order to maintain and improve our position of employer of choice in our sector. Our people are among the best in our industry and it is through them that we deliver our sales and profit targets, finding more flexible ways to work in order that we can respond

quickly as market conditions improve. We are confident that we are in great shape to deal with the uncertainties of the current climate and have the agility to move quickly as these market conditions improve.

HEALTH & SAFETY

Such is the profile and importance of health & safety throughout the Group we established a Health & Safety Committee of the Board in November 2007, and a separate report from this committee covering all our H&S developments and performance is provided on pages 47 and 48.

On a personal note, I and my senior operating team remain absolutely committed to the quest of making every facility that we operate in a safer environment and everything we do a safer practice for our people, customers and suppliers. We made great strides forward in 2008 with the appointment of a world class health & safety consultant, who is very much helping us generate a greater level of engagement of our staff at every level.

GENERAL MERCHANTING

The Travis Perkins brand remains the cornerstone of the Group's activities and comprises 4 discreet business units, namely South East, South West, Midlands, and Northern, each with its own

In line with our Brand Bullseye principles we continued our drive for further improvement on product availability, customer service, and a more consistently managed pricing approach. A mandated stock range was introduced in 2007 and fully implemented in 2008 which significantly enhanced availability levels. The rollout of our customer service package was completed and we introduced new software to our business that greatly assisted pricing methods at trade counters.

Assisted by the supply chain team, we made good progress on reducing the level of slow moving stock in branches, releasing cash back into the business and opened a stock clearance centre in Leicester with good success.

As market conditions weakened, a comprehensive programme of cost reduction was put in place by the business units. At the end of the year our workforce had been reduced by 13% on a like-for-like basis and distribution capacity reduced by 18%. This action included the removal of our oldest vehicles from the fleet. By concentrating our efforts on administrative and support functions, in the main, and reviewing our working practices, we were able to preserve our customer service focus at the "front end". This action and a review of all other cost areas enabled us to make annualised savings of over £20m in the Travis Perkins businesses.

Although not a separate business unit in its own right, tool hire, and its management, under the strong leadership of Richard Dey, achieved another worthy year of growth and



managing director and management team. It is a generalist mixed merchant, trading across the main product groups, offering a "best in class" service to a wide range of customer types across many segments of the building sector.

In 2008 the number of trading branches was increased by 30 to 611 with 80% of the new outlets being brownfield developments. We also managed 19 stores in partnership with local authorities or their contractors.

improved performance. We added a further 27 new outlets within the year, taking our total trading outlets to 191.

The national repair centre in Northampton became increasingly important, providing an enhanced service to our outlets and ultimately our customers. It improved our tool utilisation, allowed us to reduce repair costs through more efficient practices and greatly assisted us in obtaining better control which will reduce capital expenditure going forward.



SPECIALIST MERCHANTING

In our specialist division, trading in the first half was in line with 2007. However, trading in the second half deteriorated quickly. Sales from new housing fell steeply, although opportunities in infrastructure, hospitals, schools and RMI remained, but with increasing pressure on gross margin. Business unit management teams across the division responded by focusing on conserving cash, reducing costs, enhancing customer service, improving stock availability and on maintaining staff morale.

Across the division, capital expenditure, both for replacement and development, was cancelled unless health & safety related. Surplus stock reduction targets to release cash were achieved alongside improving our stock availability levels. Headcount was reduced by 11% and our transport fleet by 14%, with surplus vehicles either disposed of or redeployed to reduce the average age of the remaining fleet. Senior operating management was re-organised to reduce costs and to improve effectiveness and visibility, both in branches and with customers. Credit management teams actively responded to the prospect of more difficult credit conditions.

Benchmark

Our 29 branch kitchen & joinery specialist, opened 4 branches in the first half. The investment in these 4 branches was based on the successful lower-cost footprint developed in 2007. During the year, the business increased both its market share and trading margins and generally traded ahead of our expectations.

CCF

Our 33 branch interiors, drywall, ceilings and insulation specialist benefited from continued growth in hospital and school projects although some branches felt the impact of decline in new housing. Margins came under pressure in the second half but the business successfully responded by expanding its product range and by reducing costs and improving productivity. This included merging two of its three branches in Leeds.

Keyline

Our heavy building materials and civils and drainage specialist, added 4 branches in the early part of the year, ending it with 83. The decline in new housing starts heavily impacted the business and particularly affected its lower margin "direct to site" sales. However, the business was able to largely protect its trading margin year-on-year. Having made changes to its senior management team in the first half of the year, it further responded by increasing its focus on infrastructure projects through flexing its product range, where it achieved good success, and by reducing costs across the business.

City Plumbing Supplies

City Plumbing Supplies opened 8 new branches and as part of its cost reduction programme reduced 1 by merger. The business lost some sales volume from its new housing related contractor base, but further investment in stock availability and customer loyalty programmes all helped retain sales from jobbing plumbers and heating engineers. As a result, the business grew its trading margin. During the second half of 2008 the business also re-organised its senior management team and improved productivity.

RETAIL DIVISION

Wickes

The first indications of the market downturn became visible in the second quarter when market growth rates stalled. This coincided with a spell of poor weather at Easter at which point our cost reduction activities started. By the half year it was clear from lead indicators, such as house prices and housing transactions, that events in the global economy would impact strongly on our business and that it would not be a short term issue. We took decisive action at that point to reduce our cost base and working capital to a level commensurate with our forecast. All these changes, which were in place by the year end, were done in a way which protected our sales effort and our share of the "Sheds" DIY market, which grew by 0.7% in the year.

The sector became more competitive as the market tightened in the second half. Price led promotional activity from competitors put retail prices under pressure whilst inflation from the weakness of sterling put upward pressure on costs. Despite these pressures, careful management minimised gross margin losses as we were able to pass on much of the inflation into the market.

Network expansion was limited to those sites which we were contracted to take. Other site opportunities have been deferred and two loss making stores were closed. Of the ten new stores, seven were acquired and converted from a struggling competitor chain and three were brownfield developments. The average size of the new stores was approximately 24,000 sq ft compared with the 30,000 sq ft average of recent years, reflecting the Company's view that the lower fixed costs of smaller stores with smarter supply chains are right for the future.

We continued to invest in new products and new formats. Three new mezzanine floors were fitted and a new showroom format was trialled for kitchens and bathrooms which will be extended more widely in 2009. There was significant investment in new kitchens during the year leaving the business well placed to benefit from capacity reduction in the sector.

The first franchised Wickes store opened in the Republic of Ireland towards the end of the year - the store is operated by the Moritz group. Although there are no immediate plans to open more stores, this has given us the experience, systems and capability to consider franchise operations elsewhere in the future. Further openings will be evaluated by Moritz in the light of the current difficult market.

Our online business continued to grow faster than the core business, reflecting the retail industry trend for distance shopping. We also ran a successful trial of a home catalogue which will be rolled out nationally in 2009.

We believe that our historic strength of getting the right balance between quality, value and service puts us in a very strong position as we enter a period of market decline; customers will be increasingly attracted to our market leading quality and the lowest prices in our sector. This is evidenced by the retention of our title as "Britain's Favourite DIY Store", voted for the second year running by customers in the much respected Verdict report.

We believe that our business has the best management in the sector and one of the strongest and most resilient brands. For these reasons we are certain that we are very well placed to outperform a consolidating industry, despite the economic conditions.

Tile Giant

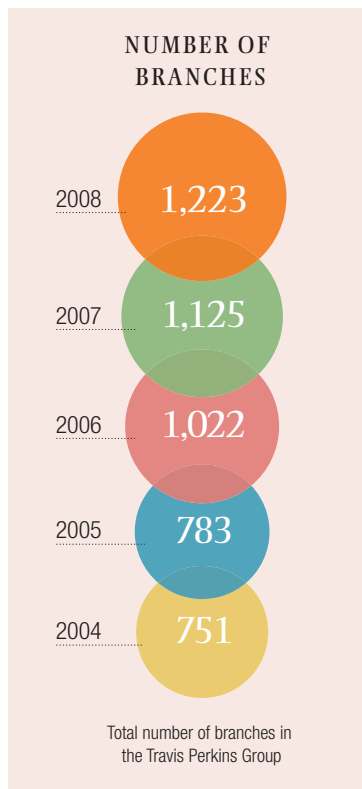
Tile Giant has grown rapidly during the year to become the clear number 2 in the ceramic and stone tile market, and is performing ahead of expectations.

Starting the year with 32 sites, we added 46 new stores including 17 from the acquisition of Tile Magic, 16 from Tile It All and 13 brownfield openings, to finish 2008 with 78 stores across the UK. Of the 17 Tile Magic stores acquired in London and the South East, 15 have now been rebranded as Tile Giant. Tile It All continues to trade under its existing name in the North East and Scotland.

During the year all three tile businesses have been fully integrated with each other and with the Group in terms of IT and accounting systems and most central functions. The management teams have been effectively combined, and strengthened with the addition of certain key roles.

The product range has been enhanced by taking the best from each of the three businesses. The buying of key commodity items such as adhesives and grouts has been moved to a single supplier, and significant buying gains have also been achieved within Wickes' tiles category.

At the end of 2008 our three existing tile warehouses were closed and the operations centralised into our new group facility in Northampton, creating cost savings and also providing a platform for further expansion.



NATIONAL SALES AND MANAGED SERVICES

The Group's dedicated national sales team manages relationships with major house builders and construction customers, as well as a number of other organisations with significant geographic coverage. During 2008 the structure of the team was changed in order to focus on the most active market sectors, whilst retaining an appropriate level of attention on all of the Group's major customers. This strategy has seen significant growth in business derived from contractors working in markets such as infrastructure, health and education, facilities

management and repair and maintenance of social housing stock, which has offset a large proportion of the reduction in sales to major house builder customers.

During 2009 we will continue this targeted customer approach and further development of long-term framework agreements, with the primary objective of continued expansion through each of our merchant and specialist brands. Supported by our national sales office and our design and estimating teams we are well positioned to sustain and develop this business and to provide our major customers with the service they require during 2009 and beyond.

Our managed services team actively targets the affordable housing RMI sector, and is responsible for the development, delivery and ongoing management of bespoke supply chain solutions to organisations and their partners within the social housing market, a sector which has shown considerable resilience in this downturn. Typically clients are local authorities, housing associations and contractors working within the social housing sector.

Our solutions can involve:

- The adaptation of a client's existing store to provide a dedicated facility;
- The identification of a new location for a dedicated store and/or Travis Perkins trading branch;
- The adaptation of an existing branch to provide dedicated services;
- The utilisation of a number of branches to provide a multi site solution for national or regional agreements.

These partnerships are complimentary to the Government's efficiency drive and are predominantly based upon Travis Perkins' core competencies of service, purchasing, stock management, distribution, cost control and administration.

Our strong focus on continuous improvement has enabled housing organisations, along with their own labour workforce or appointed contractors, to work in partnership with the objective of delivering an improved service for their tenants.

Stores exclusively supplying local authorities, housing associations, and contractors increased from 11 in 2007 to 19 during 2008, and we enjoyed strong sales growth as a result. Additionally, the Group is servicing in excess of 40 other projects through existing branches.

In May of 2008, we were awarded Supplier of the Year at the Housing Excellence Awards, organised by Northern, Midlands and Southern Housing magazines, in recognition of our work with social housing providers and their contractors.

CUSTOMER SERVICE AND INSIGHT

The Group's various businesses have increasingly become more customer focused in recent years, and to this end we have an

established customer insight department which works across all brands within the Group.

Customer Insight provides our businesses with the independent customer views that are the bedrock of our Brand Bullseyes, and become incorporated into the companies' plans.

This ensures that the customer is the central focus of our business activity. Last year they collected over 20,000 customer opinions at various points in the purchase process. This enables us to pinpoint and assemble their desires and requirements as to where we can and should make improvements in our service proposition.

So that the Group remains customer focused, each business has a customer target to aim towards, which we call the a "Brand Bullseye". Brand Bullseyes encompass all the elements of the customer experience - product and range, availability, price and service and these have been built

into the day-to-day activity of each business within the Group.

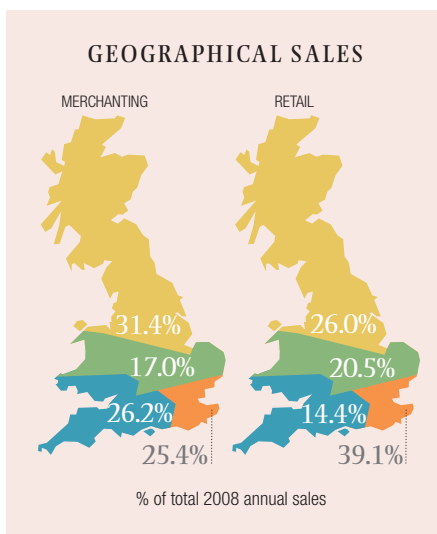
To ensure day-to-day continuous improvements for all our customers, all the Bullseye elements are incorporated into our best practice programmes, which have received significant time and investment over the past 3 years.

Independent customer research shows that over the last three years, our customer satisfaction levels for both the TP builders merchant and Wickes retail outlets have substantially improved, which is a testament to our commitment to the customer and the total customer experience at all of our brands and businesses.

SUPPLY CHAIN

Customers and our brands are benefiting from the Group's well timed investment in supply chain development. In a challenging market we have managed to significantly reduce our over-stocks whilst still driving forward our product availability to the highest levels in our respective markets. The supply chain team have taken a low investment approach, focused on engaging colleagues through simple targeted reporting, building on our mandated ranging success of 2007 and our excellent branch KRA ("Key Result Area") system. An example of this is the use of a monthly Top 30 "lost sales" analysis by branch, which has driven significant improvements in sales, through linking availability measures to their true consequences in lost sales. We now target driving down lost sales rather than percentage availability improvement. Reducing lost sales helps our customers and allows visibility of how our efforts are improving the sales line.

Suppliers also benefit. Although we hear much talk of collaboration in many markets, little action is evident. We believe the key to this is personal relationships, strengthened through the common goal of driving out lost sales and generating profits. We present lost sales information to our suppliers through a now



improved supplier KRA solution and will begin sending direct "lost sales" text messages to their senior managers and managing directors in early 2009. Our supplier teams can see first hand the challenges of product availability and work proactively to resolve any issues with Travis Perkins Group often before our internal team are aware of them.

Infrastructure has also improved. 2008 saw the successful start up of a 500,000 sq ft multi-brand warehouse providing reliable access to a wider set of products, which in turn drives up our branch product availability. Even in the tough market conditions of 2008 this has proved an excellent tactical and strategic decision, suppliers being very keen to get access to our leverage and scale of distribution, with the resulting benefits for them in additional sales and reduced costs. This solution improves availability, improves margin and reduces our impact on the environment by consolidation of multiple supplier deliveries into single vehicle loads to branches. The facility also provides storage for the Tile Giant business following the closure



of its three sites alongside additional storage space for our growing portfolio of globally sourced own label products.

A complex programme of consolidating our timber supply centres (Kings Lynn, Aylesford, Ferndown and Cardiff) from four sites to three was completed in August improving efficiency and cost while providing a strong operating platform for future growth in the timber business

In our branches, local distribution is a key requirement of

our business model and a significant cost to the business. We reacted quickly to reducing volume in 2008 by removing 306 vehicles from our 2,256 strong trade fleet. This is just the start of a programme of efficiency improvements in this function. Following a successful trial, we implemented vehicle tracking and utilisation technology in all our CCF brand vehicles. The move has proved a significant asset to this business, reducing costs and environmental impacts through improved utilisation. This programme will be rolled out to our other merchant businesses during 2009 and once utilisation has improved, we will then focus on the customer service benefits that we know this technology can provide.

The supply chain platform we are creating for our brands enhances customer service, improves efficiency, leverages group scale, supports margin and working capital improvement whilst significantly reducing our operational impact on the environment. This will continue to evolve into an efficient high service model, supporting our brands to meet the ever increasing demands of our customers and helping them to remaining leaders in their respective markets.

Quality Assurance (QA) and Corporate Social Responsibility (CSR)

The prime responsibility of the group quality assurance department is to protect all of the group brands with two key objectives:

- Firstly, to ensure that Travis Perkins companies only use suppliers who have acceptable control of their manufacturing, environmental, ethical and health & safety processes;
- And secondly, to ensure that Travis Perkins companies only stock product that conforms to national and international regulations, is safe, fit-for-purpose and conforms to required specifications.

As our business has grown so has the challenge of QA. At the end of 2008 the number of primary suppliers to the Group was in the order of 600, supplying in excess of 130,000 product lines. As a result we have continued to invest in the QA department during 2008 whilst also improving the efficiency of its operations.

Within the supplier base there are 1,341 known manufacturing sites of own brand/label products, of which 545 are based in Asia. These figures represent an increase of 13% and 16% respectively against 2007, mainly as a result of our increased global sourcing activities. We rank all our manufacturing sites through site audits and will shut operations down if they do not meet our exacting criteria. We consider all Asian operations to be "high risk" and will not commit to supply until our team have audited a site. We continue to maintain a Group QA Asia office based in Shenzhen, southern China, to fully support the Asian supplier base, in addition to the Group QA UK offices in the merchant and retail divisions.

Own brand is a key focus for our QA teams, however, 2008 saw an extension of our primary supplier assessment programme covering branded suppliers and major distributors. We audit the QA processes of our primary suppliers to ensure they are following our rules when supplying to the Group. A further 48 suppliers had audits during the year bringing the total to 105 suppliers assessed at primary level.

In addition we have enhanced our product approval and product technical data bases to take account of our responsibil-

ities in respect of "REACH" ("Registration, Evaluation and Restrictions of Chemical Substances") which came into force during the year.

Objectives for 2009 include greater focus on product failure and customer returns through direct feedback from customers via our website business customer reviews, with further development of the strategic supplier development programme for own brand suppliers. We will also further extend our Asian operation and skills to support our environment and ethical obligations as our sourcing geography grows.

Suppliers and Global Sourcing

Manufacturers and suppliers are vital stakeholders to all brands and businesses within the Group, and we remain fully committed to establishing long term and collaborative relationships with all our major suppliers, whether UK based or International.

Within the merchanting businesses we primarily support manufacturers that develop and produce products that have high and tangible brand equity, are of the utmost high quality and utilise leading technology. We do however also have a substantial requirement for own brand and own label products throughout the Group to meet our customers' expectations and requirements, most notably within Wickes. Wickes is largely an own label, limited assortment retailer, where customers rely on our sourcing teams to find and present the best value products pitched at brand leader quality for each product type.

We continue to invest and strengthen our direct sourcing capability and have enjoyed an increase in volumes and margin benefits as a result of this activity. We very much take our responsibilities and overall business risk extremely seriously and continue to strengthen and enhance every aspect of the process of globally sourcing.

Due the differences in models between Wickes and the other businesses within the Group, we have expressed separately below the number of product suppliers and the percentage the top 50 suppliers represent in each channel:

Trade business (including Tile Giant)	2008	2007
Number of product suppliers	7,050	6,750
Top 50 representation of total purchases	59%	58%
Wickes		
Number of product suppliers	228	245
Top 50 representation of total purchases	86%	84%

I would like to place on record our genuine thanks to all our major suppliers, for their fabulous and continued support and efforts throughout 2008.

MARKETING

In 2008, as we moved into more difficult trading conditions, we increased our trade marketing focus on retaining our customers and growing our share of their spend, driving footfall into our branches and increasing our number of trading accounts.

We continue to support our trade businesses in increasing their market and customer focus. Our Brand Bullseyes guide everything that we do and ensure that we are focusing our activity in the areas that matter most to our customers. We ensure that each of our businesses is communicating in a way that is targeted and relevant to their market, so ensuring we get the best returns on our marketing investment.

We are giving priority to improving the quality of our customer data, allowing us increasingly to segment and analyse our customers, identifying those who offer us the most potential and making sure we put together offers and activity to meet their needs. We have developed marketing plans to cover all stages of the customer journey, from acquiring and welcoming new customers through to reactivating dormant accounts. The programme has successfully delivered additional

business to our branches, and we continue to measure and refine the activity to generate profitable sales.

It is becoming increasingly important for our branches to be able to promote themselves locally. We have set up a fast and cost effective system to allow branches to order personalised advertising materials via our intranet. This ensures we produce consistent materials that meet our brand guidelines and comply legally.

In order to offer our customers better value and increase our buying and marketing efficiencies, we are also concentrating on developing our own brand offering. "4Trade" is being developed as a good quality range of trade products sold across all merchant businesses, replacing individual private label products, so significantly reducing SKUs. "Iflo" is our range of bathroom components, offering bathroom installers and plumbers guaranteed good quality products at competitive prices. We remain fully committed to offering our customers a full range of manufacturers brands.

In 2008 we moved our in-house design, print and distribution ("DPD") facility to new premises, allowing us to work more efficiently and take on additional work for the Travis Perkins Group. We have moved a significant proportion of our literature and point of sale design and production to DPD, and have already achieved annualised savings of £600k, with the additional benefit of cash flow improvement by moving work from outside suppliers to sit within the Group. A significant cost saving



has been achieved by distributing printed materials to our branches using our existing distribution network. We expect to continue to deliver additional savings whilst maintaining or improving the quality of our service.

In 2008, The Travis Perkins Group confirmed a three-year agreement to become title sponsor of the Travis Perkins plc Senior Masters at Woburn Golf Club. The tournament will be played over the world-famous Duke's Course up to and including the tenth anniversary of the tournament in 2010. Supported by five of our key suppliers - DeLonghi, Expamet, Knauf, Vaillant and Wavin - the 2008 event helped us to build customer relationships through hospitality, build awareness for our corporate and business brands and promote our product and service offering to current and potential customers. The event was a great success with record attendance levels and many opportunities to get closer to our customers and suppliers. We look forward to the 2009 and 2010 events producing even better results.

AND FINALLY

2008, as predicted, proved to be a most demanding year within and across all the operational and support functions within the Group. However, it was the manner and the exceptional spirit of every single person, in each team, in each business, in each division and in each department, that rose to the challenges we faced, that proved to be the most impressive feature of the year.

We know markets and trading will remain extremely difficult for the foreseeable future, but we are so fortunate to have such a highly talented, and highly motivated group of people within the Travis Perkins Group. I express my sincere thanks for their outstanding contributions and efforts during last year.

John Carter
Chief Operating Officer
18 February 2009



FINANCE DIRECTOR'S REVIEW OF THE YEAR

FOR THE YEAR ENDED 31 DECEMBER 2008

INTRODUCTION

This report provides a commentary on how the business performed during 2008 in comparison to the Group's financial objectives, which are set out below, together with details of the financial aspects of the Group's strategy, risk management procedures and operating 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 via 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



Paul Hampden Smith, Finance Director

financial profile with interest cover between four and six times EBITA;

- Maintaining long-term dividend cover at between two and a half and three and a half times earnings.

Whilst the above are appropriate long-term objectives, our short-term objectives give priority to maximising cash generation. This has involved curtailing business expansion and development and suspending dividend payments in order to reduce net debt more quickly.

FINANCIAL REVIEW

To ensure the business is focused upon achievement of appropriate targets, a series of key financial performance indicators are monitored throughout the business. These are shown in the table below. For 2008, where indicated, these measures are stated on an adjusted basis stripping out the effects of the exceptional reorganisation costs and in 2007, where indicated, the exceptional deferred tax credit.

