

THE LARGEST SUPPLIER OF BUILDING MATERIALS IN THE UK

Travis Perkins ^{plc}

GENERAL MERCHANTING DIVISION

- Benchmarkx
-
- Travis Perkins East
-
- Travis Perkins North
-
- Travis Perkins West

CONSUMER DIVISION

- Tile Giant
-
- Toolstation
-
- Wickes

CONTRACTS DIVISION

- BSS
-
- CCF
-
- Keyline

PLUMBING AND HEATING DIVISION

- Birchwood Price Tools
-
- City Heating Spares
-
- City Plumbing
-
- Connections
-
- DHS
-
- F & P Wholesale
-
- PTS
-
- Solfex

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

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Forward looking statements: The Strategic Report contained in the Annual Report and Accounts contains forward looking statements with respect to the financial condition, results, operations and business of the Travis Perkins plc group. These statements and forecasts include risk and uncertainty because they relate to events and depend on circumstances that occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by the forward statements.

FINANCIAL HIGHLIGHTS

REVENUE NOW OVER £5BN WITH ANNUAL GROWTH OF 6.3%, 5.0% ON A LIKE-FOR-LIKE BASIS

OPERATING PROFIT UP 10% TO £330M

ADJUSTED PROFIT BEFORE TAX UP £35M OR 12.4% TO £321M

PROFIT AFTER TAX UP £16M TO £265M

ADJUSTED EPS UP 14.3% TO 103.6 PENCE

FINAL DIVIDEND UP 24% TO 21 PENCE, GIVING FULL YEAR DIVIDEND OF 31 PENCE

NET DEBT REDUCED BY £104M TO £348M

OPERATING HIGHLIGHTS

ALL DIVISIONS ACHIEVED REVENUE GROWTH

STRONG OVERHEAD CONTROL THROUGHOUT THE GROUP

OPERATING MARGIN IMPROVED BY 0.1PP TO 6.8%

43 NEW BRANCHES AND 15 IMPLANTS OPENED, INCLUDING 9 TOOLSTATION OPENINGS WITHIN WICKES

ACQUISITION OF SOLFEX AND AN ONLINE HEATING PRODUCTS DISTRIBUTION BUSINESS

FINANCIAL SUMMARY

		2013 £m	%	2012 £m **(Restated)
	Note			
REVENUE	4	5,148.7	6.3	4,844.9
ADJUSTED:*				
Operating profit	5a	347.6	6.7	325.7
Profit before taxation	5c	321.1	12.4	285.8
Profit after taxation	5c	249.5	15.6	215.9
Adjusted earnings per ordinary share (pence)	11b	103.6	14.3	90.6
STATUTORY:				
Operating profit	5a	329.7	10.0	299.6
Profit before taxation	5c	312.6	4.5	299.2
Profit after taxation	5c	264.7	6.4	248.7
Basic earnings per ordinary share (pence)	11a	109.9	5.4	104.3
Total dividend declared per ordinary share (pence)	12	31.0	24.0	25.0

* Throughout this Annual Report the term 'adjusted' has been used to signify that the effects of exceptional items, amortisation of intangible assets and the associated tax impacts have been excluded from the disclosure being made.

** The Group has adopted the requirements of IAS 19 (revised 2011) for the first time during 2013. As a result the 2012 comparative numbers have been restated to ensure that 2012 and 2013 have been prepared on a comparable basis. Full details of the effect of applying IAS 19 (revised 2011) are given in note 5e.



Brackmills
Distribution
Centre,
Northampton



STRATEGIC REPORT OUTLINE

The Directors of the Company have prepared a Strategic Report for the year ended 31 December 2013 which is set out on pages 6 to 55. It encompasses the following information:

Key performance indicators – page 6

Travis Perkins at a glance – page 8

Chairman's statement – page 12

Business model – what Travis Perkins does – page 16

The Group's markets – page 17

Business review – page 20

Financial review – page 25

Evolution of the Group's strategy – page 31

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Corporate responsibility statement – page 42
incorporating:

Stay safe report – page 46

Environmental report – page 50

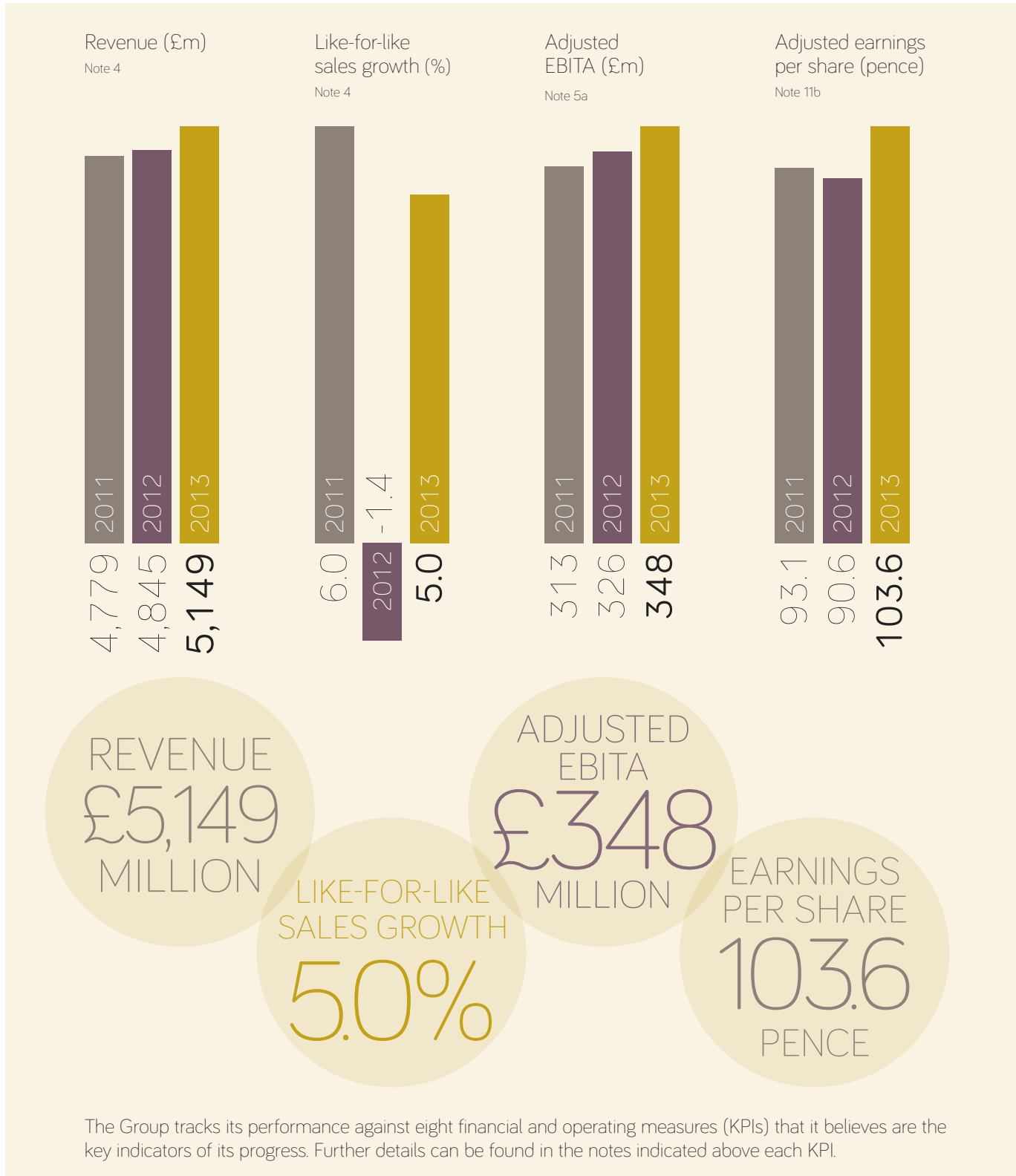
Engaging people – page 52

The Strategic Report was approved by the Board of Directors on 25 February 2014 and signed on its behalf by:

John Carter
Chief Executive Officer
25 February 2014

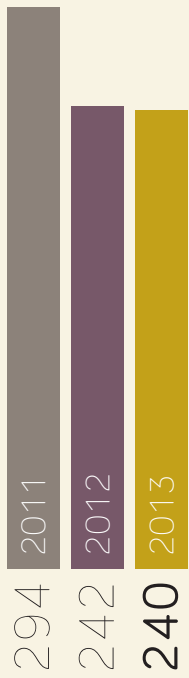
Tony Buffin
Chief Financial Officer

KEY PERFORMANCE INDICATORS



Free cash flow (£m)