Results

As a result of the economic downturn the Group has taken steps to reduce its overhead base by challenging all areas of expenditure. A combination

of reducing headcount, virtually stopping business expansion, eliminating marginal activities and challenging suppliers to be more cost effective has been successful, but it has resulted in the Group incurring some significant one-off charges. In addition, the slowdown in the property market means that there is considerably less opportunity to sublet the Group's empty trading prop-

	2008	2007	2006	2005
Revenue (decline) / growth	(0.3)%	11.9%	7.9%	44.4%
Like-for-like revenue (decline) / growth	(4.5)%	8.1%	1.4%	(0.9)%
Adjusted operating profit to sales ratio	8.5%	10.0%	9.8%	10.1%
Profit before tax (decline) / growth	(44.0)%	12.7%	12.2%	0.1%
Adjusted profit before tax (decline) / growth	(22.5)%	18.7%	6.6%	0.1%
Net debt to adjusted EDITDA	2.8x	2.5x	2.4x	2.9x
Adjusted interest cover (note 10)	4.3x	5.4x	4.9x	4.9x
Adjusted return on capital (note 36)	12.9%	15.9%	14.6%	14.8%
Adjusted free cash flow (note 35)	£185.3m	£157.8m	£216.6m	£226.1m
Adjusted dividend cover (note 13)	8.5x	3.3x	3.4x	3.4x

erties, a situation which may exist for many years. Accordingly it is likely that the Group will have to pay significant property running costs in respect of these properties for longer than previously anticipated.

Therefore, to enable readers of the financial statements to obtain a clear understanding of underlying trading, the Directors have shown separately the exceptional level of spend in the group income statement. The total charge of £56.2m includes a cost of redundancy and re-organisation (£10.5m), onerous property lease provisions (£39.5m) and asset write offs (£6.2m).

Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") (note 37) were £330.3m (2007: £373.0m), a decrease of 11.4%.

With turmoil in the financial markets pushing 6 month LIBOR rates up as high as 6.40% during the year and causing the margin on the Company's new £1bn facility to be more than double that on the previous facility, it is not surprising that total net interest expense, before other finance income of £4.8m (2007: £3.3m) and £6.3m of derivative mark to market losses (2007: £0.3m gains), was £5.4m higher than last year at £67.5m (2007: £62.1m). Adjusted interest cover (note 10), is approximately 4.3 times (2007: 5.4 times).

Adjusted group profit before tax (note 5b) was £58.9m or 22.5% lower than last year at £202.5m (2007: £261.4m).

The adjusted tax charge was £58.6m (28.9%) compared with £80.3m (before tax in respect of the exceptional items credit), (30.7%) in 2007. The rate is higher than the UK corporation tax rate principally because of non-qualifying property expenditure and other items, which are not allowable for tax.

Profit after tax was £101.9m a decrease of 45.0%. Adjusted profit after tax (note 5b) was £143.9m, a decrease of £37.2m (20.5%) compared to 2007.

Basic earnings per share was 87.1 pence. Adjusted basic earnings per share (note 12b) was 17.9% lower at 123.0 pence, compared with 149.8 pence in 2007.

Cash Flow

Despite recording lower adjusted operating profits, good working capital control has resulted in the Group generating £337.6m of adjusted cash from operations (2007: £331.9m, after adjustment for week 53 supplier payments of £28m), an increase of 1.7%. Adjusted free cash flow, (calculated before, expansionary capital expenditure, special pension contributions, exceptional reorganisation costs and dividends) was £185.3m (note 35), 17.4% higher than for 2007 (after adding back the 53rd week extra supplier payment run made in 2007).

The free cash generated by the Group was used in part to fund expansion capital expenditure of £53.5m (2007: £82.2m) in the existing business, new acquisitions of £22.5m (2007: £47.2m before loan notes issued of £8m), investments of £0.3m (2007: £nil) and interests in associates of £20.7m (2007: £nil).

Pensions

At 31 December 2008, the gross deficit of the pension scheme was £69.9m (31 December 2007: gross deficit £16.0m). The net deficit after allowing for deferred tax was £50.4m (2007: net deficit £11.5m).

As equity markets fell during 2008, asset values reduced and so by the year-end the scheme deficit increased by £121m.

The deficit was increased by a further £19m due to the net effect of interest on scheme liabilities and scheme experience gains. However, the yield on the index of AA corporate bonds with a maturity greater than 15 years had risen by 40 basis points by 31 December 2008, increasing the liability discount rate to 6.20% and so reducing the value of scheme liabilities, and the deficit, by £44m. The deficit also fell due to a £30m benefit from a 0.4% lower inflation assumption and also due to £12m of company funding in excess of the current pension service cost.

The scheme is now 86% funded (2007: 97%) with the net deficit representing approximately 12% (2007: 1%) of the Company's market capitalisation at 31 December 2008.

The triennial actuarial valuation of the scheme, due as at 30 September 2008, is in progress. The directors are currently discussing the Actuary's initial findings with the Trustees of the scheme.

Equity

Total equity, at 31 December 2008, was £1,018.2m. The decrease of £18.7m compared to 31 December 2007 was the result of retained profits for the year being lower than the aggregate of actuarial losses in the pension scheme and losses incurred on cash flow hedges as a result of interest rate movements.

The Group's adjusted return on capital in 2008 (note 36) was 12.9% (2007: 15.9%), which remains higher than the Group's weighted average cost of capital.

At the year-end the share price was 340 pence (2007: 1,204 pence) and the market capitalisation £0.4bn (2007: £1.5bn), representing 0.4 times (2007: 1.4 times) shareholders' funds. During the year, the daily closing share price ranged from 1,191 pence to 223 pence.

Properties

At 31 December 2008, the carrying value of the Group's 351 freehold and 57 long leasehold property portfolio, which was last revalued in 1999 on an existing use basis, is £257m.

Goodwill and Other Intangibles

At the year-end, a series of tests were undertaken to determine whether there had been any impairment to the balance sheet carrying values of goodwill and other intangible assets. The key assumptions behind the calculations are as follows:

- Cash flow forecasts, were derived from the most recent financial budgets and plans for the three years ending 2011, which were approved by the Directors. Cash flows for the following two years were extrapolated from cash flows for 2011 using similar assumptions to those applied to 2011;
- 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 2014 onwards.

In summary, the tests indicated that, despite the weak markets currently being experienced, the value of discounted future cash flows meant it remained appropriate not to write off any of the goodwill previously acquired by the Group.

Approximately 55% of the carrying value of the Group's goodwill and intangible assets is allocated to the Wickes cash-generating unit. On the basis of the assumptions stated above,

the calculations show that for there to be no impairment, the minimum profit in 2013 would need to be £41m, which compares to £46m for 2008.

Whilst the Directors consider that their assumptions are realistic, it is possible an impairment would be identified if any of the above key assumptions were changed significantly.

After additions of £21.7m during the year, the net book value of goodwill and other intangibles in the balance sheet is £1,513.9m (2007: £1,492.2m).

PRINCIPAL RISKS AND UNCERTAINTIES

Going Concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 10 to 21 of the Chief Executive's review of the year. The financial position of the group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes in the financial statements. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found below.

The Directors, in their consideration of going concern, have reviewed the Group's future cash forecasts and revenue projections, which they believe are based on prudent market data and past experience and believe, based on those forecasts and projections, that it is appropriate to prepare the financial statements of the Group on the going concern basis.

Management is currently of the opinion that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within its current facilities and comply with its banking covenants. In arriving at their conclusion that the Group has adequate financial resources, the Directors were mindful that the Group has a robust policy towards liquidity and cash flow management and that it is financed through £1.2bn of facilities committed to 2013.

A breach of the one or more of the Group's banking covenants could result in the Group's debt becoming immediately repayable. Whilst this circumstance is currently not envisaged, the Group is subject to a number of significant risks and uncertainties, which arise as a result of the current economic environment. These risks are discussed below in the following sections: Liquidity and Net Debt; Interest Rate and Currency Derivatives; Credit Risk; Market Conditions and Competitive Pressures; Product Availability and Product Prices and Pensions.

Should a covenant breach become likely, the Group would enter into negotiations with its debt providers which could result in it accepting higher financing costs or being forced into actions, such as raising equity, or a significant sale and lease-back, which ordinarily it would not contemplate. It is the current expectation of the Directors that this would be achievable.

The Directors believe that the Group is adequately placed to manage its business risks successfully despite the current uncertain economic outlook and challenging macro economic conditions. As noted on pages 12 to 14 of the "Managing

Through the Downturn" section of the Chief Executive's review of the year, during 2008 additional measures have been taken to safeguard cash and cost reduction programs and working capital arrangement policies have been put in place which will continue in 2009. The Directors consider that the Group has the flexibility to react to changing market conditions as a substantial proportion of the Group's costs are variable or discretionary and can be reduced or increased in line with the needs of the business. Actions available to management include further headcount reductions, supply chain improvements and additional working capital savings.

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.

Financial Risk Management

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to liquidity risk, interest rate risk, foreign exchange risk, credit risk, capital risk and tax risk. The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net assets. The Group manages the principal financial risks within policies and operating parameters approved by the Board of Directors and does not enter into speculative transactions.

Treasury activities, which fall under the day-to-day responsibility of me as Finance Director, are managed centrally under a framework of policies and procedures approved by and monitored by the Board. The policies in respect of interest and currency hedging, the investment of surplus funds and the quality and acceptability of financial counterparties were reviewed and re-approved by the Board during the year.

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

The Board receives monthly reports on cash flows, debt levels and covenant compliance with comparisons to budgets and forecasts. In addition, all derivative related activity is reported to the Board at the next board meeting. As described in the Corporate Governance Report on page 43, the Board receives regular reports on specific areas of risk. As part of these risk reviews papers are presented on areas such as budgeting and planning, debt strategy (including derivative policy) and banking relations and working capital control.

Liquidity and Net Debt (Note 24)

LIQUIDITY RISK

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

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

LIQUIDITY MANAGEMENT

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

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

To ensure the Board continues to take pre-emptive action the Group re-forecasts profits and cash flows on a quarterly basis.

FACILITIES

Liquidity headroom was increased during 2008 through a refinancing of the Group's UK bank debt, which secured a new committed £1bn, 5-year facility in April. Strong cash generation and plans to continue conserving cash have reduced management's estimate of the Group's future borrowing requirements. There are currently 16 banks in the new syndicate, with approximately 80% of the facility being advanced by half of them.

Prevailing market conditions at the time of the refinancing resulted in the margin over LIBOR, applied to the Group's borrowings by the syndicate banks, more than doubling. Additionally, the Group had to pay £14.7m in facility arrangement fees to the banks, which are being amortised through finance charges over the period the facility is available.

Of the £1bn syndicated credit facility, £525m is represented by a fully drawn amortising term loan and the remainder a revolving credit facility, which can be drawn down as required. In addition the Group had access to a £50m uncommitted overdraft facility at 31 December 2008, although since the year-end this has been reduced to £40m as it was not being fully utilised.

Liquidity headroom is expected to remain high with the term

loan due to be repaid in six £35m tranches each half year, commencing April 2010, with the balance falling due in April 2013. The revolving credit facility is available to the Group until April 2013.

Tranches of the syndicated facility can be drawn down for weekly, monthly, three monthly and six monthly terms, with the actual duration of draw downs being dependent upon management's interest rate expecta-

tions. For all of 2008, due to the high differential between 6 Month LIBOR and weekly and monthly LIBOR the Group has drawn funds on a weekly or monthly basis.

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

DEBT

As at 31 December 2008 the Group had net debt of £1,017m (2007: £941m) (note 33). However, if the

£109m movement in debt caused by the falling Sterling US dollar exchange rates is eliminated, debt at 31 December would have been £909m a reduction of £32m over the year. The Notes are fully hedged and so by the dates they are redeemable in 2013 or 2016, the exchange effects will have fully reversed.

The peak level of daily borrowings on a cleared basis during the year ended 31 December 2008 was £1,112m (2007: £1,022m). The maximum month end cleared borrowings were £1,043m (2007: £984m). At 31 December 2008 the Group had undrawn facilities of £332m (2007: £215m).

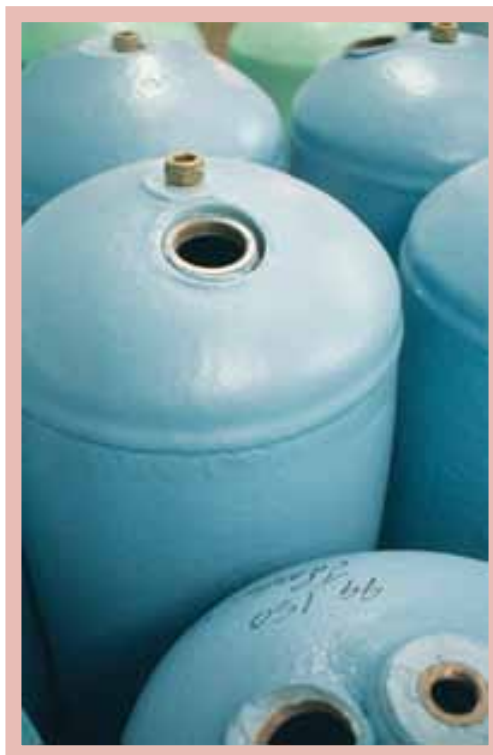
OPERATING LEASES

Note 30 gives details about the Group's operating lease commitments, most of which relate to properties occupied by the Group for trading purposes.

COVENANT COMPLIANCE

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

The key financial covenants are the ratio of net debt to earnings before interest tax, depreciation and amortisation "EBITDA" which must be less than 3.5 times, and the ratio of earnings before interest, tax and amortisation "EBITA" to net interest which must be above 3.5 times. At 31 December 2008 the Group



achieved net debt to EBITDA of 2.8x (note 37) and interest cover of 4.3x (note 10).

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

Interest Rate and Currency Derivatives (Note 25)

INTEREST RATE RISK

One of the principal risks facing the Group is an exposure to interest rate fluctuations. The Group has borrowed in Sterling at floating rates, whilst its US\$ denominated Notes have fixed rates of interest.

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

The Group has entered into a number of interest rate derivatives designed to protect it from fluctuating interest and exchange rates on its borrowings. At the year-end, the Group had nine interest rate derivatives fixing interest rates on approximately 70% of the Group's cleared debt. The maturity of the Group's derivatives is as follows;

	Maturity	Notional Value
Vanilla interest rate swaps	February 2010	£237m
Vanilla interest rate swaps	February 2013	£100m
Vanilla interest rate swaps	April 2013	£100m
Cancellable swaps	October 2013	£100m
Cap and collar	February 2010	£118m

CURRENCY RISK

Having taken out 4 cross currency swaps, to protect it from exchange rate fluctuations, in respect of its \$400m fixed rate guaranteed unsecured notes, the Group is not exposed to significant foreign exchange risk.

Whilst the majority of purchases of goods and services are invoiced in Sterling, goods acquired from overseas either directly from manufacturers or through UK based distributors continue to increase. Overseas originated purchases currently approximate to 40% of group purchases and so adverse movements in Sterling, could, to the extent they cannot be passed on to customers, affect profitability.

The Group settles its currency related trading obligations using a combination of currency purchased at spot rates and currency bought in advance on forward contracts. Its policy is to purchase forward contracts for between 30% and 70% of its anticipated requirements twelve months forward. At 31 December 2008 the nominal value of currency contracts, most of which were \$US denominated, was \$46m and €2m. At 31 December 2008, based upon forecast currency requirements for 2009, a US\$10c change in the exchange rate would impact costs, before any corresponding selling price amendment, by approximately £1m.

Credit Risk

FINANCING

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



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

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

At the year-end, the Group had open currency hedging contracts with four banks, open interest rate derivative contracts with 6 banks and had 16 banks within its banking syndicate. There were 19 companies holding the Group's US\$ denominated Notes, of which the largest held 21% by value. The Group has entered into only one currency hedging contract and no swaps with a counterparty that is not a current member of its banking syndicate. The Group's banking counterparties ratings as of 18th February 2009, are shown in the table on the opposite page.

Banking Counterparty Ratings

Rating	Number	Amount of	Notional Value of	Notional Value of
	of Banks	UK Bank Facilities	Interest Rate Derivatives	Cross Currency Swaps
	No.	£m	£m	\$m
AA+ to AA-	9	528	337	150
A+ to A-	8	472	318	250

CUSTOMER CREDIT

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

Trade receivables consist of a large number of customers, none of which represents more than 0.5% of sales, spread across diverse industries and geographical areas. However, the nature of the industry is such that there is a risk that some of these customers will be unable to pay outstanding balances.

Ongoing evaluation of the financial condition of accounts receivable and reviews of the total credit exposure to all customers is performed monthly, using external credit risk services where necessary. Increased credit levels are approved by both operational and financial management with personal guarantees being obtained, where appropriate, before credit is advanced. Whilst day-to-day credit control is the responsibility of the centrally based teams, the Group also operates an in-house debt recovery team, headed by a qualified solicitor, that is responsible for recovering debt that remains unpaid. The Group does not have credit guarantee insurance.

During the recession of 1990/91, the Group experienced bad debt levels of up to 1.35% of credit sales. Over the past 10 years, the bad debt charge has averaged below 0.5%, however, during the latter part of 2008, the Group experienced an increasing level of bad debts, with the bad debt charge for the year reaching 0.9% of credit sales (2007: 0.4%).

Debtor days at 31 December 2008 were 59 days (2007: 56 days). An increase in one debtor day at 31 December would have reduced cash flow by approximately £5m

Capital Risk

The Group manages its capital risk by ensuring it has a capital structure appropriate to the ongoing needs of the business that ensures it remains within the covenant limits that apply to its banking arrangements. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 21 to 23.

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

Tax Risk

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

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

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

Market Conditions and Competitive Pressures

The Group's products are sold to tradesmen and retail customers for a broad range of end uses in the built environment. The performance of the market is affected by general economic conditions and a number of specific drivers of construction 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.

Whilst the Directors have considered reasonable changes in market conditions and competitive pressures, in the current environment a further significant downturn could impact group sales and margins to a greater extent than they have currently envisaged in their consideration of future trading for the purposes of the going concern statement above.

Product Availability and Product Prices

Security of supply of products and product quality are monitored by product category directors in the trade and retail businesses. Supplier financial strength, product quality and service levels are monitored on a continuous basis. An annual risk assessment with recovery plans is prepared for the major suppliers across the Group. The Group is not significantly exposed to one supplier or product type with no supplier accounting for more than 7% of total goods purchased in 2008. An established QA process is in place throughout the business.

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

The market price of products distributed by the Group, particularly commodity products, can vary significantly and affect operating results. The Group's businesses actively take steps to protect themselves from anticipated price rises.

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

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 by 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 trade and retail outlets. A wide-range of training programmes are in place to encourage staff development and management development programmes are used to assist those identified for more senior positions. The Group Human Resources Director monitors staff turnover by job type and reports to the Board annually. Succession plans are established for the most senior positions within the Group and these are reviewed annually.

Information Technology and 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 the resilience of group systems and escalation procedures are in place to resolve any performance issues at an early stage. Our two new data centres mirror each other with data processing switched from one to the other on a regular basis. An IT disaster recovery plan exists and is tested regularly together with the business continuity plan with arrangements in place for alternative data sites for both trade and retail businesses. Off-site back-up routines are in place.

The Group distributes products from 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 trade and retail outlets. Each warehouse has fire detection and alarm systems and a business continuity plan.

Legislation

The Group is affected, both positively and negatively, by the legislative environment within which it operates. Planning and

building legislation impacts its customers, and consequently the Group, whilst health & safety, employment, environmental and competition laws together with the rules of the Financial Services Authority and the Listing Rules influence its day to day operations.

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

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 review of the year. 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 in the final salary scheme rising to a level that restricts other corporate activity. The Scheme Trustees and the Group obtain independent actuarial advice and formal valuations are carried out at least every three years. The Trustees receive reports on the investment performance quarterly. The Travis Perkins' final salary scheme was closed to all new members in April 2006.

The accounting deficit at 31 December 2008 is £70m. The Group currently has arrangements in place to eliminate the deficit over a period of 8 years. Any deterioration in the scheme's funding position could impact the Group's liquidity.

Paul Hampden Smith

Finance Director
18 February 2009



CORPORATE RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

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

Environment

Chief Executive's review of the year

Health & Safety

See separate Health & Safety report on pages 47 and 48

Supply Chain

Chief Operating Officer's review of the year

Employees

Chief Operating Officer's review of the year

Community Relations

Chief Executive's review of the year

The Board takes account of the significance of environmental, social and governance matters in its conduct of the Company's business. The Board believes that it has adequate information to identify and assess the major environmental, social and governance risks and as part of the system of internal control receives reports on the risks associated with these matters. The Board has received briefings on such matters during 2008.

DIRECTORS AND PROFESSIONAL ADVISERS



CHAIRMAN

Tim Stevenson O.B.E. (aged 60) 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, and Lord Lieutenant of Oxfordshire. He is Chairman of the Nominations Committee and a member of the Remuneration and Health & Safety Committees.



CHIEF EXECUTIVE

Geoff Cooper (aged 54) joined the Company in February 2005 and was appointed Chief Executive on 1 March 2005. He is a chartered management accountant and worked in management consultancy before joining Gateway (now Somerfield plc) as Finance Director in 1990. In 1994 he became Finance Director of UniChem plc, subsequently Alliance UniChem plc (which later became part of Alliance Boots plc), where he was appointed Deputy Chief Executive in 2001. He is non-executive Chairman of Dunelm Group Plc.



FINANCE DIRECTOR

Paul Hampden Smith (aged 48) 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 The Polestar Company Ltd until November 2008.



CHIEF OPERATING OFFICER

John Carter (aged 47) 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, and is a member of the Health & Safety Committee.



Chris Bunker (aged 62) 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 formerly was a non-executive director of Mowlem plc, Baltimore Technologies plc and Xansa PLC. He is the Senior Independent Director and Chairman of the Audit Committee and a member of the Nominations and Remuneration Committees.



Andrew Simon O.B.E. (aged 63) was appointed as a non-executive director in 2006. He is non-executive Deputy Chairman of Dalkia Plc, and a non-executive director of Finning International Inc., Management Consulting Group plc and SGL Carbon AG. 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, Istock PLC, Laporte Plc, Associated British Ports Holdings PLC, and Brake Bros Holdings Ltd. He is chairman of the Remuneration and Health & Safety Committees, and a member of the Audit Committee.



John Coleman (aged 56) was appointed as a non-executive director in February 2005. He is a chartered management accountant and Chairman of AGA Rangemaster Group plc. He was Chief Executive of House of Fraser plc from 1996 to 2006 and previously Chief Executive of Texas Homecare and of a number of businesses within Burton Group PLC. He is a member of the Remuneration, Audit and Nominations Committees.

Stephen Carter C.B.E. served as a non executive director and member of the Audit Committee until his resignation on 8 January 2008. **Michael Dearden** served as a non-executive director during the year until his retirement on 11 November 2008. He was Senior Independent Director and a member of the Audit, Nominations, Remuneration and Health & Safety Committees.

Secretary: A. S. Pike

Audit Committee:

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

Remuneration Committee:

A. H. Simon (Chairman), C. J. Bunker J. Coleman, T. E. P. Stevenson

Nominations Committee:

T. E. P. Stevenson (Chairman), C. J. Bunker, J. Coleman

Health & Safety Committee:

A. H. Simon (Chairman), J. P. Carter, T. E. P. Stevenson

Executive Committee:

G. I. Cooper (Chief Executive and Committee Chairman)

J. P. Carter (Chief Operating Officer)

P. N. Hampden Smith (Finance Director)

J. Bird (Managing Director, Wickes)

A. J. Davidson (Chairman, Specialist Merchanding)

C. Kavanagh (Group HR Director)

M. R. Meech (Group Property Director)

J. Mescall (Chairman, General Merchanding)

A. S. Pike (Company Secretary & Lawyer)

R. D. Proctor (Supply Chain Director) (appointed February 2009)

Investment Bankers/Advisors: HSBC Bank plc; Tricorn Partners

Corporate Broker: Citibank; Dresdner Kleinwort Wasserstein

Bankers: The Royal Bank of Scotland plc; Barclays Bank plc

Solicitors: Clifford Chance LLP, London; Linklaters LLP, London;

Hewitsons, Northampton

Auditors: Deloitte LLP, Birmingham

Registrars: Capita Registrars, Huddersfield

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2008

COMBINED CODE

The London Stock Exchange first issued the Combined Code on Corporate Governance ("the Code") in 1998 and it was revised most recently in June 2008. Section 1 of the Code is applicable to companies. A statement explaining how the Company has applied the principles and the extent to which it has complied with the provisions of the Code appears below. The 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 three non-executive directors. Tim Stevenson is Chairman and Geoff Cooper is Chief Executive. Chris Bunker is the Senior Independent Director, a role which was fulfilled by Michael Dearden until his retirement on 11 November 2008. 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. It is intended to appoint a further non-executive director in the near future. All directors will submit themselves for re-election at least every three years.

The Board has a formal schedule of matters reserved to it and meets at least ten times a year. It is responsible for overall group strategy, policy on corporate governance matters, acquisition policy, approval of major capital expenditure and consideration of significant financial and operational matters. It monitors the exposure to key business risks and reviews the strategy of the trading subsidiaries, their annual budgets and progress towards the achievement of those budgets and their capital expenditure programmes. It also considers legislative, environmental, health & 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 fourteen meetings during 2008, three of which were by conference telephone call. One meeting dealt with consideration of the Company's long-term strategy and seven meetings either included visits to parts of the Company's operations or included presentations by senior executives on their areas of responsibility. Individual visits to operational sites by non-executive directors also 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 may take independent professional advice in the furtherance of their duties if necessary. The Company maintains directors & officers' insurance in respect of the risk of claims against directors.

The Chairman held two meetings during the year with all the non-executive directors, without the executive directors being present. The Senior Independent Director held a number of individual discussions with other directors during the year, without the Chairman being present, to evaluate the Chairman's performance, and then provided feedback to the Board. The Board has an induction process for new directors, which is facilitated by the Company Secretary. The Chairman ensures that all directors receive appropriate training on appointment and then subsequently as required, taking into account the need to update their skills and their knowledge of the Company's business. They are also regularly provided with information on forthcoming legal and regulatory changes and corporate governance developments, and briefings on the key risks facing the Company, including those identified in the Corporate Responsibility statement on page 39.

The Board has established five standing committees: the Audit Committee, the Remuneration Committee, the Nominations Committee, the Health & Safety Committee and the Executive Committee, which operate within defined terms of reference. 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. The reports of the Audit Committee, Health & Safety Committee, Remuneration Committee and Nominations Committee are on pages 45 and 46, 47 and 48, 49 to 57 and 58 respectively.

The Executive Committee members are listed on page 41. Other executives are invited to attend from time to time in relation to specific matters. The principal purpose of the Committee is to assist the executive directors in the performance of their duties in relation in particular to:

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

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

	PLC Board No.	Audit No.	Remuneration No.	Nomination No.	Health & Safety No.	Executive No.
Number of meetings	14	4	6	1	3	11
Attendances:						
C. J. Bunker	14	4	1	1	-	-
J. P. Carter	14	3	-	-	3	11
J. Coleman	14	4	6	1	-	-
G. I. Cooper	14	-	6	1	-	11
M. B. Dearden	12	3	4	1	3	-
P. N. Hampden Smith	14	4	2	-	-	11
A. H. Simon	13	-	6	1	3	-
T. E. P. Stevenson	14	4	6	1	3	-

During the year, the Board undertook an evaluation of its performance and the performance of its committees and the individual directors. This consisted of interviews by the Chairman with each other director and the Company Secretary separately, focussing on the operation of the Board and, its committees and in particular on those matters identified in 2007 where measures were taken to enhance performance. These interviews formed the basis of a report by the Chairman that was the subject of a discussion by the Board, which was satisfied that the process showed that the Board and its committees worked effectively. However, it agreed a number of measures, in particular relating to the presentation of board business, aimed at further enhancing its performance. A board evaluation process will be carried out in 2009.

2. Directors' Remuneration

The Remuneration Committee consists of the Chairman and three independent non-executive directors, and meets at least four times a year. Its responsibilities include remuneration policy and a review of the performance of executive directors prior to determining their remuneration. The remuneration of the non-executive directors is determined by the Board as a whole, except that the Remuneration Committee makes a recommendation in respect of the Chairman's salary. No director plays a part in the discussion about his own remuneration.

The Remuneration Report is set out on pages 49 to 57.

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 of the year, in the Chief Operating Officer's

review of the year and in the Finance Director's review of the year set out on pages 10 to 38. The Board uses them, together with the Chairman's statement on pages 8 and 9 to present a full assessment of the Company's position and prospects. The Directors' responsibilities for the financial statements are described on page 63.

INTERNAL CONTROL

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

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

directors and to the external auditors.

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. During the year the Chairman, the Senior Independent Director and the executive directors, either separately or together, attended a number of meetings with analysts, and with shareholders representing circa 60% of the issued share capital. The Chairman and executive directors report to the Board on any meetings with shareholders or analysts. In addition, written reports about the Company by analysts or brokers are circulated to all directors.

As well as sending annual and interim reports to share-

holders, the Company issued two interim management statements and one further trading update during the year. 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

This matter is dealt with on page 34 of the Finance Director's review of the year.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Company is pleased to report that it has complied throughout the year ended 31 December 2008 with the provisions set out in Section 1 of the Code.

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

ROLE OF THE AUDIT COMMITTEE

The Audit Committee is responsible for:

- The integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and reviewing significant financial reporting 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 and remuneration of the external auditors;
- Reviewing the audit plans of the external auditors and for monitoring the conduct of the audit;
- Reviewing the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Reviewing the Company's policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by an external audit firm.

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 of the Committee throughout 2008. Michael Dearden was a member until his retirement on 11 November 2008, when he was replaced by Andrew Simon. John Coleman was appointed a member on 28 January 2008, following the resignation of Stephen Carter. All members of the Committee are considered to be independent. The Company Secretary, Andrew Pike, is secretary to the Committee. The Board considers that Chris Bunker has the recent and relevant financial experience required by the Combined Code (see also the Board profiles on pages 40 and 41).

MEETINGS AND ATTENDANCE

The Committee met four times during 2008 to consider inter alia, the annual and interim results. The Chairman of the

Committee also invited the Group Chairman, the Finance Director, the Chief Operating Officer, the Group Financial Controller, the Group Head of Business Risk and Assurance and the external auditors to attend 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. In addition, during the year, the Committee Chairman held a number of meetings with the Group Head of Business Risk and Assurance and with the external auditors, all without management being present.

MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

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

- The committee's terms of reference and recommended minor changes to the Board;
- 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;
- Any comments received on its 2007 report from institutional investor bodies;
- The effectiveness of the system of internal financial control and the system for monitoring and reporting on risks faced by the Group;
- The strategy, staffing, processes and effectiveness of the internal audit department and recommended to the Board minor changes to the terms of reference of that department;
- The status of actions taken in response to recommendations arising from internal audit work;
- The operation of the Group's "whistleblowing" policy;
- 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;
- The plans presented by the external auditor for conduct of the year-end audit including terms of engagement, fees and letters of representation;
- The effectiveness, independence, and objectivity of the external auditors, taking into account written assurances provided by Deloitte LLP with regard to its quality and independence controls, and its ethical standards;

- The Group's accounting policies and forthcoming changes to International Financial Reporting Standards and other regulatory changes;
- Methods of fraud prevention;
- Responsibilities in the Group for health & safety audits;
- The Group's tax planning.

EXTERNAL AUDITORS

The Company places great importance on the effectiveness and independence of its external auditors and together with them is careful to ensure their objectivity is not compromised. At its November meeting, the auditors presented to the Committee their plans for the forthcoming audit together with details of their proposed fees and how they ensure that their objectivity and independence are not compromised.

It is the role of the Committee to ensure compliance with the Board's policy in respect of services provided by, and fees paid to, the auditors. Audit fees are negotiated by the Finance Director and approved by the Audit Committee. For other services that could be provided by the auditors, the Company's policy is:

General Principles

The Group should not employ the auditors to provide non-audit services where either the nature of the work or the extent of such services might impair the auditors' independence or objectivity. Any assignment to the auditors of non-audit work with a fee over £25,000 requires the approval of the Chairman of the Committee.

Work as Auditor and Reporting Accountant

The auditors are 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, review of the satisfaction of share scheme performance criteria, accounting advice and reviews of accounting standards and, where appropriate, assistance with acquisitions.

Taxation

The auditors assist the Group to meet general tax compliance requirements as well as providing advice on 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.

Advisory and Consultancy Work

On occasions, the auditors may be best placed to undertake other advisory or consultancy work due to their knowledge of the Group. However, certain types of work are prohibited, where such work might prejudice the independence or objectivity of

the auditors. Any work for which the fee might exceed £50,000 is subject to competitive tender.

In view of the exceptional market conditions experienced during the year, Deloitte were requested to undertake a number of assignments associated with the Group's financing arrangements and related tax matters. The increased non-audit fees incurred during the year reflect these assignments. However, the Committee remains satisfied that their independence and objectivity as auditors were not impaired.

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

Following its February 2009 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 auditors, 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 2008, 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 2009. 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 Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence, objectivity and effectiveness of the external and internal auditors.

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

Chris Bunker
Chairman, Audit Committee
18 February 2009

HEALTH & SAFETY REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

Health & safety ("H&S") remains a Group priority. We have taken a further major step in improving our standards in this area by appointing an industry leading H&S expert to advise the Group. With his support, we have launched a change programme designed to win "hearts and minds", as an important step in embedding a strong H&S culture at every level in the Group. The response from the business unit management teams has been extremely positive. Most importantly, the first visible actions resulting from this programme, aimed at changing attitude and behaviour in individual businesses, have been more wide-reaching and beneficial than we expected.

We recognise that we are still in the early stages of our H&S development, but we are confident we will make considerable progress in achieving our vision of making injuries a rare occurrence. Our new electronic accident reporting system now provides a much more accurate representation of our true H&S performance. We believe this more accurate reporting has led initially to a worsening of our reported H&S performance, but we expect that to start levelling out in 2009 and then improving as we move into 2010.

GROUP HEALTH & SAFETY COMMITTEE

The Role of the Committee

The Group H&S Committee was established in November 2007 to encourage and assist the Group's executive management in its drive towards achieving and maintaining industry-leading standards in health & safety. The Committee is responsible for reviewing H&S policies, practices and group performance to ensure they meet or exceed legal obligations and contribute to achievement of the Group's H&S objectives. These objectives are designed to ensure that the business achieves its vision of making injuries a rare occurrence.

To execute its role, the Committee ensures that:

- Routine H&S reports and audits used by management and the Committee are appropriately interpreted;
- Senior managers in the Group are kept informed of their H&S responsibilities and duties;
- The Committee and the Board are kept abreast of regulatory changes and their impact;
- Any extraordinary H&S issue or incident is reported immediately to the Committee, together with subsequent investigation findings;
- Where it considers action or improvement is needed, this is reported to the Board, making recommendations as to the steps to be taken.

The Committee is authorised by the Board to investigate, using the resources of the Group Head of H&S, any activity relating to

its purpose and role. The full terms of reference of the H&S Committee are available on the Company's website, or, on request from the Company Secretary.

Composition of the Committee

Throughout 2008, Andrew Simon chaired the Group H&S Committee and Tim Stevenson, Mike Dearden (until his retirement) and John Carter were members of it with the Company Secretary, Andrew Pike, being its secretary. The Chairman of the Committee also invited the Group HR Director and Group Head of H&S to attend each meeting during the year. The Board considers that the Group Head of H&S has relevant H&S knowledge, experience and qualifications.

The Committee met 3 times during 2008 to execute its role, working in tandem with the operationally-focused Trading Board Health & Safety Committee (See below).

Main Activities of the Committee During the Year

At its meeting on 9 April 2008, the Committee reviewed group H&S performance during 2007. The Committee noted that despite a reduction in the number of lost time injuries, it was anticipated that statistics would worsen in 2008, following the introduction of an electronic accident reporting system linked to the HR absence system. The H&S team's objectives were reviewed, along with the joint Institute of Directors and Health & Safety Commission's guidance on leading H&S at work.

At this, and the subsequent meetings on 24 July and 14 October, the Committee also dealt with the following issues:

- Serious incidents or injuries reported, with various recommendations;
- Trading Board Health & Safety Committee terms of reference and minutes;
- H&S material presented at internal business conferences;
- H&S performance;
- Proposed group initiatives to further improve the H&S culture and improve local ownership and management of issues;
- Plans for the creation of a single group H&S team, covering all brands and businesses.

TRADING BOARD HEALTH & SAFETY COMMITTEE

The terms of reference and membership of the Trading Board Health & Safety Committee were revised in March 2008, so as to reflect the increasing commitment to achieving industry-leading performance. Membership throughout 2008 comprised the Chief Operating Officer, John Carter, as Chairman, together with the Group HR Director, business unit managing directors and the Group Head of H&S. The Committee met 3 times during 2008 to execute its role.

The Role of the Committee

The Committee ensures that:

- Best practice is promoted by approving appropriate actions to address H&S issues raised with the Committee;
- Awareness of H&S issues is raised across business functions, with discussions and decisions from the Committee being actively reported throughout the Group, including the need for further investment, where necessary;
- H&S performance is measured by reviewing accident statistics and internal and external audits presented to the Committee, and by agreeing actions to drive continuous improvement;
- Any extraordinary H&S issue or incident is investigated and the findings reported to this Committee;
- Significant findings or proposals are reported to the Executive Committee and the Group H&S Committee, to ensure that actions are taken to eliminate risks and improve safety performance.

Main Activities of the Committee During the Year

At each meeting, the Committee dealt with the following issues:

- It reviewed reported lost time injuries and near misses across the Group, and made various recommendations;
- H&S performance;
- Development of group initiatives to further improve the H&S culture and increase local ownership and management of issues.

In addition, the Committee agreed and commenced a cultural change programme to engage fully, with the hearts and minds of all colleagues.

HEALTH & SAFETY PERFORMANCE

2008 H&S performance was disappointing in that both the group frequency and severity rates worsened, when compared the previous years' statistics.

RIDDOR ("Reporting of Injuries, Diseases and Dangerous Occurrences Regulation") reportable injuries remained at similar levels to 2007, but there was a significant increase in non-RIDDOR lost time injuries losing 3 working days or less. This is believed to be primarily a result of increased attention to H&S

matters, including management refresher training, the increasing emphasis on H&S across the Group's businesses and the introduction of the electronic accident reporting system referred to above. The data captured has proven to be more accurate than that previously reported using paper based systems.

There were no RIDDOR workplace fatalities during 2008, although 2 delivery vehicles were involved in separate road traffic accidents that tragically resulted in the death of a pedestrian in each case.

The Health & Safety Executive concluded their investigation into a 2007 fatality in Scotland, following a Keyline collection from a customer site. The Keyline delivery driver was individually prosecuted, and found guilty under the Health & Safety at Work Act, along with the construction company, and Keyline was fined £2,400 for its failure to provide traffic cones on a delivery vehicle.

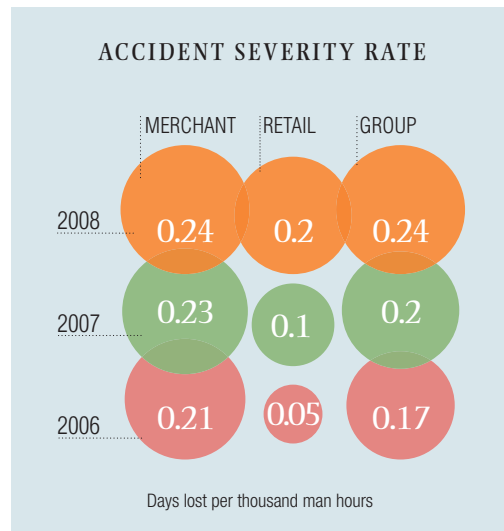
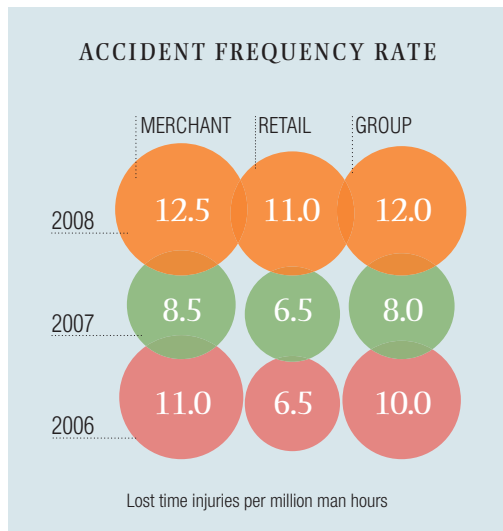
Enforcement officer inspections of branches showed a favourable improvement in performance and standards, with numerous complimentary letters received. The total number of improvement notices reduced to 8 across the whole group.

	EHO Notices		
	2006	2007	2008
	No.	No.	No.
Prohibition	7	8	-
Improvement	29	9	8

H&S Committee meetings were held at each branch or store 4 times during the year with a centrally prescribed agenda and supporting materials such as a manual handling refresher DVD and online test.

A refresher DVD was launched for all lorry mounted crane drivers in Travis Perkins and Keyline, reminding them of good practice during deliveries, and the need to plan the loading of the vehicle to facilitate the delivery at the customer address. Similar DVDs are being produced for CCF and CPS drivers.

A new group H&S induction DVD was produced as part of a total review of induction training. The resultant training programme – Setting Foundations – is being introduced to each individual business and will be completed during 2009.



DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

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.

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 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 (Chairman), Tim Stevenson, Chris Bunker and John Coleman, all of whom are independent non-executive directors. It met six times in 2008. The Committee is responsible for the broad policy on directors' and senior executives' remuneration. It determines all aspects of the remuneration packages of the executive directors and reviews with the Chief Executive, the remuneration packages of other senior executives. It also oversees the administration of the employee share schemes. The Committee's terms of reference, which are available on our website, or from the Company Secretary require it to give due regard to the best practice contained in the Code.

The Committee keeps itself fully informed of relevant developments and best practice in remuneration matters and seeks advice where appropriate from external advisors. New Bridge Street Consultants have provided advice to the Committee on executive remuneration and share schemes in the past year. They were appointed by the Committee and provide no other type of services to the Company. In addition, Geoff Cooper (Chief Executive), Paul Hampden Smith (Finance Director), Andrew Pike (Company Secretary) and Carol Kavanagh (Group Human Resources Director) have assisted the Committee in its work, 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, motivate 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 in the way we reward our executive directors, both in base salary and in total remuneration. In determining this, we take account of the relative experience of the individual, their roles, internal relativities and the markets in which the Company competes.
2. We ensure that remuneration packages contribute to the delivery of short and 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 Code.

3. We encourage executives to own Travis Perkins shares. This is exemplified by the compulsory deferral of bonus in shares and by our shareholding guidelines.

Following a strategic review of the remuneration structure in 2006 and the adoption of new incentive plans at the 2007 AGM, 2008 was a year of implementation.

No significant changes to the principal elements of the policy in relation to executive directors were made for the 2008 financial year and for 2009, the only change has been to the components of the annual cash bonus scheme; details are described below.

The components of the remuneration of the executive directors are as follows:

Basic Salary

Salaries are normally reviewed in November each year, with increases taking effect from 1 January in the following year.

The prevailing economic climate and the approach to salary awards for other employee groups influenced the approach to base salary increases for 2009 for the executive directors and other executives. Although a base pay increase of 2.5% was awarded to other employees with effect from 1 January 2009, no salary increases were awarded to the three executive directors (or other executives) and their basic annual salaries remain as at 1 January 2008.

John Carter	£362,250
Geoff Cooper	£517,500
Paul Hampden Smith	£362,250

Pension Arrangements

Historically, the general policy was for executive directors to be members of the Company's final salary pension scheme, but 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, executive directors accrue benefits at the lesser of 30ths or such rates as, at age 60, would provide a pension of 2/3rds of final pensionable salary. In the case of John Carter and Paul Hampden Smith, the accrual rates are approximately 1/57 and 1/42 respectively. Final pensionable salary is defined as the average of the best consecutive 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, excluding bonuses. As with all other members, executive directors' dependants are eligible for dependants' pensions and payment of a lump sum in the event

of death in service. From April 2006, an "earnings cap" has been applied in respect of benefits based on service only to that date. Also since that date, a salary supplement has been made available as an alternative to further service accrual in the final salary scheme, at the member's option, for members the value of whose benefits are at least 80% of the Lifetime Allowance. Geoff Cooper ceased to accrue service related benefit at April 2006 and instead receives a salary supplement calculated with regard to the cost the Company would have incurred in providing continuing pension accrual.

However, during 2007 the Committee reviewed the approach to setting supplement rates and decided that executives choosing a salary supplement in future would be offered a flat rate, and that the rates used for the Company's defined contribution plan would be used (25% for executive directors). This change in policy does not apply to Geoff Cooper (and one other senior executive) who have already chosen a salary supplement.

Salary supplements are not taken into account for the purposes of bonuses or other benefits.

There have been no changes in the basis of directors' pension entitlements during the year. There are no unfunded pension commitments or similar arrangements for directors.

Annual Bonus Payments

For the 2008 financial year, no bonus payments were triggered for the executive directors.

At the beginning of the year, the Committee establishes the targets that must be met in order for a bonus to be paid. The changes implemented for 2009 are designed to reflect a very different trading environment to previous years and to ensure that bonus targets are closely aligned with business priorities and shareholders interests. The total maximum bonus levels remain unchanged. For the most senior executives, earning per share growth is retained as a bonus criterion, representing 50% of maximum bonus. In recognition of the business focus for 2009, up to 30% of maximum bonus will be awarded against an interest cover criterion. The remaining 20% of maximum bonus will be measured on individual objectives agreed by the Committee. This means that for the executive directors, 80% of the maximum bonus relates to Group business performance and 20% to personal performance. On-target bonuses are calibrated at half the maximum for the interest cover element and two thirds of the maximum for the EPS part. Targets are set by reference to the Company's financial plans at the beginning of the year. 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.

One of the conclusions of the incentives review in 2006 was that the annual bonus plan should be de-coupled from the long-term incentives. Accordingly, the annual bonus outcome does not determine the quantum of matching share awards.

Share Incentives

(A) AWARDS MADE IN 2008

Performance Share Awards

The Performance Share Plan provided for the award to the most senior executives of shares of a value up to 150% of salary (although 120% is the maximum awarded to date). The vesting

of performance share awards will depend on the extent to which an earnings per share performance condition is satisfied over a three year vesting period. The following calibration applies:

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%

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 changes over the same period. This will ensure consistency in the measurement of the performance of the business for the purposes of the share schemes.

Share Matching Awards

Senior executives were able to invest up to 50% of post tax basic salary to buy investment shares. Matching shares are awarded, the number of which is calculated by reference to the pre-tax value of the amount invested. Therefore, the number of Matching shares shall not exceed two times the number of Investment Shares multiplied by the fraction: $\frac{100}{100-40}$

The vesting of Matching Share awards will depend on the extent to which a three year average cash return on capital employed ("CROCE") 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. CROCE is defined as cash generated from operations (as stated on the cash flow statement in the Company's published accounts) adjusted for tax (as per the tax note and income statement) and maintenance capital expenditure (as per the cash flow statement and free cash flow note) divided by the average capital employed during the year (as per the return on equity and return on capital notes). The Matching Award will vest by reference to a weighted average of CROCE over a performance period of three financial years of which the first is the financial year ending 31 December 2008.

For the 2008 award, the following calibration applies:

- None of the Matching Award will vest unless the weighted average of CROCE is at least 11.5% p.a.;
- At the 11.5% target, 30% of the Matching Award will vest, equivalent to a 0.6:1 match;
- The whole of the Matching Award will vest if the weighted average of CROCE is 12.5% p.a. or more;
- If the weighted average of CROCE falls between these two figures, a proportion of the Matching Award will vest, on a straight line basis.

Share Options

During 2008 the Committee undertook a review of how incentive provision was bearing up in relation to market conditions.