Note 35



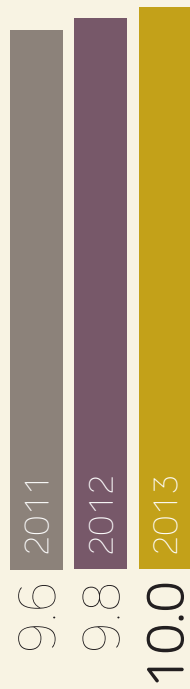
Lease adjusted net debt to EBITDAR

Note 36



Lease adjusted pre-tax return on capital (%)

Note 37



Colleague engagement (%)

Page 52



FREE CASH FLOW
£240 MILLION

LEASE ADJUSTED NET DEBT TO EBITDAR
3.0x

LEASE ADJUSTED PRE-TAX RETURN ON CAPITAL
10.0%

COLLEAGUE ENGAGEMENT
64%

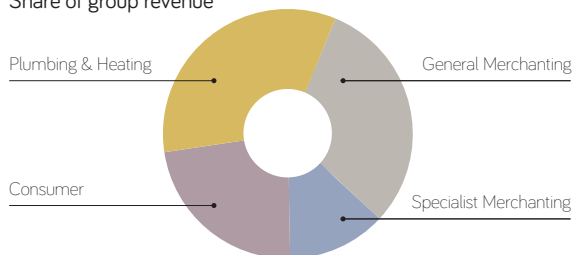
TRAVIS PERKINS AT A GLANCE

A major plc, which can trace its roots back over 200 years, Travis Perkins is a leading company in the builders' merchant and home improvement markets, and is the UK's largest product supplier to the building and construction market, one of the largest industries in the UK. It operates 17 businesses from more than 1,900 sites across the UK and Ireland. In June 2013 it entered the FTSE 100 for the first time.

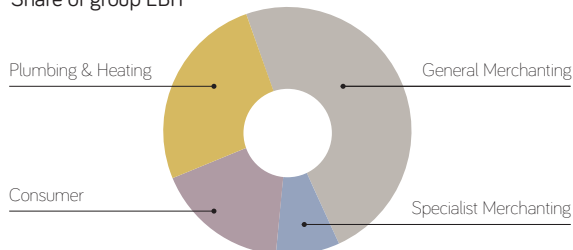
As explained on page 31 the Group has recently refocused its strategic objectives to underpin shareholders value creation in light of the emerging economic recovery. As part of this review, and with effect from 1 January 2014, the Group's divisions have been realigned. The financial and operating sections of the Annual Report have been prepared using the divisional structure in place throughout 2013. Further detail on the realigned divisional structure is set out on page 31.

In 2013 Travis Perkins comprised a strong portfolio of businesses which were organised into four divisions, General Merchancing, Specialist Merchancing, Consumer and Plumbing and Heating.

Share of group revenue



Share of group EBIT



THE GROUP'S MISSION

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

THE GROUP'S BUSINESSES IN 2014

General Merchancing

is the Group's core business operating under the Travis Perkins fascia. It supplies products for all types of repair, maintenance and improvement projects ('RMI') as well as new builds. It has developed exclusive own label products, the largest of which is 4Trade. The customers of General Merchancing businesses are primarily professional tradesman, ranging from sole traders to national housebuilders whose key requirements are product range and availability, competitive pricing and customer service.



Travis Perkins is a leading company in the builders' merchant market, and is a main supplier to the building and construction trades. Travis Perkins supplies more than 100,000 product lines to trade professionals and self-builders.

INDUSTRY
General building materials

POSITION
Number 1

BRANCHES
643 around the UK

BENCHMARK Kitchens and Joinery

Benchmark Kitchen & Joinery was opened in 2006. It is a trade only specialist outlet supplying kitchens and joinery products that meet the needs of businesses of many sizes from specialist joiners through to local authorities and national housebuilders.

INDUSTRY
Kitchen specialists

POSITION
Number 2

BRANCHES
85 around the UK

Contracts

has three main brands: Keyline, CCF and BSS and these businesses are known for their knowledgeable staff and excellent delivery service.



Keyline is one of the largest suppliers of civils, heavy building materials and drainage solutions in the UK with a nationwide network that delivers thousands of product lines to trade professionals and specialist contractors.

INDUSTRY
Civils, heavy building materials and drainage solutions

POSITION
Number 1

BRANCHES
87 around the UK



CCF is one of the UK's leading distributors of interior building products to the construction industry. CCF has an extensive product range from ceilings, drywall and flooring, to insulation, partitioning and fire protection products which can be supplied from stock and delivered nationwide.