Although it was felt that the approach previously agreed, as described in the 2007 report, remained appropriate for the long term, in the short term it was recognised that existing awards were unlikely to achieve their objectives. Therefore, following consultation with major shareholders, the following changes were made:

- A one off option grant was made to the most senior executives (but excluding the executive Directors) of a fixed number of share options; in the long term, it remains the policy that the most senior executives, including the executive directors, will not receive grants of options.
- A move to a six monthly grant policy for other executives, at pro rata reduced numbers of options;
- The use in 2008 of a three year CROCE performance criterion for options. CROCE was defined as for the Share Matching Award;
- For the options to be exercisable, average CROCE over the three year performance period must be in excess of 9% per year. Between 9% and 10% the number of exercisable options is calculated on a straight line basis between 0% and 100%.

Options were not granted at a discount to the market value. Performance criteria for earlier share option grants are summarised on page 50.

There is no re-testing of the performance condition if not met after three years.

(B) AWARDS VESTED IN 2008

Share Options

For the most senior executives, for the grants made in 2005, EPS needed to exceed inflation by at least 9% over a 3 year period to allow 25% of their options to be exercised, and for all options to be exercisable, EPS growth needed to exceed inflation by at least 21% over that period. Between 9% and 21%, the number of exercisable options was calculated on a straight line basis. EPS exceeded inflation by 9.22% and consequently 26.38% of options were exercisable.

There were 15 occasions during the year on which the Committee exercised its discretion for early leavers, to extend the exercise period to allow testing of performance conditions over the full 3 years. None of these early leavers were executive directors.

Share Matching Awards

For the awards made in 2005, EPS needed to exceed inflation by at least 12% over a three year period to allow any vesting of the Matching Awards. EPS exceeded inflation by 9.22% and consequently the Matching Awards lapsed.

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

(C) AWARDS MADE IN 2009

At the date of this report, no awards have been made in 2009 under any of the share incentive schemes.

Share Dilution

At 31 December 2008, shares under grant for executive share schemes over a 10 year period represented 3.62% of issued

share capital and shares under grant for all employee share schemes over the previous 10 years represented 8.86%. There were 5,395,538 (4.4% of issued share capital) unallocated shares and 289,142 allocated shares (0.2%) held in the employee trust.

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 guidelines were reviewed in December 2006 and again in early 2009. 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. 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. At 31 December 2008, each executive director had met the target shareholding level based on the average share holding during 2008 and the average price over the calendar years 2005 to 2008. The five year period over which the target level of shareholding is to be built up by the three executive directors expires in March 2010.

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 duty to mitigate loss. 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

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

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.

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
John Coleman	February 2011
Andrew Simon	February 2012
Tim Stevenson	September 2010

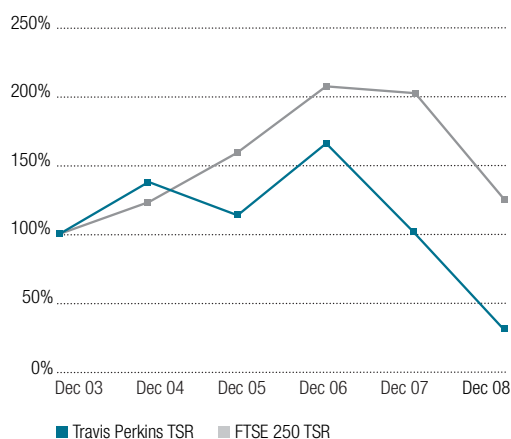
The letters of appointment will be available for inspection at the Annual General Meeting.

The remuneration of the non-executive directors is determined by the Board (in the case of the Chairman, on the recommendation of the Remuneration Committee). Each non-executive director receives an annual fee. In addition Chris Bunker and Andrew Simon receive an additional fee for, in the case of the former, the role of Senior Independent Director and for chairing the Audit Committee and, in the case of the latter, for chairing the Remuneration and Health & Safety Committees. Fees were reviewed at the end of 2008 and it was decided to make no increases in 2009. 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 below shows total shareholder return for Travis Perkins' shares over the last five years, relative to the FTSE 250 Index. Total shareholder return is defined as a combination of growth in the Company's share price and dividends paid to shareholders. The FTSE 250 Index has been chosen as a comparable broad equity market index because the Company has been a member of it for the five year period.

TOTAL SHAREHOLDER RETURN (TSR)



AUDITED INFORMATION

Travis Perkins' Share Price Information

	2008	2007
Mid-market price at the year end	340p	1,204p
Highest mid-market price during the year	1,191p	2,121p
Average mid-market price during the year	721p	1,783p
Lowest mid-market price during the year	223p	1,180p

Directors' Shareholdings

The Directors' holdings of ordinary 10p shares of Travis Perkins plc at 31 December 2008 and 2007 were as follows:

Director	Interest	2008 No.	2007 No.
Chris Bunker	Beneficial owner	7,000	7,000
John Carter	Beneficial owner	42,618	34,915
John Coleman	Beneficial owner	1,450	1,450
Geoff Cooper	Beneficial owner	57,996	43,531
Paul Hampden Smith	Beneficial owner	87,878	45,720
Andrew Simon	Beneficial owner	2,000	2,000
Tim Stevenson	Beneficial owner	12,400	12,400

Details of directors' share options and awards are given on pages 54 to 57. Between 31 December 2008 and the date of this report, the only change to the above Directors' shareholdings is to Paul Hampden Smith's whose shareholding had increased to 87,949 because of his monthly contribution to the Share Incentive Plan.

Amount of Directors' Emoluments

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

	Basic salary		Annual bonus		Benefits in kind		Total remuneration	
	2008	2007	2008	2007	2008	2007	2008	2007
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive								
Geoff Cooper ¹	748	714	-	542	29	100	777	1,356
Paul Hampden Smith ²	376	362	-	310	1	3	377	675
John Carter	362	350	-	310	30	29	392	689
Non-executive								
Tim Stevenson	180	180	-	-	-	-	180	180
Chris Bunker	46	46	-	-	-	-	46	46
Stephen Carter ³	1	38	-	-	-	-	1	38
John Coleman	38	38	-	-	-	-	38	38
Michael Dearden ⁴	42	46	-	-	-	-	42	46
Andrew Simon	46	46	-	-	-	-	46	46
	1,839	1,820	-	1,162	60	132	1,899	3,114

- 1 Highest paid director - Basic salary includes a salary supplement of £230,000 (2007: £214,091) which replaced continuing pension accrual from April 2006. This does not count when calculating annual bonus and granting share incentives. Geoff Cooper also received, and retained, in 2008, £82,000 (2007: £77,500) in respect of his non-executive chairmanship of Dunelm Group Plc.
- 2 Basic salary includes a £12,000 "cash for car" allowance and a £1,500 fuel allowance, which do not count when calculating annual bonus and granting share incentives. Paul Hampden Smith also received, and retained, in 2008, £37,500 (2007: £15,625) in respect of his non-executive directorship of The Polestar Company Ltd.
- 3 Resigned 8 January 2008.
- 4 Retired 11 November 2008.

Directors' Pension Entitlements

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

	John Carter	Paul Hampden Smith	Geoff Cooper
Age at 31 December 2008	47	48	54
	£'000	£'000	£'000
Accrued pension at 31 December 2007	243	51	4
Accrued pension at 31 December 2008	253	61	5
Increase in accrued pension in 2008	10	10	1
Real increase in accrued pension in 2008	(2)	8	-
Transfer value of the real increase in accrued pension net of member's contributions	(68)	73	(1)
Value of increase in accrued benefit	(40)	101	(1)
Member's contributions towards pension	28	28	-
Increase in transfer value net of member's contributions	533	182	11
Transfer value of benefits accrued at 31 December 2007	3,025	620	78
Transfer value of benefits accrued at 31 December 2008	3,586	830	89

Notes:

Geoff Cooper ceased future accrual on 5 April 2006, but benefits up to that date retain a link to current salary (subject to the Earnings Cap, which applied up to April 2006).

Salary Sacrifice was introduced for member contributions in April 2006. The figures above include the sacrificed amounts.

Share Matching Scheme

The following shares (1 April 2005 award price 1,675p, 2 April 2007 award price 2,012p, 1 April 2008 purchase price 1,066p) remain outstanding at 31 December 2008:

	Deferred Shares No.	Deferred Matching Shares No.	Investment Matching Shares No.
At 1 January 2008	37,417	37,417	92,773
Granted during the year	-	-	278,176
Lapsed during the year	(579)	(12,576)	(36,632)
Vested during the year	(12,668)	-	-
At 31 December 2008	24,170	24,841	334,317

Participation by directors in the Share Matching Scheme is as follows:

	Geoff Cooper		Paul Hampden Smith		John Carter	
	2008 No.	2007 No.	2008 No.	2007 No.	2008 No.	2007 No.
Deferred shares	6,017	6,017	4,109	7,269	4,109	7,154
Deferred matching shares	6,017	6,017	4,109	7,269	4,109	7,154
Investment matching shares	60,852	12,636	44,069	16,065	23,950	13,961
At 31 December	72,886	24,670	52,287	30,603	32,168	28,269

The performance criteria for the vesting of the share matching shares granted in 2008 are disclosed on page 50. For share matching shares granted in 2007, EPS needs to exceed inflation by at least 4% a year over a three year period to allow any vesting of the Matching Awards. Vesting is at 33 1/3% if EPS exceeds inflation by 4%, a year pro rata between 100% & 33 1/3% if EPS exceeds inflation by between 8% and 4%, and 100% if EPS exceeds inflation by 8%.

Performance Share Plan

The following shares (5 March 2008 award price 1,079p) remain outstanding at 31 December 2008:

	Shares No.
At 1 January 2008	-
Granted during the year	364,362
Lapsed during the year	(9,175)
At 31 December 2008	355,187

Participation by directors in the Performance Share Plan is as follows:

	Geoff Cooper		Paul Hampden Smith		John Carter	
	2008 No.	2007 No.	2008 No.	2007 No.	2008 No.	2007 No.
At 31 December	57,553	-	33,572	-	33,572	-

The performance criteria for the vesting of the Performance Share Plan shares awarded in 2008 are disclosed on page 50.

Deferred Share Bonus Plan

The following shares (5 March 2008 award price 1,267p) remain outstanding at 31 December 2008:

	Shares No.
At 1 January 2008	-
Granted during the year	53,222
Lapsed during the year	(131)
Vested during the year	(1,623)
At 31 December 2008	51,468

Participation by directors in the Deferred Share Bonus Plan is as follows:

	Geoff Cooper		Paul Hampden Smith		John Carter	
	2008	2007	2008	2007	2008	2007
	No.	No.	No.	No.	No.	No.
At 31 December	10,692	-	6,104	-	6,104	-

Share Options

The following options over ordinary shares have been granted under the 1995 and the 2001 Executive Share Option Schemes and the 2002 Travis Perkins' Sharesave Scheme and remained outstanding at 31 December 2008:

EXECUTIVE SHARE OPTIONS

Outstanding at 1 January 2008	Granted during year	Lapsed during year	Exercised during year	Outstanding 31 December 2008	Exercise price	Exercise period
No.	No.	No.	No.	No.		
32,751	-	-	(32,751)	-	571.5p	
12,260	-	-	-	12,260	602.5p	Anytime until 7/9/10
164,891	-	(18,000)	(8,320)	138,571	756.0p	Anytime until 3/7/11
118,521	-	-	-	118,521	1,071.5p	Anytime until 9/4/12
137,157	-	-	-	137,157	1,067.5p	Anytime until 10/4/13
206,575	-	(1,666)	-	204,909	1,311.0p	Anytime until 15/3/14
1,666	-	-	-	1,666	1,447.0p	Anytime until 29/10/14
503,839	-	(165,265)	-	338,574	1,675.0p	Anytime until 31/3/15
211,559	-	(115,289)	-	96,270	1,435.0p	Anytime until 29/9/15
795,624	-	(94,152)	-	701,472	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
863,776	-	(62,947)	-	800,829	1,970.0p	From 22/3/10 until 21/3/17
7,237	-	-	-	7,237	1,589.0p	From 4/10/10 until 3/10/17
-	623,682	(35,664)	-	588,018	1,078.0p	From 7/3/11 until 6/3/18
-	914,688	-	-	914,688	255.0p	From 19/11/11 until 18/11/18
3,081,954	1,538,370	(492,983)	(41,071)	4,086,270		

The performance criteria for the exercise of executive share options granted in 2008 under the 2001 Executive Share Option Scheme are set out on pages 50 and 51. 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 in the table on the next page.

Year	Options vesting at RPI + 9%	EPS growth for 100% vesting
2001 - 2004	50%	RPI + 15%
2005	25%	RPI + 21%
2006 - 2007	25%	RPI + 15%

SHARESAVE OPTIONS

Outstanding at 1 January 2008 No.	Granted during year No.	Lapsed during year No.	Exercised during year No.	Outstanding 31 December 2008 No.	Exercise price	Exercise period
26,916	-	(2,283)	(24,633)	-	847.5p	
127,675	-	(36,134)	-	91,541	1,079.0p	Anytime until 31/5/09
34,548	-	(24,141)	(10,407)	-	1,156.0p	
126,009	-	(83,990)	-	42,019	1,156.0p	From 1/12/09 until 31/5/10
363,891	-	(141,030)	(546)	222,315	1,159.0p	Anytime until 31/5/09
232,769	-	(181,145)	(177)	51,447	1,159.0p	From 1/12/10 until 31/5/11
325,928	-	(239,932)	(29)	85,967	1,254.0p	From 1/12/09 until 31/5/10
153,933	-	(109,168)	-	44,765	1,254.0p	From 1/12/11 until 31/5/12
486,362	-	(388,892)	(15)	97,455	1,414.0p	From 1/12/10 until 31/5/11
191,497	-	(149,764)	-	41,733	1,414.0p	From 1/12/12 until 31/5/13
-	2,392,832	(114,605)	-	2,278,227	562.0p	From 1/12/11 until 31/5/12
-	1,461,394	(43,945)	-	1,417,449	562.0p	From 1/12/13 until 31/5/14
2,069,528	3,854,226	(1,515,029)	(35,807)	4,372,918		

At 31 December 2008, in addition to the directors, (see next page) there were 260 employees (2007: 192) who had holdings of executive share options and 4,613 employees (2007: 5,040) who were participating in the Sharesave Scheme.

The Company also provides a Share Incentive Plan: the Travis Perkins Buy-As-You-Earn Plan (BAYE). All employees with at least three months service may purchase partnership shares. As at 31 December 2008 there were 735 participants (2007: 494) who had purchased shares.

DIRECTORS' SHARE OPTIONS included within the previous tables

	Outstanding at 1 January 2008 No.	Granted during year No.	Exercised during year No.	Lapsed during year No.	Outstanding 31 December 2008 No.	Exercise price	Exercise period
John	29,398	-	-	-	29,398	1,071.5p	Anytime until 9/4/12
Carter	32,786	-	-	-	32,786	1,067.5p	Anytime until 10/4/13
	17,387	-	-	-	17,387	1,311.0p	Anytime until 15/3/14
	31,343	-	-	(23,076)	8,267	1,675.0p	Anytime until 31/3/15
	34,217	-	-	-	34,217	1,611.0p	From 19/4/09 until 18/4/16
	745	-	-	(745)	-	1,254.0p	
	31,091	-	-	-	31,091	1,970.0p	From 22/3/10 until 21/3/17
	-	2,895	-	-	2,895	562.0p	From 01/12/13 until 31/5/14*
Geoff	53,731	-	-	(39,558)	14,173	1,675.0p	Anytime until 31/3/15
Cooper	57,262	-	-	-	57,262	1,611.0p	From 19/4/09 until 18/4/16
	1,389	-	-	(1,389)	-	1,159.0p	
	50,761	-	-	-	50,761	1,970.0p	From 22/3/10 until 21/3/17
	-	2,895	-	-	2,895	562.0p	From 01/12/13 until 31/5/14*
Paul	30,000	-	(30,000)	-	-	571.5p	
Hampden	39,351	-	-	-	39,351	756.0p	Anytime until 3/7/11
Smith	31,031	-	-	-	31,031	1,071.5p	Anytime until 9/4/12
	40,983	-	-	-	40,983	1,067.5p	Anytime until 10/4/13
	18,750	-	-	-	18,750	1,311.0p	Anytime until 15/3/14
	31,343	-	-	(23,075)	8,268	1,675.0p	Anytime until 31/3/15
	819	-	-	(819)	-	1,156.0p	
	34,217	-	-	-	34,217	1,611.0p	From 19/4/09 until 18/4/16
	31,091	-	-	-	31,091	1,970.0p	From 22/3/10 until 21/3/17
	1,158	-	-	(1,158)	-	1,414.0p	
	-	2,895	-	-	2,895	562.0p	From 01/12/13 until 31/5/14*
	598,853	8,685	(30,000)	(89,820)	487,718		

* Sharesave options

30,000 of directors share options were exercised on 17 April 2008.

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:

Andrew Simon

Chairman, Remuneration Committee

18 February 2009

NOMINATIONS COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

The principal role of the Nominations Committee is to identify and nominate for Board approval, candidates to fill board vacancies as and when they arise. It is required to prepare a description of the role, and capabilities required, for any appointment, and to maintain contact with major shareholders about appointments to the Board. It also 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. The terms of reference of the Committee are available on the Company's website or from the Company Secretary.

During the year, the Committee members were Tim Stevenson (Chairman), together with Chris Bunker, Michael Dearden (until his retirement in November) and John Coleman (from November) each of whom are independent non-executive directors.

The Committee did not deal with the appointment of any new directors or senior executives during the year. However it met in January 2008 to carry out a general view of succession planning for executive directors and other senior executive posts.

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



Tim Stevenson
Chairman, Nominations Committee
18 February 2009

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors present their annual report and audited accounts for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

Travis Perkins is one of the largest builders merchants and home improvement retailers in the UK. The principal activities of the Group are the sale of timber, building materials, and plumbing and heating products, and the hiring of tools, to the building trade, industry generally and, (since the acquisition in 2005 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 8 and 9, the Chief Executive's review of the year on pages 10 to 21, the Chief Operating Officer's review of the year on pages 22 to 31 and the Finance Director's review of the year on pages 32 to 38. A review of the Group's environmental performance is contained in the Chief Executive's review of the year on pages 17 to 20.

RESULTS AND DIVIDENDS

The Group results and dividend for the year ended 31 December 2008 are set out on page 66. The Board is not recommending the payment of a final dividend for 2008.

BALANCE SHEET AND POST BALANCE SHEET EVENTS

The balance sheet on pages 68 and 69 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 review of the year on pages 34 to 38.

DIRECTORS AND THEIR INTERESTS

The names of the Directors at 31 December 2008, together with their biographical details, are set out on pages 40 and 41. All of

those Directors held office throughout the year. Stephen Carter and Michael Dearden served as non-executive directors during the year until 8 January and 11 November 2008 respectively. It is intended to appoint a further non-executive director in the near future. In accordance with the Company's Articles of Association, John Carter, Andrew Simon and Tim Stevenson 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, Tim Stevenson and Andrew Simon do not have service contracts. In the light of the evaluation of their performances as a result of the process described on page 43, Tim Stevenson, Chairman, confirms on behalf of the Board that Andrew Simon continues to be effective in, and committed to, his role as a non-executive director, including his chairmanship of the Remuneration and Health & Safety Committees, and Chris Bunker, the senior independent director, confirms on behalf of the board that Tim Stevenson continues to be effective in, and committed to, his role as Chairman.

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 146 of the Company's Articles of Association, the Directors have the benefit of an indemnity, to the extent permitted by the Companies Act 1985 and Companies Act 2006 against liabilities incurred by them in the execution of their duties and exercise of their powers. This indemnity is currently in force. In addition, if proceedings against Directors are instituted subsequent to any person acquiring control of the Company, the Company has agreed with each of the Directors that pursuant to article 146(D) of the Company's Articles of Association, the Company shall provide a Director with funds (subject to certain restrictions) to meet expenditure incurred by that director in defending any criminal or civil proceedings.

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

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

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

The disclosable interests of Directors at 31 December 2008,

including holdings, if any, of wives and of children aged under 18, were as detailed in the Directors' Remuneration Report on pages 52, 54 to 55 and 57.

SUBSTANTIAL SHAREHOLDINGS

As at 18 February 2009, the Company had received notification under the Disclosure and Transparency Rules that the holdings and voting rights exceeding the 3% notification threshold were as follows:

	Number	%
AVIVA Investors Global Solutions	8,467,391	6.90
C.M.Travis*	7,293,138	5.94
Standard Life Investment Management	6,736,596	5.49
E.R.A.Travis*	6,719,959	5.48
Investec Asset Management	6,091,184	4.96
Sprucegrove Investment Management	5,377,933	4.38
Legal & General	4,893,942	3.99
Dimensional Fund Advisors Inc	4,060,811	3.31

*C. M. Travis and E. R. A. Travis have each disclosed their voting rights over the same 3,835,446 ordinary shares in aggregate, by virtue of each of them being a trustee of the same Travis family trusts which held ordinary shares.

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 of the year on pages 22 to 25 and in the Chief Executive's review of the year on page 20, respectively.

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

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

The Group's policies and practices have been 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. All employees with more than three months' service are eligible to participate in the Company's Sharesave and Buy as You Earn plans. Details are provided in the

Director's Remuneration Report.

POLITICAL DONATIONS

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

SUPPLIER PAYMENT POLICY

The Group's policy is to pay all of its suppliers in accordance with established terms. Group trade creditors at 31 December 2008 represented 47 days (31 December 2007: 48 days) of average purchases of goods and services. The Company trade creditors at 31 December 2008 represented 30 days (2007: 30 days).

AUDITORS

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

STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

SHARE CAPITAL AND CHANGE OF CONTROL

As at 31 December 2008 the Company had an authorised share capital of 135,000,000 ordinary shares of 10 pence each, with an aggregate nominal value of £13,500,000 and an allotted and fully paid share capital of 122,719,114 ordinary shares of 10 pence each, with an aggregate nominal value of £12,271,911 (including shares owned by the employee share ownership trust). The ordinary shares are listed on the London Stock Exchange. All the shares rank *pari passu*. The rights and obligations attaching to the Company's shares are set out in the Company's Articles of Association (a copy of which 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). Fully paid shares in the Company are freely transferable. There are no persons that hold securities carrying special rights with regard to the control of the Company. Details of the structure of the Company's share capital and changes in

the share capital during the year are also included in note 21 to the financial statements.

The Travis Perkins Employee Share Ownership Trust owns 5,684,680 shares in the Company (4.63%) for use in connection with the Company's share schemes. Any voting or other similar decisions relating to those shares would be taken by the trustees, who may take account of any recommendation of the Company.

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

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

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

There are no agreements providing for compensation for Directors or employees on change of control. As set out in the Directors Remuneration Report on page 51, service contracts for executive directors do not specify any particular level of compensation in the event of termination following change of control of the Company. As noted above, the Company has agreed with each of the Directors that it shall provide a Director with funds (subject to certain restrictions) to meet expenditure incurred in defending any criminal or civil proceedings if such proceedings are instituted subsequent to any person acquiring control of the Company.

ANNUAL GENERAL MEETING 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 Thursday 21 May 2009 at 11.45 a.m. A buffet lunch will be available. 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 7:

DIRECTORS' REMUNERATION REPORT

In accordance with the Directors' Remuneration Report Regulations 2002, this resolution seeks shareholders' approval of the Directors' Remuneration Report as set out on pages 49 to 57.

Resolution 8:

INCREASE IN AUTHORISED SHARE CAPITAL

This resolution proposes that the authorised share capital of the Company be increased from £13.5 million to £22 million,

representing a percentage increase of approximately 63%. This increase is being sought in order to give the Company sufficient authorised share capital to take full advantage of the ability to allot ordinary shares under the authorities proposed in resolution 9.

Resolution 9:

AUTHORITY TO ALLOT SHARES

Paragraph (a) of this resolution would give the Directors the authority to allot ordinary shares up to an aggregate nominal amount equal to £4,090,637 (representing 40,906,371 ordinary shares of 10 pence each). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 18 February 2009, the latest practicable date prior to publication of this Notice.

In line with recent guidance issued by the Association of British Insurers (the "ABI"), paragraph (b) of this resolution would give the Directors authority to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £8,181,274 (representing 81,812,742 ordinary shares of 10p each), as reduced by the nominal amount of any shares issued under paragraph (a) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 18 February 2009, the latest practicable date prior to publication of this Notice. If this authority is exercised, the Directors intend to follow ABI guidance issued from time to time (including as to the re-election of directors).

The authorities sought under paragraphs (a) and (b) of this resolution will expire at the earlier of 30 June 2010 (the last date by which the Company must hold an annual general meeting in 2010) and the conclusion of the annual general meeting of the Company held in 2010.

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

Resolution 10:

LIMITED AUTHORITY TO ALLOT SHARES FOR CASH

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

Except as provided in the next paragraph, this authority would be limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £613,596 (representing 6,135,956 ordinary shares). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 18 February 2009, the latest practicable date prior to publication of this Notice. In respect of this aggregate nominal amount, the Directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 7.5% should not take place without prior consultation with shareholders.

Allotments made under the authorisation in paragraph (b) of resolution 10 would be limited to allotments by way of a rights issue only (subject to the right of the board to impose necessary or appropriate limitations to deal with, for example, fractional entitlements and regulatory matters).

The authority will expire at the earlier of 30 June 2010 (the last date by which the Company must hold an annual general meeting in 2010) and the conclusion of the annual general meeting of the Company held in 2010. Any issue of shares for cash will, however, still be subject to the requirements of the UK Listing Authority.

Resolution 11:

CHANGE TO NOTICE PERIOD OF GENERAL MEETINGS

The Shareholder Rights Directive is intended to be implemented in the United Kingdom in August this year. One of the requirements of the Directive is that all general meetings must be held on 21 days' notice unless shareholders have agreed to a shorter period. We are currently able to call general meetings (other than annual general meetings) on 14 days' notice. We are proposing this resolution so that we can continue to do so after the Directive is implemented.

Resolution 12:

AUTHORITY TO PURCHASE OWN SHARES

The authority for the Company to purchase its own shares of 10 pence each granted at last year's Annual General Meeting will expire on the date of the forthcoming Annual General Meeting. The Directors wish to renew this authority and a special resolution, which is set out in full in the Notice of Annual General Meeting on page 113, 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 12,271,911 (representing 10% of the issued ordinary share capital of the Company as at 18 February 2009) and sets

minimum and maximum prices. This authority will expire no later than 30 June 2010.

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 18 February 2009, there were options over 9,249,171 ordinary shares in the capital of the Company, (including 24,170, Deferred Shares, 24,841 Deferred Matching Shares, 334,317 Investment Matching Shares, 51,468 Deferred Bonus Share Plan shares and 355,187 Performance Share Plan shares - these are described in the Remuneration Report on pages 54 to 57), which represent 7.54% of the Company's issued ordinary share capital (excluding any treasury shares). If the authority to purchase the Company's ordinary shares were exercised in full, these options would represent 8.37% of the Company's issued ordinary share capital (excluding any treasury shares). As at 18 February 2009, the Company did not hold any treasury shares in the Company and no warrants over ordinary shares in the capital of the Company existed.

By order of the Board

Andrew Pike

Company Secretary

18 February 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2008

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAVIS PERKINS PLC

FOR THE YEAR ENDED 31 DECEMBER 2008

We have audited the Group and Parent Company financial statements (the "financial statements") of Travis Perkins plc for the year ended 31 December 2008 which comprise the Group and Parent Company Income Statements, the Group and Parent Company Balance Sheets, the Group and Parent 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 of the year and the Finance Director's review of the year 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 2006 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 2008 and of the Group's and the Parent Company's results 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 2008 and of its profit for the year then ended.

Deloitte LLP

Chartered Accountants and Registered Auditors

Birmingham, United Kingdom

18 February 2009

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

THE GROUP							
		2008	2008	2008	2007	2007	2007
		£m	£m	£m	£m	£m	£m
	Notes	Pre-exceptional items	Exceptional items (Note 5)	Total	Pre-exceptional items	Exceptional items (Note 11)	Total
Revenue	4	3,178.6	-	3,178.6	3,186.7	-	3,186.7
Operating profit	5	271.5	(56.2)	215.3	319.9	-	319.9
Finance income	10	7.7	-	7.7	3.7	-	3.7
Finance costs	10	(76.7)	-	(76.7)	(62.2)	-	(62.2)
Profit/(loss) before tax		202.5	(56.2)	146.3	261.4	-	261.4
Tax	11	(58.6)	14.2	(44.4)	(80.3)	4.2	(76.1)
Profit/(loss) for the year		143.9	(42.0)	101.9	181.1	4.2	185.3
Earnings per ordinary share							
	12						
Basic				87.1p			153.3p
Diluted				86.1p			151.9p
Total dividend declared per ordinary share							
	13			14.5p			44.9p

THE COMPANY			
	Notes	2008	2007
		£m	£m
Revenue	4	55.0	125.3
Operating profit	5	36.0	115.5
Finance income	10	2.8	0.4
Finance costs	10	(71.8)	(58.0)
(Loss)/profit before tax		(33.0)	57.9
Tax	11	20.4	18.1
(Loss)/profit for the year		(12.6)	76.0

All results relate to continuing operations.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2008

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	£m	£m	£m	£m
Actuarial (losses) and gains on defined benefit pension scheme	(70.3)	51.9	-	-
(Losses)/gains on cash flow hedges	(17.1)	0.4	(17.1)	0.4
Tax on items taken to equity	19.6	(15.7)	-	(0.1)
Net (expense)/income recognised directly in equity	(67.8)	36.6	(17.1)	0.3
Transferred to income statement on cash flow hedges	(3.6)	(1.4)	(3.6)	(1.4)
Tax on items transferred from equity	-	0.4	-	-
Profit/(loss) for the year	101.9	185.3	(12.6)	76.0
Total recognised income and expense for the year	30.5	220.9	(33.3)	74.9

BALANCE SHEETS

AS AT 31 DECEMBER 2008

	Notes	THE GROUP		THE COMPANY	
		2008 £m	2007 £m	2008 £m	2007 £m
ASSETS					
Non-current assets					
Property, plant and equipment	16	534.5	505.0	0.2	0.2
Goodwill	14	1,351.4	1,329.7	-	-
Other intangible assets	15	162.5	162.5	-	-
Derivative financial instruments	25	80.3	3.0	80.3	3.0
Interest in associate	18	19.6	-	21.0	-
Investment property	17	3.4	3.5	-	-
Available-for-sale investments	18	2.0	2.0	-	-
Investment in subsidiaries	18	-	-	1,801.4	1,668.4
Deferred tax asset	27	19.5	4.5	0.7	1.0
Total non-current assets		2,173.2	2,010.2	1,903.6	1,672.6
Current assets					
Inventories		321.9	330.2	-	-
Trade and other receivables	19	386.2	421.9	56.8	115.8
Derivative financial instruments	25	2.4	0.7	2.4	0.7
Cash and cash equivalents	20	7.7	26.3	-	46.3
Total current assets		718.2	779.1	59.2	162.8
Total assets		2,891.4	2,789.3	1,962.8	1,835.4

BALANCE SHEETS

CONTINUED

AS AT 31 DECEMBER 2008

	Notes	THE GROUP		THE COMPANY	
		2008 £m	2007 £m	2008 £m	2007 £m
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	21	12.3	12.3	12.3	12.3
Share premium account	23	179.5	178.9	178.4	177.8
Other reserve	23	23.8	24.2	-	-
Hedging reserve	23	(17.8)	2.9	(17.8)	2.9
Own shares	23	(83.7)	(83.9)	(83.7)	(83.9)
Accumulated profits	23	904.1	902.5	87.2	152.6
Total equity		1,018.2	1,036.9	176.4	261.7
Non-current liabilities					
Interest bearing loans and borrowings	24	1,007.3	863.9	983.9	835.5
Derivative financial instruments	25	25.8	29.8	25.9	29.8
Retirement benefit obligation	8	69.9	16.0	-	-
Long-term provisions	26	47.8	13.7	-	-
Amounts due to subsidiaries		-	-	653.6	593.9
Deferred tax liabilities	27	74.7	75.3	-	-
Total non-current liabilities		1,225.5	998.7	1,663.4	1,459.2
Current liabilities					
Interest bearing loans and borrowings	24	13.9	88.0	103.8	86.4
Unsecured loan notes	24	3.9	15.4	3.9	15.4
Trade and other payables	28	582.2	585.0	15.3	12.7
Tax liabilities		9.1	32.3	-	-
Short-term provisions	26	38.6	33.0	-	-
Total current liabilities		647.7	753.7	123.0	114.5
Total liabilities		1,873.2	1,752.4	1,786.4	1,573.7
Total equity and liabilities		2,891.4	2,789.3	1,962.8	1,835.4

The financial statements were approved by the Board of Directors on 18 February 2009 and signed on its behalf by:

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Operating profit	271.5	319.9	36.0	115.5
Adjustments for:				
Depreciation and impairment of property, plant and equipment	63.0	56.3	0.1	0.1
Other non cash movements	4.6	3.7	0.5	0.6
Losses of associate	1.4	-	-	-
Write down of value of investments	-	-	8.3	-
Gain on disposal of property, plant and equipment and investment	(6.0)	(7.6)	-	(0.5)
Operating cash flows before movements in working capital	334.5	372.3	44.9	115.7
Decrease/(increase) in inventories	13.3	(30.1)	-	-
Decrease/(increase) in receivables	32.3	(39.8)	79.1	27.4
(Decrease)/increase in payables	(22.5)	11.1	60.5	43.1
Cash payments on exceptional items	(8.5)	-	-	-
Cash payments to the pension scheme in excess of the charge to profits	(11.5)	(9.6)	-	-
Cash generated from operations	337.6	303.9	184.5	186.2
Interest paid	(63.0)	(72.7)	(61.0)	(69.4)
Income taxes paid	(66.0)	(74.5)	-	-
Net cash from operating activities	208.6	156.7	123.5	116.8
Cash flows from investing activities				
Interest received	0.3	0.2	0.2	-
Acquisition of shares in unit trust and subsidiaries	(0.3)	-	(141.3)	(41.7)
Proceeds on disposal of property, plant and equipment and investment	14.9	4.8	-	0.5
Purchases of property, plant and equipment	(97.3)	(123.7)	-	-
Interest in associate	(20.7)	-	(20.7)	-
Acquisition of businesses net of cash acquired (note 29)	(22.5)	(47.2)	-	-
Net cash used in investing activities	(125.6)	(165.9)	(161.8)	(41.2)
Financing activities				
Proceeds from the issue of share capital	0.6	6.8	0.6	6.8
Bank facility finance charges	(14.7)	-	(14.7)	-
Purchase of own shares	-	(76.0)	-	(76.0)
Payment of finance lease liabilities	(2.1)	(1.9)	-	-
Repayment of unsecured loan notes	(11.5)	(0.2)	(11.5)	(0.2)
(Decrease)/increase in bank loans	(33.7)	98.6	(33.7)	75.2
Dividends paid	(52.5)	(48.1)	(52.5)	(48.1)
Net cash from financing activities	(113.9)	(20.8)	(111.8)	(42.3)
Net decrease in cash and cash equivalents	(30.9)	(30.0)	(150.1)	33.3
Cash and cash equivalents at beginning of year	26.3	56.3	46.3	13.0
Cash and cash equivalents at end of year	(4.6)	26.3	(103.8)	46.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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 117. The nature of the Group's operations and its principal activities are set out in the Chief Executive's review of the year, the Chief Operating Officer's review of the year and the Finance Director's review of the year on pages 10 to 38.

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

Basis of accounting

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

Basis of preparation

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

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 2 (Amended) - Share Based Payment
- IFRS 3 (Revised) - Business Combinations
- IAS 1 - Presentation of Financial Statements
- IAS 27 (Revised) - Consolidated and Separate Financial Statements
- IFRS 8 - Operating Segments

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

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

The Directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully despite the current uncertain economic outlook and challenging macro economic conditions. Whilst a covenant breach is not currently envisaged, the Directors have considered mitigating actions available to them should a covenant breach become a possibility.

A detailed consideration of going concern, risks and uncertainties is provided on pages 34 to 38 in the Finance Director's review of the year.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

Exceptional Items

Exceptional items are those items of income and expenditure that by reference to the Group are material in size and unusual in nature or incidence, that in the judgement of the Directors, should be disclosed separately on the face of the financial statements (or in the notes in

the case of a segment) to ensure both that the reader has a proper understanding of the Group's financial performance and that there is comparability of financial performance between periods.

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

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
- Freehold land is not depreciated

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

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

Leases

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

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

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

Impairment of tangible and intangible assets excluding goodwill

The carrying amounts of the Group's tangible and intangible assets 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 average weighted cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price less the estimated costs of disposal.

Financial instruments

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

Trade receivables

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

Impairment of financial assets

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

Cash and cash equivalents

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

Bank and other borrowings

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

Trade payables

Trade payables are measured at amortised cost.

Foreign currencies

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

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

Financial assets and financial liabilities

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

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

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

Financial assets and financial liabilities at FVTPL

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

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

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

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

Loans and receivables

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

Other financial liabilities

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

Derecognition of financial assets and financial liabilities

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

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

Taxation

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

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

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

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

Pensions and other post-employment benefits

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

Provisions

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

Equity instruments and own shares

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

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

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

Dividends

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

3. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

Inventory valuation

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

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

Debtor recoverability

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

Provisions for returns and warranty claims

The products sold by the Group are covered by warranties given to it by the suppliers from whom the goods are bought. Should any of those suppliers cease to trade then any liabilities for product warranties would rest with the Group. In such circumstances the Directors would have to estimate the value of any provision required to meet the obligations of the Group. At the balance sheet date the Directors have estimated that there is no need for any material warranty and product guarantee provisions to be made. While the Directors believe that the Group's warranty provisions are adequate and that the judgements applied are appropriate, the ultimate cost of product warranty could differ materially from the estimates.

Income taxes

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

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

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

Goodwill

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

Pension liabilities

The Group has chosen to adopt assumptions that Directors believe are in line with the median. 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.

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

Insurance provisions

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

4. REVENUE

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Sale of goods	3,178.6	3,186.7	-	-
Management charges	-	-	7.3	7.0
Dividends from subsidiaries	-	-	47.7	118.3
	3,178.6	3,186.7	55.0	125.3
Other operating income	11.2	11.4	-	-
Finance income	7.7	3.7	2.8	0.4
	3,197.5	3,201.8	57.8	125.7

5. PROFIT

(a) Operating profit

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Revenue	3,178.6	3,186.7	55.0	125.3
Cost of sales	(2,080.3)	(2,087.3)	-	-
Gross profit	1,098.3	1,099.4	55.0	125.3
Selling and distribution costs	(728.1)	(649.1)	-	-
Administrative expenses	(164.7)	(141.8)	(19.0)	(9.8)
Other operating income	11.2	11.4	-	-
Share of results of associate	(1.4)	-	-	-
Operating profit	215.3	319.9	36.0	115.5
Exceptional items	56.2	-	-	-
Adjusted operating profit	271.5	319.9	36.0	115.5

As a result of the economic downturn the Group has taken steps to reduce its overhead base by challenging all areas of expenditure. A combination of reducing headcount, virtually stopping business expansion, eliminating marginal activities and challenging suppliers to be more cost effective has been successful, but it has resulted in the Group incurring some significant one off charges. In addition, the slowdown in the property market means that there is considerably less opportunity to sublet the Group's empty trading properties, a situation which may exist for many years. Accordingly it is likely that the Group will have to pay significant property running costs in respect of these properties for longer than previously anticipated.

Therefore, to enable readers of the financial statements to obtain a clear understanding of underlying trading, the Directors have shown separately the exceptional level of spend in the Group income statement. The total charge of £56.2m includes a cost of redundancy and re-organisation (£10.5m), onerous property lease provisions (£39.5m) and asset write offs (£6.2m). £40.4m and £15.8m were included in selling and distribution costs and administrative expenses respectively.

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

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Provisions against inventories	6.0	(0.5)	-	-
Cost of inventories recognised as an expense	2,074.3	2,087.8	-	-
Pension costs in administration expenses	4.2	3.1	1.1	0.3
Pension costs in selling and distribution costs	7.7	10.2	-	-
Depreciation of property, plant and equipment	63.0	56.3	-	-
Staff costs (see note 7)	376.4	364.0	4.9	7.4
Gain on disposal of property, plant and equipment	(6.0)	(7.6)	-	-
Fair value movement on derivatives	(108.2)	(2.3)	(108.2)	(2.3)
Fair value movements on loans	108.2	2.3	108.2	2.3
Rental income	(5.8)	(4.6)	-	-
Hire of vehicles, plant and machinery	14.7	16.2	-	-
Other leasing charges – property	125.7	111.3	-	-
Auditor's remuneration for audit services	0.4	0.3	0.1	0.1

5. PROFIT (continued)

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

	THE GROUP	
	2008 £000	2007 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	139	104
Fees paid the Company's auditors for other services:		
The audit of the Company's subsidiaries pursuant to legislation	245	225
Other services pursuant to legislation	12	30
Other services relating to taxation – compliance	5	30
– advisory	386	95
Corporate finance transactions	153	-
Other services	10	-
	950	484

Other services pursuant to legislation includes £9,000 (2007: £9,000) which was paid to the auditors by the Travis Perkins Pension and Dependents Benefit Scheme.

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

(b) Adjusted profit before and after tax

	THE GROUP	
	2008 £m	2007 £m
Profit before tax	146.3	261.4
Exceptional items	56.2	-
Adjusted profit before tax	202.5	261.4

	THE GROUP	
	2008 £m	2007 £m
Profit after tax	101.9	185.3
Exceptional items	56.2	-
Tax effect of exceptional items	(14.2)	-
Exceptional deferred tax credit	-	(4.2)
Adjusted profit after tax	143.9	181.1

(c) Adjusted operating margin

	Builders Merchandising		Retail		Group	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Revenue	2,237.9	2,254.2	940.7	932.5	3,178.6	3,186.7
Operating profit	206.5	257.7	10.2	62.2	216.7	319.9
Share of associate losses	-	-	-	-	(1.4)	-
Exceptional items	18.3	-	37.9	-	56.2	-
Adjusted segment result	224.8	257.7	48.1	62.2	271.5	319.9
Adjusted operating margin	10.05%	11.43%	5.11%	6.67%	8.54%	10.04%

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into two operating divisions – Builders Merchants and Retailing, both of which operate entirely in the United Kingdom. These divisions are the basis on which the Group reports its primary segment information. As the Group's operations are entirely UK based, the Group does not present any secondary 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 corporate items comprise mainly interest bearing loans and borrowings. There are no inter-segment sales.

	2008		
	Builders merchants £m	Retail £m	Consolidated £m
Revenue	2,237.9	940.7	3,178.6
Result			
Segment result	206.5	10.2	216.7
Share of associate losses			(1.4)
Net finance costs			(69.0)
Profit before taxation			146.3
Taxation			(44.4)
Profit for the year			101.9
Segment assets	1,298.5	1,345.6	2,644.1
Unallocated corporate assets			247.3
Consolidated total assets			2,891.4
Segment liabilities	(546.8)	(185.9)	(732.7)
Unallocated corporate liabilities			(1,140.5)
Consolidated total liabilities			(1,873.2)
Consolidated net assets	751.7	1,159.7	
Capital expenditure	82.6	15.9	98.5
Depreciation	47.4	15.6	63.0

	2007		
	Builders merchants £m	Retail £m	Consolidated £m
Revenue	2,254.2	932.5	3,186.7
Result			
Segment result	257.7	62.2	319.9
Net finance costs			(58.5)
Profit before taxation			261.4
Taxation			(76.1)
Profit for the year			185.3
Segment assets	1,382.6	1,305.9	2,688.5
Unallocated corporate assets			100.8
Consolidated total assets			2,789.3
Segment liabilities	(435.7)	(242.0)	(677.7)
Unallocated corporate liabilities			(1,074.7)
Consolidated total liabilities			(1,752.4)
Consolidated net assets	946.9	1,063.9	
Capital expenditure	115.5	24.1	139.6
Depreciation	40.7	15.6	56.3

7. STAFF COSTS

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

	THE GROUP		THE COMPANY	
	2008 No.	2007 No.	2008 No.	2007 No.
Sales	12,264	11,572	-	-
Distribution	1,561	1,521	-	-
Administration	1,589	1,487	41	44
	15,414	14,580	41	44

(b) Aggregate remuneration

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Wages and salaries	329.8	319.6	3.6	5.8
Share based payment	4.6	3.7	0.5	0.6
Social security costs	30.1	27.3	0.4	0.5
Other pension costs (note 8)	11.9	13.4	0.4	0.5
	376.4	364.0	4.9	7.4

8. PENSION ARRANGEMENTS

Defined benefit scheme

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

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

A full actuarial valuation of the TP scheme was carried out on 30 September 2005. The IAS 19 valuation has been based upon the provisional results of the 30 September 2008 valuation, then updated to 31 December 2008 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.

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

	At 31 December 2008	At 31 December 2007
Rate of increase in pensionable salaries	4.0%	4.4%
Rate of increase of pensions in payment	2.3%	2.3%
Discount rate	6.2%	5.8%
Inflation assumption	3.0%	3.4%

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 2008:

	Male Years	Female Years
Member age 65 (current life expectancy)	21.5	24.5
Member age 45 (life expectancy on reaching age 65)	23.0	26.0

8. PENSION ARRANGEMENTS (continued)

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

	2008	2007
	£m	£m
Current and past service costs charged to operating profit in the income statement	8.9	11.4
Interest cost	31.8	29.8
Expected return on scheme assets	(36.6)	(33.1)
Total pension costs	4.1	8.1

The total charge to the profit and loss account disclosed in note 7 of £11.9m (2007: £13.4m) comprises defined benefit scheme current and past service costs of £8.9m (2007: £11.4m) and £3.0m (2007: £2m) of contributions made to the defined contribution scheme.

The directors have agreed with the Scheme Actuary and the Trustees to continue the present rate of contributions in 2009, pending a new schedule of contributions being agreed following completion of the 30 September 2008 valuation.

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.

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

	AT 31 DECEMBER 2008		AT 31 DECEMBER 2007	
	Expected return	Fair value £m	Expected return	Fair value £m
Equities	7.40%	243.6	7.55%	344.9
Bonds, gilts and cash	3.65% - 6.00%	132.6	4.30% - 5.60%	131.3
Property	5.65%	44.5	6.30%	57.7
Total fair value of assets		420.7		533.9
Actuarial value of liability		(490.6)		(549.9)
Deficit in scheme		(69.9)		(16.0)
Related deferred tax asset		19.5		4.5
Net pension liability		(50.4)		(11.5)

	2008		2007	
	£m	%	£m	%
The actual returns on scheme assets	(120.6)	(22.6)	19.6	3.9

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

	2008	2007
	£m	£m
At 1 January	(16.0)	(80.8)
Expense recognised in the income statement	(4.1)	(8.1)
Contributions received by the scheme	20.5	21.0
Actuarial (losses)/gains recognised in the statement of recognised income and expenditure	(70.3)	51.9
At 31 December	(69.9)	(16.0)

8. PENSION ARRANGEMENTS (continued)

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

	2008 £m	2007 £m
At 1 January	(549.9)	(581.3)
Service cost	(8.7)	(11.3)
Past service cost	(0.2)	(0.1)
Interest cost	(31.8)	(29.8)
Contributions from scheme members	(5.3)	(5.3)
Actuarial gains	86.9	65.4
Benefits paid	18.4	12.5
At 31 December	(490.6)	(549.9)

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

	2008 £m	2007 £m
At 1 January	533.9	500.5
Expected return of scheme assets	36.6	33.1
Actuarial losses	(157.2)	(13.5)
Contributions from sponsoring companies	20.5	21.0
Contributions from scheme members	5.3	5.3
Benefits paid	(18.4)	(12.5)
At 31 December	420.7	533.9

(g) Cumulative actuarial gains and losses recognised in equity

	2008 £m	2007 £m
At 1 January	(99.4)	(151.3)
Net actuarial (losses)/gains recognised in the year	(70.3)	51.9
At 31 December	(169.7)	(99.4)

(h) History of experience gains and losses

	2008	2007	2006	2005	2004
Fair value of scheme assets (£m)	420.7	533.9	500.5	431.6	253.4
Present value of scheme obligations (£m)	(490.6)	(549.9)	(581.3)	(574.4)	(381.7)
Deficit in the scheme (£m)	(69.9)	(16.0)	(80.8)	(142.8)	(128.3)

Experience adjustments on scheme liabilities

Amounts (£m)	13.4	-	-	9.0	0.1
Percentage of scheme liabilities (%)	2.7%	-	-	1.6%	-

Experience adjustments on scheme assets

Amounts (£m)	(157.2)	(13.5)	14.7	42.2	10.9
Percentage of scheme assets (%)	(37.4%)	(2.5%)	2.9%	9.8%	4.3%

8. PENSION ARRANGEMENTS (continued)

(i) Sensitivities

We have estimated the effects of changing the key assumptions (discount rate, inflation and life expectancy) on the IAS 19 balance sheet position as at 31 December 2008 and on projected amounts to be recognised in the income statement for 2009.

Assumption		Effect on 2008 balance sheet gross deficit	Effect on 2009 income statement
Discount rate	Increase of 1.0%	87.5	(4.2)
	Decrease of 1.0%	(109.9)	4.6
Inflation	Increase of 1.0%	(65.5)	6.4
	Decrease of 1.0%	56.2	(5.7)
Longevity	Increase of 1 year	(11.7)	1.0
	Decrease of 1 year	11.7	(1.1)

(j) Defined contribution scheme

There is one defined contribution scheme in the Group. The pension cost, which represents contributions payable by the Group, amounted to £3.0m (2007: £2.0m).

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 50 to 51 and 54 to 57.

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

The Black-Scholes option-pricing model is used to calculate the fair value of the options and the amount to be expensed. 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	
	2008	2007	2008	2007
Share price at grant date (pence) – Group	589	1,967	702	1,767
Option exercise price (pence) – Group	589	1,967	562	1,414
Share price at grant date (pence) – Company	589	1,967	702	1,767
Option exercise price (pence) – Company	589	1,967	562	1,414
Volatility (%) – Group and Company	21.3%	19.7%	21.4%	23.2%
Option life (years) – Group and Company	4.0	4.0	3.8	3.6
Risk-free interest rate (%) – Group and Company	3.6%	5.3%	4.2%	4.5%
Expected dividends as a dividend yield (%) – Group and Company	2.4%	2.3%	2.1%	2.1%

Volatility was based on historic share prices over a period of time equal to the vesting period. Option life used in the model has been based on options being exercised in accordance with historical patterns. For executive share options the vesting period is 3 years. If options remain unexercised after a period of 10 years from the date of grant, these options expire. Options are forfeited if the employee leaves the Group before options vest. SAYE options vest after 3 or 5 years and expire 3½ or 5½ years after the date of grant. The risk-free interest rate of return is the yield on zero-coupon UK Government bonds on a term consistent with the vesting period. Dividends used are based on actual dividends where data is known and future dividends estimated using a dividend cover of 3 times. 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.

9. SHARE-BASED PAYMENTS (continued)

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

The Group	2008		2007	
	Weighted average exercise price p	Number of options No.	Weighted average exercise price p	Number of options No.
In thousands of options				
Outstanding at the beginning of the period	1,504	4,447	1,349	4,163
Forfeited during the period	1,282	(2,026)	1,361	(764)
Exercised during the period	1,161	(2)	1,139	(531)
Granted during the period	570	5,393	1,725	1,579
Outstanding at the end of the period	914	7,812	1,504	4,447
Exercisable at the end of the period	1,345	716	1,456	911

Share options were exercised on a regular basis throughout the year. The weighted average share price for options exercised during the year was 765 pence (2007: 1,643 pence).

Details of the options outstanding at 31 December 2008 were as follows:

	2008		2007	
	Executive options	SAYE	Executive options	SAYE
Range of exercise prices (pence)	255 - 1,970	562 - 1,414	1,068 - 1,970	848 - 1,414
Weighted average exercise price (pence)	1,232	664	1,674	1,255
Number of shares (thousands)	3,441	4,373	2,754	2,069
Weighted average expected remaining life (years)	2.4	3.4	2.3	2.4
Weighted average contractual remaining life (years)	8.4	3.9	9.3	3.9

The Company	2008		2007	
	Weighted average exercise price p	Number of options No.	Weighted average exercise price p	Number of options No.
In thousands of options				
Outstanding at the beginning of the period	1,651	749	1,478	642
Forfeited during the period	1,565	(308)	1,411	(97)
Exercised during the period	-	-	1,395	(42)
Granted during the period	492	113	1,964	246
Outstanding at the end of the period	1,463	554	1,651	749
Exercisable at the end of the period	1,446	101	1,421	281

There were no share options exercised during the year. Details of the options outstanding at 31 December 2008 were as follows:

	2008		2007	
	Executive options	SAYE	Executive options	SAYE
Range of exercise prices (pence)	255 - 1,970	562 - 1,414	1,068 - 1,970	1,069 - 1,414
Weighted average exercise price (pence)	1,535	598	1,661	1,270
Number of shares (thousands)	512	42	731	18
Weighted average expected remaining life (years)	1.7	4.1	2.0	2.6
Weighted average contractual remaining life (years)	7.7	4.6	7.9	3.1

9. SHARE-BASED PAYMENTS (continued)

The Group and the Company

Executive options were granted on 7 March 2008 and 19 November 2008. SAYE options were granted on 1 December 2008. The aggregate of the estimated fair values of the options granted on those dates is £11.9m for the Group and £0.2m for the Company.

Shares were granted under the share matching scheme on 1 April 2008. The estimated fair value of the shares at that date was £3.0m for the Group and £1.2m for the Company.

Shares were granted under the performance share plan on 5 March 2008. The estimated fair value of the shares at that date was £3.9m for the Group and £1.2m for the Company.

The Group charged £4.6m (2007: £3.7m) and the Company charged £0.5m (2007: £0.6m) to the income statement in respect of equity-settled share-based payment transactions.

10. NET FINANCE COSTS

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Interest on bank loans and overdraft*	(64.6)	(58.6)	(62.9)	(57.5)
Interest on unsecured loans	(0.2)	(0.5)	(0.2)	(0.5)
Interest on obligations under finance leases	(1.6)	(1.9)	-	-
Unwinding of discounts in provisions	(1.6)	(1.2)	-	-
Net loss on re-measurement of derivatives at fair value	(8.7)	-	(8.7)	-
Finance costs	(76.7)	(62.2)	(71.8)	(58.0)
Net gain on re-measurement of derivatives at fair value	2.4	0.3	2.4	0.3
Other finance income - pension scheme	4.8	3.3	-	-
Interest on bank deposits	0.5	0.1	0.4	0.1
Finance income	7.7	3.7	2.8	0.4
Net finance costs	(69.0)	(58.5)	(69.0)	(57.6)
Adjusted interest cover	4.3x	5.4x		

*Includes £2.2m (2007: £1.7m) of amortised bank finance charges.

Adjusted interest cover is calculated by dividing adjusted operating profit of £268.7m (operating profit of £271.5m less £3.8m of IFRS adjustments) by the combined value of interest on the bank loans and overdraft (excluding amortised bank finance charges), unsecured loans, and interest on bank deposits, which total £62.1m. The comparative for interest cover is calculated using the calculation set out in the previous loan facility agreement. The calculation set out in the new facility agreement would give a comparative adjusted interest total of £57.3m, adjusted operating profit of £319.9m, and consequently cover of 5.6x.

11. TAX

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Current tax				
UK corporation tax				
- current year	42.0	73.6	(20.4)	(18.1)
- prior year	(0.6)	(1.0)	0.2	-
Total current tax	41.4	72.6	(20.2)	(18.1)
Deferred tax				
- current year	3.1	3.2	-	-
- prior year	(0.1)	0.3	(0.2)	-
Total deferred tax	3.0	3.5	(0.2)	-
Total tax charge	44.4	76.1	(20.4)	(18.1)

On 26 June 2007 the House of Commons approved the Finance Bill which reduced the UK standard rate of Corporation tax from 30% to 28% with effect from 1 April 2008. This reduction in rate resulted in an exceptional deferred tax credit of £4.2m to the 2007 charge.

11. TAX (continued)

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

The Group	2008		2007	
	£m	%	£m	%
Profit before tax	146.3		261.4	
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	41.7	28.5%	78.4	30.0%
Tax effect of expenses that are not deductible in determining taxable profit	2.6	1.8%	1.7	0.6%
Depreciation of non-qualifying property	2.0	1.3%	2.1	0.8%
Property sales	(1.2)	(0.8%)	(1.3)	(0.5%)
Prior period adjustment	(0.7)	(0.5%)	(0.6)	(0.2%)
Effect of reduction in corporation tax rate on deferred tax	-	-	(4.2)	(1.6%)
Tax expense and effective tax rate for the year	44.4	30.3%	76.1	29.1%

The Company	2008		2007	
	£m	%	£m	%
(Loss)/profit before tax	(33.0)		57.9	
Intercompany dividends	(47.8)		(118.3)	
Loss before tax and dividends received	(80.8)		(60.4)	
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	(23.0)	(28.5%)	(18.1)	(30.0%)
Tax effect of expenses that are not deductible in determining taxable profit	2.6	3.2%	-	-
Tax expense and effective tax rate for the year	(20.4)	(25.3%)	(18.1)	(30.0%)

12. EARNINGS PER SHARE

The Group and the Company

(a) Basic and diluted earnings per share

	2008	2007
	£m	£m
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	101.9	185.3
Number of shares	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	117,004,114	120,839,499
Dilutive effect of share options on potential ordinary shares	1,352,096	1,109,765
Weighted average number of ordinary shares for the purposes of diluted earnings per share	118,356,210	121,949,264

At 31 December 2008, 4,680,005 (2007: 3,254,859) share options had an exercise price in excess of the market value of the shares on that day. As a result, for 2008, these share options were excluded from the calculation of diluted earnings per share.

12. EARNINGS PER SHARE (continued)

(b) Adjusted earnings per share

Adjusted earnings per share are calculated by excluding the effect of the exceptional items in 2008 and the deferred tax credit in 2007 from earnings.

	2008	2007
	£m	£m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	101.9	185.3
Exceptional items	56.2	-
Tax on exceptional items	(14.2)	-
Exceptional deferred tax credit	-	(4.2)
Earnings for adjusted earnings per share	143.9	181.1
Adjusted basic earnings per share	123.0p	149.8p
Adjusted diluted earnings per share	121.6p	148.4p

13. DIVIDENDS

The Group and the Company

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

	2008	2007
	£m	£m
Final dividend for the year ended 31 December 2007 of 30.4p (2006: 25.3p) per ordinary share	35.5	30.8
Interim dividend for the year ended 31 December 2008 of 14.5p (2007: 14.5p) per ordinary share	17.0	17.3
Total dividends recognised during the year	52.5	48.1

The proposed final dividend of nil pence per ordinary share in respect of the year ending 31 December 2008 was approved by the Board on 18 February 2009.

Adjusted dividend cover of 8.5x (2007: 3.3x) is calculated by dividing adjusted basic earnings per share (note 12) of 123.0 pence (2007: 149.8 pence) by the total dividend for the year of 14.5 pence (2007: 44.9 pence).

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

The dividends declared for 2008 at 31 December 2008 and for 2007 at 31 December 2007 were as follows:

	2008	2007
	Pence	Pence
Interim paid	14.5	14.5
Final proposed	-	30.4
Total dividend declared for the year	14.5	44.9

14. GOODWILL

The Group

	Retail	Builders merchandising	Total
	£m	£m	£m
Cost			
At 1 January 2007	939.2	342.8	1,282.0
Recognised on acquisitions during the year	18.9	28.8	47.7
At 1 January 2008	958.1	371.6	1,329.7
Recognised on acquisitions during the year	11.8	9.9	21.7
At 31 December 2008	969.9	381.5	1,351.4

At 31 December 2008, before impairment testing, goodwill and intangibles of £882.4m million was allocated to Wickes and £631.5m to the Merchandising business. On the acquisition of the Wickes' business, £250m of goodwill, which represented synergies arising from the acquisition, was allocated to the builders merchandising CGU.

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.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. These assumptions have been reviewed during the year in light of the current economic environment which has resulted in more conservative estimates about the future. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. As a result of these deliberations the Directors' calculations have not shown there is any need to change the assumptions from last year.

The turnover growth rates in each CGU are based on the Directors expectations for the next 5 years. Growth is predicted to be lower than in previous years as a result of the difficult economic conditions that are directly affecting the construction and related industries. Changes in selling prices and direct costs used in the calculations are based on past practices and expectations of future changes in the market. It is anticipated that like-for-like sales volumes will fall during 2009, flatten out for a period before resuming growth at a point in 2010.

At the beginning of the financial period the fair value of goodwill and intangibles in both segments was substantially in excess of its book value. Due to current market conditions at the year end the fair value is closer to book value however, the Directors' calculations have shown that no impairments have occurred. The key assumptions applied in the value in use calculations were:

- Cash flow forecasts which were derived from the most recent financial budgets and plans for the three years ending 2011, which were approved by the directors. Cash flows for the following two years are extrapolated from cash flows for 2011 using similar assumptions to those applied to 2011;
- 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 2014 onwards.

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

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

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

	Merchandising	Wickes
Weighted average cost of capital increase	17.6%	0.9%
Long term growth rate reduction	42.4%	1.1%

On the basis of the assumptions stated above, the calculations show that for there to be no impairment in Wickes related goodwill and intangibles, its minimum operating profit in 2013 would need to be £41m, which compares to an underlying profit of £46m for 2008.

The Company has no goodwill.

15. OTHER INTANGIBLE ASSETS

	THE GROUP	
	2008 £m	2007 £m
Cost		
At 1 January and at 31 December	162.5	162.5

The Wickes 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.

The Company has no intangible assets.

16. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant & equipment £m	Total £m	Plant & equipment £m
Cost or valuation						
At 1 January 2007	193.5	22.5	90.4	323.7	630.1	0.5
Additions	43.0	2.1	9.2	71.5	125.8	-
Additions from acquired businesses	10.2	0.1	-	3.5	13.8	-
Disposals	(1.6)	-	(3.7)	(21.5)	(26.8)	-
At 1 January 2008	245.1	24.7	95.9	377.2	742.9	0.5
Additions	18.0	-	12.2	64.6	94.8	0.1
Additions from acquired businesses	1.8	0.7	-	1.2	3.7	-
Disposals	(0.5)	-	(4.2)	(33.8)	(38.5)	(0.1)
At 31 December 2008	264.4	25.4	103.9	409.2	802.9	0.5
Accumulated depreciation						
At 1 January 2007	21.8	2.8	21.2	157.9	203.7	0.2
Charged this year	3.1	0.4	6.9	45.8	56.2	0.1
Disposals	(0.2)	-	(2.6)	(19.2)	(22.0)	-
At 1 January 2008	24.7	3.2	25.5	184.5	237.9	0.3
Charged this year	4.2	0.5	6.8	51.4	62.9	0.1
Disposals	(0.1)	-	(2.0)	(30.3)	(32.4)	(0.1)
At 31 December 2008	28.8	3.7	30.3	205.6	268.4	0.3
Net book value						
At 31 December 2008	235.6	21.7	73.6	203.6	534.5	0.2
At 31 December 2007	220.4	21.5	70.4	192.7	505.0	0.2

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

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant & equipment £m	Total £m	Total £m
At valuation	73.8	6.1	1.9	-	81.8	-
At cost	190.6	19.3	102.0	409.2	721.1	0.5
	264.4	25.4	103.9	409.2	802.9	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 £87.1m (2007: £84.4m) 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
2008	0.8	14.4	2.6	17.8	-
2007	0.9	17.5	2.7	21.1	-

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	256.8	23.7	112.5	409.2	802.2	-
Accumulated depreciation	(45.8)	(5.0)	(35.8)	(205.6)	(292.2)	-
Net book value						
At 31 December 2008	211.0	18.7	76.7	203.6	510.0	-
At 31 December 2007	195.4	19.2	73.5	192.7	480.8	0.2

17. INVESTMENT PROPERTY

	THE GROUP
	£m
Cost	
At 1 January 2007	4.2
Disposals	(0.3)
At 1 January 2008 and at 31 December 2008	3.9
Accumulated depreciation	
At 1 January 2007	0.3
Provided in the year	0.1
At 1 January 2008	0.4
Provided in the year	0.1
At 31 December 2008	0.5
Net book value	
At 31 December 2008	3.4
At 31 December 2007	3.5

Investment property rental income totalled £0.3m (2007: £0.3m). In addition the Group also receives income from subletting all or part of 100 ex-trading and trading properties, the amount of which is not material.

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

The Company has no investment property.

18. INVESTMENTS

(a) Interest in associates

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	£m	£m	£m	£m
Equity investment	5.2	-	5.2	-
Loan facility	15.5	-	15.5	-
Interest on loan facility	0.3	-	0.3	-
Share of losses	(1.4)	-	-	-
	19.6	-	21.0	-

On 4 April 2008 Travis Perkins plc acquired a 30% investment in ToolStation Limited for a total consideration of £5.2m. In addition Travis Perkins plc has provided a non-revolving loan facility totalling £15.5m. In the twelve month period to 31 December 2008 ToolStation recognised total revenues of £24.2m and a loss before tax of £4.7m. At 31 December 2008 total aggregate assets were £13.7m and total aggregate liabilities (including the loan facility provided by Travis Perkins plc) were £23.7m.

(b) Shares in group undertakings

Cost	THE COMPANY	
	2008	2007
	£m	£m
At 1 January	1,673.0	1,619.1
Additions	141.3	53.9
At 31 December	1,814.3	1,673.0
Provision for impairment	(12.9)	(4.6)
Net book value at 31 December	1,801.4	1,668.4

The principal operating subsidiaries of the Group and Company at 31 December 2008 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)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
Tile Giant Limited (Ceramic tile merchants)	Lodge Way House, Harlestone Road, Northampton NN5 7UG

* 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% owned. Each company is registered and incorporated in England and Wales, other than Keyline Builders Merchants Limited and 10 dormant companies, which are registered and incorporated in Scotland, City Investments Limited and 13 dormant companies, which are registered and incorporated in Jersey and 2 dormant companies registered and incorporated in Northern Ireland.

(c) Available-for-sale investments

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	£m	£m	£m	£m
Fair value investment	2.0	2.0	-	-

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

19. OTHER FINANCIAL ASSETS

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Trade receivables	295.2	310.7	-	-
Allowance for doubtful debts	(32.3)	(21.5)	-	-
	262.9	289.2	-	-
Amounts owed by subsidiaries	-	-	36.9	97.0
Other receivables, prepayments and accrued income	123.3	132.7	19.9	18.8
Trade and other receivables	386.2	421.9	56.8	115.8

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 Directors consider the only class of asset containing significant credit risk is trade receivables. The average credit term for sales of goods is 59 days (2007: 56 days).

The amounts presented in the balance sheet are net of allowances for doubtful debts of £32.3m (2007: £21.5m), estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Directors consider the carrying amount of trade and other receivables approximates their fair values.

No interest is charged on the trade receivable from the date of the invoice until the date the invoice is classified as overdue according to the trading terms agreed between the Group and the customer. Thereafter, the Group retains the right to charge interest at 4% above the National Westminster Bank base rate per annum on the outstanding balance. The Group has provided fully for all receivables outstanding over 90 days beyond agreed terms. Trade receivables between 0 and 90 days are specifically provided for based on estimated irrecoverable amounts.

Movement in the allowance for doubtful debts

	THE GROUP	
	2008 £m	2007 £m
At 1 January	21.5	20.4
Amounts written off during the year	(6.0)	(6.6)
Increase in allowance recognised in profit and loss	16.8	7.7
At 31 December	32.3	21.5

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

Included in the Group's trade receivable balance are unprovided against debtors with a carrying amount of £28.9m (2007: £22.8m) which are past due at the reporting date for which the Group has not identified a significant change in credit quality and as such, the Group considers that the amounts are still recoverable. Except for some instances of personal guarantees the Group does not hold any collateral over these balances.

Ageing of past due but not impaired receivables

Days overdue	THE GROUP	
	2008 £m	2007 £m
0 – 30 days	22.7	17.0
31 – 60 days	3.5	3.7
61 – 90 days	2.7	2.1
	28.9	22.8

Included in the allowance for doubtful debts are specified trade receivables with a balance of £18.7m (2007: £12.5m) which have been placed into liquidation. The impairment represents the difference between the carrying amount of the specific trade receivable and the amount it is anticipated will be recovered.

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

20. CASH AND CASH EQUIVALENTS

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

21. SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	Authorised		Issued and fully paid	
	No.	£m	No.	£m
Ordinary shares of 10p				
At 1 January 2007	135,000,000	13.5	122,047,994	12.2
Allotted under share option schemes	-	-	593,855	0.1
At 1 January 2008	135,000,000	13.5	122,641,849	12.3
Allotted under share option schemes	-	-	77,265	-
At 31 December 2008	135,000,000	13.5	122,719,114	12.3

The net contribution received for the issue of shares during the year was £0.6m. Details of the share option schemes are given in the remuneration report on pages 50 and 51 and 54 to 56.

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

22. OWN SHARES

The Group and the Company

	2008	2007
	No.	No.
At 1 January	5,698,300	479,953
Acquired during the year	-	5,218,347
Re-issued during the year	(13,620)	-
At 31 December	5,684,680	5,698,300
Allocated to grants of executive options	289,142	289,142
Not allocated to grants of executive options	5,395,538	5,409,158
	5,684,680	5,698,300

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

23. RESERVES

The Group	Share premium account £m	Other reserve £m	Hedging reserve £m	Own shares £m	Accumulated profits £m	Total reserves £m
At 1 January 2007	172.2	25.3	4.0	(7.9)	727.3	920.9
Dividends paid	-	-	-	-	(48.1)	(48.1)
Total recognised income and expense	-	-	(1.1)	-	222.0	220.9
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	-	(0.7)	-	-	0.7	-
Effect of share options	-	-	-	-	0.2	0.2
Own shares	-	-	-	(76.0)	-	(76.0)
Premium on the issue of equity shares	6.7	-	-	-	-	6.7
At 31 December 2007	178.9	24.2	2.9	(83.9)	902.5	1,024.6
Dividends paid	-	-	-	-	(52.5)	(52.5)
Total recognised income and expense	-	-	(20.7)	-	51.2	30.5
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	(0.4)	-	-	0.4	-
Effect of share options	-	-	-	-	2.7	2.7
Own shares	-	-	-	0.2	(0.2)	-
Premium on the issue of equity shares	0.6	-	-	-	-	0.6
At 31 December 2008	179.5	23.8	(17.8)	(83.7)	904.1	1,005.9

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 Share Ownership Trust to satisfy options under the Group's share option schemes.

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

The Company	Share premium account £m	Hedging reserve £m	Own shares £m	Accumulated profits £m	Total reserves £m
At 1 January 2007	171.1	4.0	(7.9)	124.9	292.1
Total recognised income and expense	-	(1.1)	-	76.0	74.9
Dividends paid	-	-	-	(48.1)	(48.1)
Effect of share options	-	-	-	(0.2)	(0.2)
Own shares	-	-	(76.0)	-	(76.0)
Premium on the issue of equity shares	6.7	-	-	-	6.7
At 31 December 2007	177.8	2.9	(83.9)	152.6	249.4
Total recognised income and expense	-	(20.7)	-	(12.6)	(33.3)
Dividends paid	-	-	-	(52.5)	(52.5)
Effect of share options	-	-	-	(0.1)	(0.1)
Own shares	-	-	0.2	(0.2)	-
Premium on the issue of equity shares	0.6	-	-	-	0.6
At 31 December 2008	178.4	(17.8)	(83.7)	87.2	164.1

24. BORROWINGS

A summary of the Group policies and strategies with regard to financial instruments can be found in the Finance Director's review of the year on pages 34 to 37. At 31 December 2008 all borrowings were made in Sterling except for the unsecured senior notes (note 24 (i)).

(a) Summary

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Unsecured senior notes	311.4	203.3	311.4	203.3
Bank loans (note 24c)*	685.0	718.6	685.0	718.6
Bank overdraft*	12.3	-	103.8	-
Finance leases (note 24d)	25.0	30.0	-	-
Loan notes (note 24e)	3.9	15.4	3.9	15.4
Finance charges netted off bank debt*	(12.5)	-	(12.5)	-
	1,025.1	967.3	1,091.6	937.3
Current liabilities	17.8	103.4	107.7	101.8
Non-current liabilities	1,007.3	863.9	983.9	835.5
	1,025.1	967.3	1,091.6	937.3

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

(b) Analysis of borrowings

The Group

	Bank loans and overdraft		Other borrowings	
	2008 £m	2007 £m	2008 £m	2007 £m
Borrowings repayable				
On demand or within one year	12.3	86.4	5.5	17.0
More than one year, but not more than two years	70.0	632.2	1.5	1.5
More than two years, but not more than five years	602.5	-	159.1	4.7
More than five years	-	-	174.2	225.5
	684.8	718.6	340.3	248.7

The Company

	Bank loans and overdraft		Other borrowings	
	2008 £m	2007 £m	2008 £m	2007 £m
Borrowings repayable				
On demand or within one year	103.8	86.4	3.9	15.4
More than one year, but not more than two years	70.0	632.2	-	-
More than two years, but not more than five years	602.5	-	155.7	-
More than five years	-	-	155.7	203.3
	776.3	718.6	315.3	218.7

24. BORROWINGS (continued)

(c) Facilities

At 31 December 2008, the Group had the following bank facilities available:

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Drawn facilities				
5 year term loan	525.0	183.6	525.0	183.6
5 year revolving credit facility	160.0	535.0	160.0	535.0
Unsecured senior notes	311.4	203.3	311.4	203.3
Bank overdraft	12.3	-	103.8	-
	1,008.7	921.9	1,100.2	921.9
Undrawn facilities				
5 year revolving credit facility	315.0	165.0	315.0	165.0
Bank overdraft	37.7	50.0	-	-
	352.7	215.0	315.0	165.0

The disclosures in note 24(c) do not include finance leases, loan notes, or the effect of finance charges netted off bank debt.

(d) Obligations under finance leases

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2008 £m	2007 £m	2008 £m	2007 £m
Amounts payable under finance leases:				
Within one year	3.1	4.2	1.6	1.6
In the second to fifth years inclusive	10.9	12.2	6.1	6.2
After five years	28.7	35.2	17.3	22.2
	42.7	51.6	25.0	30.0
Less: future finance charges	(17.7)	(21.6)	-	-
Present value of lease obligations	25.0	30.0	25.0	30.0
Less: Amount due for settlement within 1 year (shown under current liabilities)			(1.6)	(1.6)
Amount due for settlement after 1 year			23.4	28.4

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 2008, the average implicit borrowing rate was 14.9% (2007: 14.9%). 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 £3.9m (2007: £15.4m) in respect of loan notes issued as consideration for the acquisition of two groups during 1999 and 2000. The loan notes of £0.3m 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 £3.6m 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. The loan notes of £7.7m issued in 2007 to acquire Tile Giant Ltd were redeemed during the year.

24. BORROWINGS (continued)

(f) Interest

The weighted average interest rates paid were as follows:

	2008	2007
	%	%
Unsecured senior notes	5.8	5.8
Bank loans and overdraft	6.3	6.4
Other borrowings	5.1	5.6

Bank term loans and revolving credit facilities of £1,000m (2007: £883.6m) were arranged at variable interest rates. The \$400m 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 interest rate derivatives arrangements, which for 2008, fixed interest rates on £655.5m of borrowing. For the year to 31 December 2008 this had the effect of reducing the weighted average interest rates paid by 0.4%.

In respect of income earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

The Group	2008		2007	
	Effective interest rate	6 months or less Total £m	Effective interest rate	6 months or less Total £m
Unsecured senior notes	5.8%	311.4	5.8%	203.3
Unsecured variable rate bank facilities	3.6%	685.0	6.4%	718.6
Loan notes	6.0%	3.9	5.7%	15.4
Bank overdraft	2.8%	12.4	-	-
		1,012.7		937.3

The Company	2008		2007	
	Effective interest rate	6 months or less Total £m	Effective interest rate	6 months or less Total £m
Unsecured senior notes	5.8%	311.4	5.8%	203.3
Unsecured variable rate bank facilities	3.6%	685.0	6.4%	718.6
Loan notes	6.0%	3.9	5.7%	15.4
Bank overdraft	2.8%	103.8	-	-
		1,104.1		937.3

(g) Fair values

For both the Group and the Company the fair values of financial assets and liabilities have been calculated by discounting expected cash flows at prevailing rates at 31 December. There were no significant differences between book and fair values on this basis and therefore no further information is disclosed. Details about the fair values of derivatives are given in note 25.

24. BORROWINGS (continued)

(h) Guarantees and security

There are cross guarantees on the overdrafts between group companies.

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

- £525m term loan;
- £475m revolving credit facility;
- \$400m unsecured senior notes (note 24(i));
- Interest rate and currency derivatives, (note 25).

The group companies have entered into other guarantee and counter-indemnities arrangements in respect of guarantees issued in favour of group companies by the clearing banks amounting to approximately £13.2m (2007: £19.4m).

(i) Unsecured senior notes

On 26 January 2006 the Group finalised a US private placement that resulted in it receiving \$400m. \$200m of the unsecured senior notes is repayable in January 2013 and \$200m in January 2016. The US borrowings carry fixed rate coupons of between 130 bps and 140 bps over US treasuries. As described in note 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. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

The carrying value of categories of financial instruments

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	£m	£m	£m	£m
Financial assets				
Designated as fair value through profit and loss (FVTPL)	2.4	0.7	2.4	0.7
Derivative instruments in designated hedge accounting relationships	80.3	3.0	80.3	3.0
Loans and receivables (including cash and cash equivalents)	393.9	448.2	56.8	162.1
Available-for-sale	2.0	2.0	-	-
	478.6	453.9	139.5	165.8
Financial liabilities				
Designated as fair value through profit and loss (FVTPL)	8.1	-	8.1	-
Derivative instruments in designated hedge accounting relationships	17.7	29.8	17.7	29.8
Borrowings at amortised cost (note 24a)	1,025.1	967.3	1,091.6	937.3
Trade and other payables at amortised cost (note 28)	582.2	585.0	15.3	12.7
	1,633.1	1,582.1	1,132.7	979.8

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

25. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

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

- Foreign currency forward contracts are measured using quoted forward exchange rates and applicable yield curves from quoted interest rates matching the maturities of the contracts.
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Included in assets	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Interest rate swaps designated and effective as cash flow hedging instruments	-	3.0	-	3.0
Foreign currency forward contracts at fair value through profit and loss	2.4	0.1	2.4	0.1
Interest rate cap and floor options carried at fair value through profit and loss	-	0.6	-	0.6
Cross currency interest rate swaps designated and effective as hedging instruments carried at fair value	80.3	-	80.3	-
	82.7	3.7	82.7	3.7
Current assets	2.4	0.7	2.4	0.7
Non-current assets	80.3	3.0	80.3	3.0
	82.7	3.7	82.7	3.7
Included in non-current liabilities				
Cross currency interest rate swaps designated and effective as hedging instruments carried at fair value	-	29.8	-	29.8
Interest rate cap and floor options carried at fair value through profit and loss	2.1	-	2.1	-
Interest rate swaps carried at fair value through profit and loss	6.0	-	6.0	-
Interest rate swaps designated and effective as cash hedging instruments	17.7	-	17.7	-
Non-current liabilities	25.8	29.8	25.8	29.8

Interest risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

25. FINANCIAL INSTRUMENTS (continued)

Interest rate swaps

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is either on a fixed rate basis or is subject to movements within pre-defined limits. To achieve its desired interest rate profile the Group uses interest rate swaps and interest rate collars.

As part of their interest rate management processes, in respect of the facilities described in note 24, the Group and the Company are parties to two amortising interest rate swaps, four non-amortising interest rate swaps, two non-amortising interest rate swaps with a call option, with one amortising interest rate floor option and an amortising interest rate cap option. Two amortising interest rate swaps each have a notional value of £118.5m, the remaining non-amortising swaps have notional values of £50m each. The interest rate cap and floor options provide a collar on £118.5m of borrowings between rates of 4.21% and 5.7%. Contracts with nominal values of £537m have fixed interest payments at an average rate of 4.95% for periods up until October 2013 and have floating interest receipts equal to 6 month LIBOR.

At 31 December 2008 the fair value of interest rate derivatives, all of which terminate between 1 year and five years from the balance sheet date, to which the Group and the Company were parties was estimated at £(25.8)m (2007: £3.6m). This amount is based on market values of equivalent instruments at the balance sheet date. Interest rate swaps excluding those with a call option are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. An amount of £(2.7)m (2007: £0.6m) in respect of the fair value movement on the cap and floor has been taken to the income statement through net finance charges as the Company has not applied hedge accounting. An additional amount of £(6.0)m (2007: £nil) in respect of the fair value movement on interest rate swaps with a call option has been taken to the income statement through net finance charges as the Company has not applied hedge accounting.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts as at the reporting date:

Cash flow hedges outstanding – receive floating pay fixed contracts

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2008 %	2007 %	2008 £m	2007 £m	2008 £m	2007 £m
1 to 2 years	4.95	-	237.0	-	(4.2)	-
2 to 5 years	5.02	4.95	200.0	278.0	(13.5)	3.0
Greater than 5 years	-	5.07	-	50.0	-	-
			437.0	328.0	(17.7)	3.0

The interest rate swaps settle on a half yearly basis. The floating rate on the interest rate swaps is 6 months LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest rate payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the period that the floating rate interest payments on debt impact profit or loss.

Currency swaps

In order to eliminate the currency risk associated with the \$400m unsecured senior notes described in note 24(i) the Group and the Company have entered into five cross currency swaps in varying amounts between £23m and £63m to fix the exchange rate at £1 equal to \$1.73 for the entire lives of the unsecured loan notes, 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 £231m 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 £58m that convert the borrowing rate on \$200m of debt from 5.77% to a variable rate on 6 month LIBOR plus a weighted average basis point increment of 81.9. At 26 January 2006 the variable rates were both at 5.43%. A further three interest rate swaps of £29m, £23m and £63m convert the borrowing rates on US\$50m, US\$40m and US\$110m 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 %.

At 31 December the fair value of currency derivatives was estimated at £80.3m (2007: £(29.8)m). All of these currency swaps are designated and effective as fair value hedges.

25. FINANCIAL INSTRUMENTS (continued)

Fair value hedges outstanding – receive fixed pay floating contracts

	Average contract floating interest rate		Notional principal amount		Fair value	
	2008 %	2007 %	2008 £m	2007 £m	2008 £m	2007 £m
2 to 5 years	6.6	-	115.6	-	35.8	-
Greater than 5 years	6.6	7.0	115.6	231.2	44.5	(29.8)
			231.2	231.2	80.3	(29.8)

The interest rate swaps settle on a half yearly basis. The floating rate on the interest rate swaps is 6 months LIBOR. The Group will settle the difference between the fixed and floating interest on a net basis.

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates. During the period, the hedge was 100% effective in hedging the fair value exposure to interest movements and as a result, the carrying amount of the loan was adjusted by £108.2m (2007: £2.3m), which was included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The Group acquires goods for sale from overseas, which when not denominated in Sterling are paid for principally in US dollars. The Group has entered into forward foreign exchange contracts (all of which are less than one year in duration) to buy US dollars to hedge the exchange risk arising from these anticipated future purchases. At the balance sheet date the total notional value of contracts to which the Group was committed was US\$46m (2007: US\$17m). The fair value of these derivatives is £2.4m (2007: £(0.1)m). These contracts have not been designated as hedges and accordingly the fair value movement has been reflected in the income statement.

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

	2008				
	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
Gross settled					
Interest rate swaps - receipts	16.3	16.3	184.2	159.9	376.7
Interest rate swaps - payments	(11.7)	(6.2)	(141.9)	(129.6)	(289.4)
	4.6	10.1	42.3	30.3	87.3
Foreign exchange forward contracts	(30.5)	-	-	-	(30.5)
Total gross settled	(25.9)	10.1	42.3	30.3	56.8
Net settled					
Interest rate swaps	(3.9)	(11.0)	(11.5)	-	(26.4)
Total derivative financial instruments	(29.8)	(0.9)	30.8	30.3	30.4
Borrowings (note 24)	(16.2)	(70.0)	(770.7)	(155.7)	(1,012.6)
Other financial liabilities (note 28)	(582.2)	-	-	-	(582.2)
Finance leases (note 24d)	(3.1)	(3.1)	(7.8)	(28.7)	(42.7)
Total financial instruments	(631.3)	(74.0)	(747.7)	(154.1)	(1,607.1)

25. FINANCIAL INSTRUMENTS (continued)

	2007				Total £m
	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	
Gross settled					
Interest rate swaps - receipts	11.7	11.8	35.3	225.4	284.2
Interest rate swaps - payments	(15.6)	(14.4)	(43.1)	(260.0)	(333.1)
	(3.9)	(2.6)	(7.8)	(34.6)	(48.9)
Foreign exchange forward contracts	(8.5)	-	-	-	(8.5)
Total gross settled	(12.4)	(2.6)	(7.8)	(34.6)	(57.4)
Net settled					
Interest rate swaps	3.0	1.3	0.7	0.1	5.1
Total derivative financial instruments	(9.4)	(1.3)	(7.1)	(34.5)	(52.3)
Borrowings (note 24)	(101.8)	(632.2)	-	(203.3)	(937.3)
Other financial liabilities (note 28)	(585.0)	-	-	-	(585.0)
Finance leases (note 24d)	(4.2)	(3.2)	(9.0)	(35.2)	(51.6)
Total financial instruments	(700.4)	(636.7)	(16.1)	(273.0)	(1,626.2)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1.0% increase or decrease is used when reporting interest rate risk internally to key management personnel. If interest rates had been 1.0% higher/lower and all other variables were held constant, the Group's:

- Profit before taxation for the year ended 31 December 2008 would have decreased/increased by £7m (2007: increased/decreased by £5m) including £4m (2007: decreased/increased by £nil) of movement on interest rate swaps with options;
- Net equity would have decreased/increased by £11m (2007: decreased/increased by £2m) mainly as a result of the changes in the fair value of interest rate derivatives.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the increase in the nominal value of interest rate derivatives.

26. PROVISIONS

	THE GROUP			
	Property £m	Insurance £m	Other £m	Total £m
At 1 January 2008	23.3	22.8	0.6	46.7
Additional provision in the year	40.0	7.1	-	47.1
Utilisation of provision	(6.8)	(2.2)	-	(9.0)
Unwinding of discount	1.6	-	-	1.6
At 31 December 2008	58.1	27.7	0.6	86.4
Included in current liabilities	10.3	27.7	0.6	38.6
Included in non-current liabilities	47.8	-	-	47.8
	58.1	27.7	0.6	86.4

The Group has a number of vacant and partly sub-let leasehold properties. Where necessary provision has been made for the residual lease commitments after taking into account existing and anticipated sub-tenant arrangements, which this year has resulted in a significant increase in the provision which forms part of the exceptional items shown in note 5b.

It is Group policy to substantially self insure itself against claims arising in respect of damage to assets, or due to employers or public liability claims. The nature of insurance claims means they may take some time to be settled. The insurance claims provision represents management's best estimate, based upon external advice of the value of outstanding insurance claims where the final settlement date is uncertain.

The following table details the Group's liquidity analysis of its provisions. The table has been drawn up based on the undiscounted net cash outflows.

	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
2008					
Property	10.6	8.5	24.3	37.0	80.4
Insurance	27.7	-	-	-	27.7
Other	0.6	-	-	-	0.6
	38.9	8.5	24.3	37.0	108.7
2007					
Property	9.6	6.1	7.2	4.9	27.8
Insurance	22.8	-	-	-	22.8
Other	0.6	-	-	-	0.6
	33.0	6.1	7.2	4.9	51.2

The Company has no provisions.

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 periods.

	Recognised				At			At 31 Dec 2008 £m
	At 1 Jan 2007 £m	in non- current assets £m	Recognised in income £m	Recognised in equity £m	31 Dec 2007 £m	Recognised in income £m	Recognised in equity £m	
Provided								
Capital allowances	13.2	-	1.4	-	14.6	(0.7)	-	13.9
Revaluation	12.5	-	-	(0.4)	12.1	-	-	12.1
Share based payments	(4.2)	-	-	3.7	(0.5)	-	0.5	-
Provisions	(13.2)	-	2.6	-	(10.6)	0.2	-	(10.4)
Business combinations	14.0	1.5	(1.3)	-	14.2	(1.1)	0.5	13.6
Brand	48.8	-	(3.3)	-	45.5	-	-	45.5
Deferred tax liability	71.1	1.5	(0.6)	3.3	75.3	(1.6)	1.0	74.7
Deferred tax asset	(24.2)	-	4.1	15.6	(4.5)	4.6	(19.6)	(19.5)
Net deferred tax	46.9	1.5	3.5	18.9	70.8	3.0	(18.6)	55.2

At the balance sheet date the Group had unused capital losses of £61m (2007: £67.0m) available for offset against future capital profits. No deferred tax asset has been recognised because it is not probable that future taxable profits will be available against which the Group can utilise the losses.

Other than disclosed above, no deferred tax assets and liabilities have been offset.

The Group has recognised a deferred tax asset of £19.5m (2007: £4.5m) 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.

The Company	At		At		Recognised in income £m	At 31 Dec 2008 £m
	1 Jan 2007 £m	Recognised in equity £m	31 Dec 2007 £m	Recognised in equity £m		
Share based payments	(1.2)	0.7	(0.5)	0.5	-	-
Provisions	(0.5)	-	(0.5)	-	(0.2)	(0.7)
	(1.7)	0.7	(1.0)	0.5	(0.2)	(0.7)

28. OTHER FINANCIAL LIABILITIES

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Trade payables	396.4	405.7	-	-
Other taxation and social security	35.8	34.8	-	-
Other payables	77.2	72.0	15.3	12.7
Accruals and deferred income	72.8	72.5	-	-
Trade and other payables	582.2	585.0	15.3	12.7

The Group

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 47 days (2007: 48 days). The Directors consider that the carrying amount of trade payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Company

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (2007: 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 10 limited companies 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.

	2008			2007		
	Book value acquired £m	Provisional fair value adjustments £m	Provisional fair value acquired £m	Book value acquired £m	Provisional fair value adjustments £m	Provisional fair value acquired £m
Net assets acquired:						
Property, plant and equipment	5.2	(1.5)	3.7	13.8	-	13.8
Inventories	5.1	(0.3)	4.8	5.7	-	5.7
Trade and other receivables	3.0	(0.1)	2.9	12.0	-	12.0
Cash and cash equivalents	0.9	-	0.9	1.6	-	1.6
Trade and other payables	(7.1)	(0.4)	(7.5)	(12.2)	-	(12.2)
Tax liabilities	(0.4)	-	(0.4)	(1.5)	-	(1.5)
Bank overdrafts and loans	(2.7)	-	(2.7)	(6.1)	-	(6.1)
	4.0	(2.3)	1.7	13.3	-	13.3
Goodwill			21.7			47.7
			23.4			61.0
Satisfied by:						
Cash			22.5			47.2
Cash and cash equivalents acquired			0.9			1.6
Deferred consideration			-			4.5
Issue of loan notes			-			7.7
			23.4			61.0

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 2008, 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 acquisitions

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 2007 and disclosed in the 2007 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. The Company has no operating lease arrangements.

The Group as lessee	2008	2007
	£m	£m
Minimum lease payments under operating leases recognised in income for the year	129.0	115.1

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:

	2008	2007
	£m	£m
Within one year	125.7	118.2
In the second to fifth years inclusive	471.4	446.6
After five years	1,078.1	1,069.7
	1,675.2	1,634.5

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 £5.7m (2006: £4.6m).

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

	2008	2007
	£m	£m
Within one year	4.1	4.0
In the second to fifth years inclusive	12.9	12.3
After five years	18.1	18.1
	35.1	34.4

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, are provided in the audited part of the remuneration report on pages 52 to 57.

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2008	2007
	£m	£m
Short term employee benefits	4.8	5.3
Share based payments	2.4	1.0
	7.2	6.3

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 £7.3m (2007: £7.0m);
- Receiving annual dividends totalling £47.8m (2007: £118.3m).

Details of balances outstanding with subsidiary companies are shown in note 19 and on the Balance Sheet on page 69.

There have been no material related party transactions with directors.

Details of transactions with the Group's Associate Company ToolStation are shown in note 15. Operating transactions with ToolStation during the year were not significant.

32. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Contracted for but not provided in the accounts	1.7	39.7	-	-

33. NET DEBT RECONCILIATION

	THE GROUP		THE COMPANY	
	2008 £m	2007 £m	2008 £m	2007 £m
Net debt at 1 January	(941.0)	(804.4)	(891.0)	(837.6)
(Decrease)/increase in cash and cash equivalents	(30.9)	(30.0)	(150.1)	33.3
Cash flows from debt	47.3	(96.5)	45.2	(75.0)
Increase in fair value of debt	(108.2)	(2.3)	(108.2)	(2.3)
Finance charges netted off bank debt	12.5	(1.7)	12.5	(1.7)
Finance lease surrendered	2.9	1.6	-	-
Loan notes issued	-	(7.7)	-	(7.7)
Net debt at 31 December	(1,017.4)	(941.0)	(1,091.6)	(891.0)

34. GEARING

	THE GROUP	
	2008 £m	2007 £m
Net debt under IFRS	(1,017.4)	(941.0)
IAS 17 finance leases	24.5	28.8
Fair value adjustment to debt	80.2	(27.9)
Finance charges netted off bank debt	(12.5)	-
Net debt under covenant calculations	(925.2)	(940.1)
Total equity	1,018.9	1,036.9
Gearing	90.8%	90.7%

35. ADJUSTED FREE CASH FLOW

	THE GROUP	
	2008	2007
	£m	£m
Net debt at 1 January	(941.0)	(804.4)
Net debt at 31 December	(1,017.4)	(941.0)
Increase in net debt	(76.4)	(136.6)
Dividends	52.5	48.1
Net cash outflow for expansion capital expenditure	53.5	82.2
Net cash outflow for acquisitions	22.5	47.2
Net cash outflow for acquisition of investments	0.3	-
Own shares purchased	-	76.0
Cash impact of exceptional items	8.5	-
Interest in associate	20.7	-
Shares issued	(0.6)	(6.8)
Movement in fair value of debt	108.2	2.4
Movement in finance charges netted off bank debt	(12.5)	1.6
Loan notes issued	-	7.7
Lease surrendered	(2.9)	(1.6)
Special pension contributions	11.5	9.6
Free cash flow	185.3	129.8
Additional payment run on 53 rd Monday	-	28.0
Adjusted free cash flow	185.3	157.8

36. ADJUSTED RETURN ON EQUITY AND RETURN ON CAPITAL

Adjusted return on equity	THE GROUP	
	2008	2007
	£m	£m
Profit before tax	146.3	261.4
Exceptional items	56.2	-
Adjusted profit before tax	202.5	261.4
Closing equity	1,018.2	1,036.9
Net pension deficit	50.4	11.5
Closing goodwill written off	92.7	92.7
	1,161.3	1,141.1
Opening equity	1,036.9	920.3
Net pension deficit	11.5	56.6
Opening goodwill written off	92.7	92.7
	1,141.1	1,069.6
Average net assets	1,151.2	1,105.4
Adjusted return on equity	17.6%	23.6%

36. ADJUSTED RETURN ON EQUITY AND RETURN ON CAPITAL (continued)

Adjusted return on capital	THE GROUP	
	2008 £m	2007 £m
Operating profit	215.3	319.9
Exceptional items	56.2	-
Adjusted operating profit	271.5	319.9
Opening net assets	1,036.9	920.3
Goodwill written off	92.7	92.7
Net borrowings	941.0	804.4
Exchange adjustment	27.9	30.3
Pension deficit	11.5	56.6
Opening capital employed	2,110.0	1,904.3
Closing net assets	1,018.2	1,036.9
Goodwill written off	92.7	92.7
Net borrowings	1,017.4	941.0
Exchange adjustment	(80.2)	27.9
Pension deficit	50.4	11.5
Closing capital employed	2,098.5	2,110.0
Average capital employed	2,104.2	2,007.2
Adjusted return on capital	12.9%	15.9%

The calculation of capital employed has been amended to exclude exchange adjustments arising on debt with a result that the return on capital employed for 2007 has been restated.

37. ADJUSTED EARNINGS BEFORE INTEREST, TAX AND DEPRECIATION

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

	THE GROUP	
	2008 £m	2007 £m
Profit before tax	146.3	261.4
Net finance costs	69.0	58.5
Depreciation and impairments	63.0	56.3
EBITDA under IFRS	278.3	376.2
Exceptional items	56.2	-
Reversal of IFRS effect	(4.2)	2.8
Adjusted EBITDA under covenant calculations	330.3	379.0
Net debt under covenant calculations	925.2	940.1
Adjusted net debt to EBITDA	2.80x	2.48x

The comparative for net debt to EBITDA is calculated using the calculation set out in the previous loan facility agreement. The calculation set out in the new facility agreement would give a comparative adjusted EBITDA of £373.0m and consequently a ratio of 2.52x.

FIVE YEAR RECORD

Consolidated income statement	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Revenue	3,178.6	3,186.7	2,848.8	2,640.8	1,828.6
Operating profit before exceptional items	271.5	319.9	278.0	268.0	217.7
Exceptional items	(56.2)	-	11.6	-	-
Operating profit	215.3	319.9	289.6	268.0	217.7
Net finance costs	(69.0)	(58.5)	(57.7)	(61.3)	(11.2)
Profit before tax	146.3	261.4	231.9	206.7	206.5
Income tax expense	(44.4)	(76.1)	(64.9)	(65.9)	(64.4)
Net profit	101.9	185.3	167.0	140.8	142.1
Adjusted return on capital	12.9%	15.9%	14.6%	14.8%	25.0%
Adjusted return on equity	17.6%	23.6%	21.8%	23.2%	29.2%
Basic earnings per share	87.1p	153.3p	137.9p	116.8p	124.4p
Adjusted earnings per share	123.0p	149.8p	127.4p	116.8p	124.4p
Dividend declared per ordinary share (pence)	14.5p	44.9p	37.4p	34.0p	30.5p
Branches at 31 December (No.)	1,223	1,125	1,022	983	751
Average number of employees (No.)	15,414	14,580	13,831	14,048	9,385
Consolidated cash flow statement	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Cash generated from operations	337.6	303.9	323.3	310.8	222.9
Net interest paid	(63.0)	(72.5)	(59.0)	(38.2)	(8.0)
Income taxes paid	(66.0)	(74.5)	(57.3)	(47.0)	(54.2)
Net purchases of investments, property and plant	(82.4)	(118.9)	(13.5)	(70.2)	(65.1)
Interest in associates	(20.7)	-	-	-	-
Acquisition of businesses net of cash acquired	(22.5)	(47.2)	(10.9)	(1,045.5)	(39.0)
Proceeds from issuance of share capital	0.6	6.8	6.9	6.4	90.6
Dividends paid	(52.5)	(48.1)	(42.5)	(38.6)	(30.0)
Bank facility finance charges	(14.7)	-	-	-	-
Own shares acquired	-	(76.0)	-	(8.1)	-
Payment of finance lease liabilities	(2.1)	(1.9)	(2.8)	(2.3)	(1.0)
Repayment of unsecured loan notes	(11.5)	(0.2)	(0.3)	(0.8)	(3.2)
(Decrease)/increase in bank loans	(33.7)	98.6	(143.7)	872.7	(30.0)
Net (decrease)/increase in cash and cash equivalents	(30.9)	(30.0)	0.2	(60.8)	83.0
Net debt at 1 January	(941.0)	(804.4)	(982.4)	(30.7)	(128.5)
Non cash adjustment	(92.8)	(2.4)	-	-	(19.4)
Loan notes issued	-	(7.7)	-	-	-
Cash flow from debt and debt acquired	47.3	(96.5)	177.8	(890.9)	34.2
Net debt at 31 December	(1,017.4)	(941.0)	(804.4)	(982.4)	(30.7)

Consolidated balance sheet	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Assets					
Non-current assets					
Property, plant and equipment	534.5	505.0	426.4	445.2	340.7
Goodwill and other intangibles	1,513.9	1,492.2	1,444.5	1,436.3	304.8
Derivative financial instruments	80.3	3.0	3.8	1.3	-
Interest in associate	19.6	-	-	-	-
Investment property and other investments	5.4	5.5	5.9	4.1	4.2
Deferred tax asset	19.5	4.5	24.2	42.9	38.5
Current assets					
Inventories	321.9	330.2	294.4	263.2	200.6
Trade and other receivables	388.6	422.6	364.3	322.4	287.8
Cash and cash equivalents	7.7	26.3	56.3	56.1	116.9
Total assets	2,891.4	2,789.3	2,619.8	2,571.5	1,293.5
Issued capital	12.3	12.3	12.2	12.1	12.1
Share premium account	179.5	178.9	172.2	165.6	159.2
Own shares	(83.7)	(83.9)	(7.9)	(8.1)	-
Other reserves	6.0	27.1	29.3	23.1	26.7
Accumulated profits	904.1	902.5	727.3	565.3	452.6
Total equity	1,018.2	1,036.9	933.1	758.0	650.6
Non-current liabilities					
Interest bearing loans and borrowings	1,007.3	863.9	763.6	1,027.4	137.8
Derivative financial instruments	25.8	29.8	30.9	-	-
Retirement benefit obligations	69.9	16.0	80.8	142.8	128.3
Long term provisions	47.8	13.7	13.1	13.2	-
Deferred tax liabilities	74.7	75.3	71.1	72.6	38.3
Current liabilities					
Interest bearing loans and borrowings	17.8	103.4	97.1	11.1	9.8
Derivative financial instruments	-	-	0.2	5.1	-
Trade and other payables	582.2	585.0	565.2	482.3	293.4
Tax liabilities	9.1	32.3	34.2	33.3	22.6
Short-term provisions	38.6	33.0	30.5	25.7	12.7
Total liabilities	1,873.2	1,752.4	1,686.7	1,813.5	642.9
Total equity and liabilities	2,891.4	2,789.3	2,619.8	2,571.5	1,293.5

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the forty-fifth Annual General Meeting of Travis Perkins plc will be held at Northampton Rugby Football Club, Franklin's Gardens, Weedon Road, Northampton, NN5 5BG on Thursday 21 May 2009 at 11.45 a.m.

The Resolutions

Resolutions 1 to 9 (inclusive) will be proposed as ordinary resolutions. Resolutions 10 to 12 (inclusive) will be proposed as special resolutions.

Ordinary Business

1. To receive the Company's annual accounts for the financial year ended 31 December 2008, together with the directors' report, and the directors' remuneration report and the auditors' report on those accounts and on the auditable part of the directors' remuneration report.
2. To re-appoint Andrew Simon as a non-executive director, who is retiring by rotation pursuant to Article 76 of the Company's Articles of Association. Biographical details of Andrew Simon appear on page 41.
3. 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.
4. To re-appoint Tim Stevenson as a non-executive director, who is retiring by rotation pursuant to Article 76 of the Company's Articles of Association. Biographical details of Tim Stevenson appear on page 40.
5. To re-appoint Deloitte LLP, Chartered Accountants, as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the Directors to fix their remuneration.
6. To re-appoint as a director any person who has been appointed as a director by the Board in accordance with Article 72 of the Company's Articles of Association after 1 April 2009 but prior to this Annual General Meeting. (See Note 10)

Special Business

7. That the directors' remuneration report for the financial year ended 31 December 2008 set out on pages 49 to 57 be approved.
8. That the authorised share capital of the Company be increased from £13,500,000 to £22,000,000 by the creation of 85 million ordinary shares of 10 pence each.
9. That, in substitution for all existing authorities, the Directors be

generally and unconditionally authorised to exercise all the powers of the Company to allot:

- (a) relevant securities (as defined in the Companies Act 1985) up to an aggregate nominal amount of £4,090,637; and
- (b) relevant securities comprising equity securities (as defined in the Companies Act 1985) up to an aggregate nominal amount of £8,181,274 (such amount to be reduced by the aggregate nominal amount of relevant securities issued under paragraph (a) of this resolution 9) in connection with an offer by way of a rights issue:
 - i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - ii. to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 30 June 2010) but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would, or might, require relevant securities to be allotted after the authority expires and the Directors may allot relevant securities under any such offer or agreement as if the authority had not expired.

10. That, in substitution for all existing powers and subject to the passing of resolution 9, the Directors be generally empowered to allot equity securities (as defined in the Companies Act 1985) for cash pursuant to the authority granted by resolution 9 and/or where the allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Companies Act 1985, in each case free of the restriction in section 89(1) of the Companies Act 1985, such power to be limited:

- (a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted by paragraph (b) of resolution 9, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):

- i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- ii. to holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

- (b) to the allotment of equity securities pursuant to the authority granted by paragraph (a) of resolution 9 and/or an allotment which constitutes and allotment of equity securities by virtue of section 94 (3A) of the Companies Act 1985 (in each case otherwise than in the circumstances set out in paragraph (a) of this resolution 10) up to a nominal amount of £613,596 calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, relevant shares (as defined in the Companies Act 1985) by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights.

Such power to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 30 June 2010) but so that the Company may make offers and enter into agreements before the power expires which would, or might, require equity securities to be allotted after the power expires and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.

- 11. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

- 12. That the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 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 12,271,911 (representing 10% of the issued share capital of the Company as at 18 February 2009);
- (b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is its nominal value of 10 pence;
- (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased;
- (d) this authority expires at the conclusion of the next Annual General Meeting of the Company or 30 June 2010, whichever is the earlier; and
- (e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares pursuant to any such contract.

By order of the Board

Andrew Pike *Company Secretary*

Lodge Way House, Harlestone Road, Northampton NN5 7UG

18 February 2009

Registered in England No. 824821

Directions to Northampton Rugby Football Club can be found on page 116.

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. A member of the Company is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and vote at a general meeting of the Company. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attaching to different shares. A proxy need not be a member.
2. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars or you may photocopy the form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The right to appoint a proxy *under note 1 above* does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
4. To be effective, the instrument appointing a proxy and any authority under which it is signed (or a notarially certified copy of such authority) for the Annual General Meeting to be held at Northampton Rugby Football Club, Franklins Gardens, Weedon Road, Northampton, NN5 5BQ at 11.45 am on Thursday 21 May 2009 and any adjournment(s) thereof must be returned to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by 11.45 am on 19 May 2009. Alternatively you may submit your proxy form online by accessing the Shareholder portal at www.capitaregistrars.com, logging in and selecting the "Proxy Voting" link. If you have not previously registered for electronic communications, you will first be asked to register as a new user, for which you will require your investor code (which can be found on the enclosed proxy form, your share certificate and dividend tax voucher), family name and post code (if resident in the UK).

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do by using the procedures described in the CREST Manual.

CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsors

or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message 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 Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The 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.

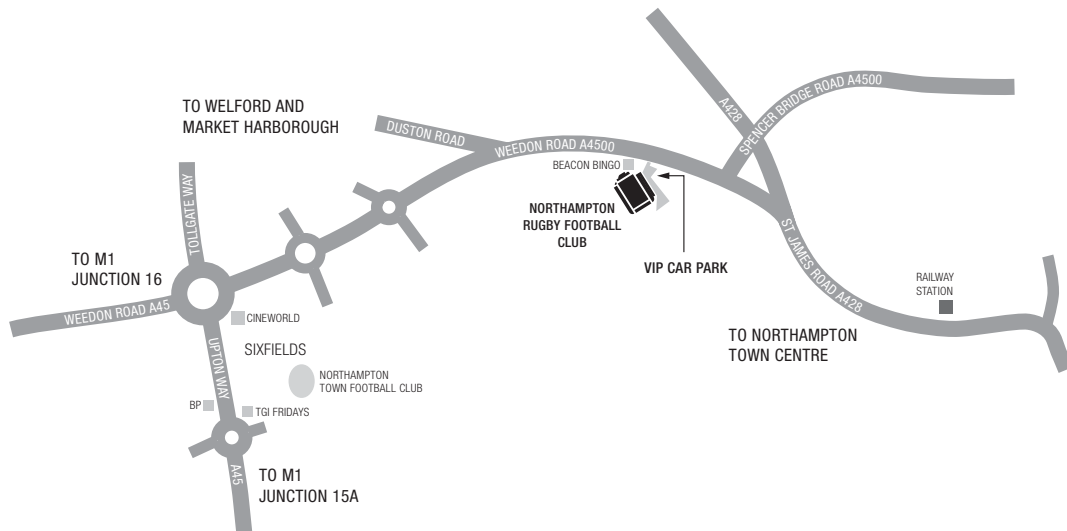
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at 6.00 p.m on Tuesday 19 May 2009 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at 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.

6. The register referred to in note 5 means the issuer register of members and the operator register of members maintained in accordance with Regulation 20 of the Uncertificated Securities Regulations 2001.
7. 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.
- The register of directors' interests kept by the Company.
 - Copies of contracts of service of directors and non-executive directors' letters of appointment with the Company, or with any of its subsidiary companies.
 - A copy of the Company's Articles of Association.
 - A statement giving particulars of directors' relevant transactions.
8. At 18 February 2009 (being the latest practicable date before publication of this notice) the issued share capital of the Company consisted of 122,719,114 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 18 February 2009 were 122,719,114.
9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that: (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
10. At the time of printing this Notice, the Board is expecting to appoint an additional non-executive director in the near future. It is the Board's expectation that the appointment will take place before this Annual General Meeting is held. According to Article 72 of the Company's Articles of Association, a person appointed as a director by the Board may hold his post only until the dissolution of the next annual general meeting. Therefore, if the above appointment takes place as expected, the Annual General Meeting will be asked to consider and, if thought fit, approve a resolution for the re-appointment of that person. As the appointment is still under discussion, it is not possible to provide with this Notice the name of, or details concerning, the proposed director. The Board can confirm, however, that it will send to shareholders a copy of the announcement made by the Company pursuant to the Listing Rules in relation to the appointment of the new director once this has been made.

DIRECTIONS TO NORTHAMPTON RUGBY FOOTBALL CLUB

Franklin's Gardens, Weedon Road, Northampton, NN5 5BG

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



From the South (via the M1)

Exit off motorway at junction 15A and follow the signs towards Sixfields. At roundabout with TGI Fridays on the right and a BP petrol station on the left carry straight on up the hill. At Cineworld roundabout turn right towards the Town Centre. Go straight over the next roundabout (Sainsbury's is on the left before the roundabout and Wickes on the right after the roundabout) and set of traffic lights. Continue on that road (Weedon Road). The entrance to the Saints is on the right immediately after Beacon Bingo. Follow signs for VIP car park off Weedon Road.

From the North (via the M1)

Exit off motorway at junction 16 and follow the A45 to Northampton. At Cineworld roundabout continue straight on and follow directions from the South.

From the East, Peterborough, Cambridge, Wellingborough

Follow A45 to M1 junction 15. Head north to junction 15A then follow directions from the South.

From Welford, Market Harborough

Aim towards the Kingsthorpe area of Northampton. Turn right at the major set of traffic lights (the Cock Hotel is on the corner), signposted Sixfields. Continue on this road until you get to Cineworld roundabout (approx 3 miles) then continue as from the South.

Directions from the Railway Station

Turn right out of the station. Continue past Thomas A Becket pub, Church and Co. factory and bus station. At fork in road bear left and Franklin's Gardens is on your left. Walk takes approx 15 minutes.

Nearest Airports

London Luton and Nottingham East Midlands.

Further Information

For detailed directions you might want to try the following websites:

Multimap (www.multimap.com)

The AA (www.theaa.com)

The RAC (www.rac.co.uk)

For further details about the venue:

www.northamptonsaints.co.uk

OTHER SHAREHOLDER INFORMATION

SHAREHOLDER ENQUIRIES

Shareholder enquiries should be directed to the Company Secretary at the Company's registered office Lodge Way House, Lodge Way, Harlestone Road, Northampton NN5 7UG (telephone 01604 752424; email cosec@travisperkins.co.uk) or to the Company's registrars, Capita Registrars, at Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0GA (telephone 0871 664 0300 (calls cost 10p per minute plus network extras); email ssd@capitaregistrars.com).

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

FINANCIAL DIARY

Annual General Meeting	21 May 2009
Announcement of interim results	July 2009
Announcement of 2009 annual results	February 2010

ANNUAL GENERAL MEETING – CATERING ARRANGEMENTS

It has always been the Company's custom to provide a light luncheon for shareholders following the A.G.M. This year, a buffet luncheon will be available. Unlike in previous years, you need not notify the Company in advance if you would like lunch.

INTERNET

There are sites on the internet that carry a range of information about the Group and its principal brands, products and services at the following addresses:

www.travisperkinsplc.com (investor relations site)
www.travisperkins.co.uk*
www.bmpublicsector.co.uk
www.cityplumbing.co.uk*
www.ccf ltd.co.uk*
www.toolsinthepost.co.uk*
www.toolmart.co.uk
www.keyline.co.uk*
www.wickes.co.uk*
www.tilegiant.co.uk
www.benchmarkjoinery.co.uk
www.ifloco.uk
www.toolstation.co.uk*

*These sites allow credit account holders to order on-line with the exception of the Wickes, Toolsinthepost and ToolStation sites which allow 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.

ELECTRONIC COMMUNICATION

In accordance with the Companies Act 2006 and the Company's Articles of Association, the Company is allowed to use its website to publish statutory documents and communications to shareholders, such as the Annual Report and Accounts and the Notice of the AGM. You can therefore view or download a copy of the Annual Report and Accounts and the Notice of the AGM by going to our website at www.travisperkinsplc.com (see section called 'Investor Centre'). If you received a hard copy of this report in the post then you will not have consented to this method of publication. Should you now wish to consent to this method of publication, you should contact Capita Registrars, Shareholder Administration Support, Freeport RLYX-GZTU-KRRG, 34 Beckenham Road, Beckenham, BR3 9ZA. By reducing the number of communications sent by post, it will not only result in cost savings to the Company but also reduce the impact that the unnecessary printing and distribution of reports has on the environment. Please note that if you consent to website publication, you will continue to be notified each time that the Company places a statutory communication on the website. This notification will be sent to you **by post**. However, you may also choose to receive notifications by e-mail and we would encourage you to do so. If you wish to receive these notifications by email, you should register at www.capitashareportal.com, and follow the instructions given below under the heading 'Accessing the Share Portal'.

Please telephone Capita Registrars on 0871 664 0391 (within the UK, calls cost 10p per minute plus network extras) or +44 20 8639 3367 if calling from outside the UK if you have any queries.

NOTES

1. Before consenting to receive documents and communications via the website, shareholders should ensure that they have a computer with internet access and the Adobe Acrobat reader facility. The Adobe Acrobat reader software may be obtained via the website free of charge.
2. If you elect to receive notifications of the publication of the documents and communications on the website electronically, it will be your responsibility to notify our registrars, Capita, of any subsequent change in your e-mail address or other contact details.
3. If you are not resident in the United Kingdom, it is your responsibility to ensure that you may validly receive documents and communications electronically (either generally or in relation to any particular document or communication) without the Company being required to comply with any governmental or regulatory procedures or any similar formalities. The Company may deny electronic access to documents and communications relating to certain corporate actions in respect of those shareholders who it believes are resident in jurisdictions where it is advised that to provide such access would or may be a breach of any legal or regulatory requirements.
4. The Company's obligation to provide shareholder documents to you is satisfied when it transmits an electronic message. The Company is not responsible for any failure in transmission for reasons beyond its control any more than it is for postal failures. In the event of the Company becoming aware that an electronic communication to you has not been successfully transmitted, a further two attempts will be made. If the transmission is still unsuccessful, a hard copy of the relevant notification will be posted to your registered address.
5. Your registration to receive electronic communications and your relevant contact address details will stand until such time as the Company receives alternative instructions from you by e-mail or in writing.
6. The Company takes all reasonable precautions to ensure no computer viruses are present in any electronic communication it transmits, but the Company shall not be responsible for any loss or damage arising from the opening or use of any e-mail or attachments sent by the Company or on its behalf. The Company recommends that shareholders subject all messages to computer virus checking procedures. Any electronic communication received by or on behalf of the Company, including the lodgement of an electronic proxy form, that is found to contain any computer virus will not be accepted.
7. The Company reserves the right, irrespective of your election, to revert to sending hard copy documentation by post whenever it considers it necessary or desirable to do so.

CAPITA REGISTRARS

The Company's registrars, Capita Registrars ("Capita"), provide a number of services that, as a shareholder, might be useful to you:-

Registrar's On-line Service

By logging onto www.capitashareportal.com and following the prompts, shareholders can view and amend various details on their account. Please note that you will need to register to use this service for which purpose you will require your unique investor code, which can be found on your share certificate, proxy card or dividend tax voucher.

Share Dealing Services

Capita offers an on-line and telephone share dealing service which is available by logging on to www.capitadeal.com or telephoning 0871 664 0446 (calls cost 10p per minute plus network extras). 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")

The Board has not proposed the payment of a final dividend for 2008. Nevertheless, shareholders may wish to know about this plan, 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 0871 664 0381 (calls cost 10p per minute plus network extras) or, if calling from overseas +(44) 20 8639 3402; alternatively you can email shares@capitaregistrars.com.

Duplicate Share Register Accounts

If you are receiving more than one copy of our report, it may be that your shares are registered in two or more accounts on our register of members. If that was not your intention you might consider merging them into one single entry. Please contact Capita who will be pleased to carry out your instructions.

Overseas Shareholders

Capita has an International Payment Service that allows you to receive your dividend payments in your local currency, sent directly to your local bank account - potentially saving you time and money. Further details are available from Shareholder Administration, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; telephone **UK: 0871 664 0386** (Calls cost 10 pence per minute plus network extras) or **+44 20 8639 3405** (from outside the UK) or by logging on to www.capitaregistrars.com/international.

SHAREHOLDER NOTES

SHAREHOLDER NOTES

Travis
Perkins plc

A leader in
builders
merchandising
and home
improvement
retailing



TRAVIS PERKINS PLC
LODGE WAY HOUSE
HARLESTONE ROAD
NORTHAMPTON NN5 7UG
TELEPHONE 01604 752 424