INDUSTRY
Interior building solutions – commercial offices, residential, healthcare, education, hotels, airports, retail, food

POSITION
Number 2

BRANCHES
31 around the UK



Pipeline & Heating Solutions

BSS Industrial Pipeline & Heating Solutions is a specialist distributor of pipeline, heating and mechanical services equipment serving customers across all industrial sectors within the UK and Ireland.

INDUSTRY
Pipeline and heating solutions

POSITION
Number 1=

BRANCHES
64 around the UK

Consumer

division supplies domestic building and decorative materials through retail stores. It differentiates its proposition through a higher proportion of own brand products, low prices and good availability supplemented by the key brands required by DIYers and the trade.

Wickes

Wickes opened its first store in 1972 and now has over 200 stores throughout the UK. Wickes was acquired by the Group in February 2005. There are currently 10,000+ products in the Wickes range which are available to order in-store, online or by telephone.

INDUSTRY
DIY and home improvement product retailer

POSITION
Number 2

STORES
229 around the UK



Toolstation is a rapidly growing retailer, founded in 2003, operating from nearly 150 stores. Its fully integrated multichannel operating model is class leading and enables the business to offer the lowest prices and best availability.

INDUSTRY
Retailer of tools and hardware

POSITION
Number 2

STORES
147 around the UK

Tile Giant

Tile Giant is one of the UK's fastest growing suppliers of ceramic tiles which are available to both the public and the trade. Tile Giant was founded in Staffordshire and has grown to over 100 stores nationwide. Tile Giant was acquired by the Group in 2007.

INDUSTRY
Retailer of ceramic tiles

POSITION
Number 2

STORES
108 around the UK

Plumbing and Heating

supplies the trade with plumbing, heating, ventilation, air conditioning and related products. Plumbing Trade Supplies and City Plumbing Supplies are the main brands in the division which supplies a wide range of customers including domestic plumbers, independent merchants, large contractors and public services. It is the joint number 1 business in its sector. As well as selling branded products the division has developed very successful own brand products such as BOSS and IFLO.



City Plumbing Supplies is a major nationwide plumbing and heating merchant serving the contract market and the general plumbing and heating trades. The business offers high quality products and expertise to the trade.

INDUSTRY
Plumbing
and heating

BRANCHES
193 around
the UK



Plumbing Trade Supplies

Plumbing Trade Supplies ('PTS') sells a wide range of bathroom, heating and plumbing products to both the private and public sectors, including national housebuilders and sole trading plumbers.

INDUSTRY
Plumbing
and heating

BRANCHES
311 around
the UK



F & P Wholesale

F & P Wholesale is the leading distributor of plumbing, heating and bathroom products into the independent merchant sector and retailers of fires and bathrooms. The business distributes a wide range of the UK's leading brands plus a number of popular own brands including Pro (heating and ancillary products) and Fresssh (bathrooms).

INDUSTRY
Plumbing, heating
and bathrooms

DISTRIBUTION
CENTRES
9 across
the UK



Direct Heating Spares

Direct Heating Spares ('DHS') is a leading distributor of domestic heating spares in the UK with national coverage. The business is focused on improving the supply and service of domestic heating spares to the trade.

INDUSTRY
Heating spares

LOCATIONS
1 unit
distributing
around the UK



Birchwood Price Tools ('BPT') is a leading wholesaler of power tools, hand tools and site equipment as well as a developer of products which are sold within the Group and to third parties. BPT was formed in April 2009 as the result of a merger between Birchwood Products and Price Tools and was acquired by the Group in December 2010.

INDUSTRY
Tools and hardware
wholesaler

LOCATIONS
3 distributing
around the UK



Connections was established in the early 1980's to supply pre-packed plumbing fittings. It currently has over 4,500 product lines sourced from leading manufacturers around the world.

INDUSTRY
Plumbing
and heating

LOCATIONS
1 distributing
around the UK



City Heating Spares ('CHS') is a spares business launched by the Group in 2010. Trading from counters within selected plumbing and general merchanting branches throughout the UK, CHS offers its customers expert advice and thousands of parts for same day or first thing next day delivery.

INDUSTRY
Heating spares

BRANCHES
283 facias
around the UK



In 2013 the Group acquired Solfex Energy Systems Limited, a distributor of renewables technology. The business trades from one site in the north west of England.

INDUSTRY
Renewables
technology

LOCATIONS
1 distributing
around the UK



David Wrafter,
branch manager,
Travis Perkins,
Rowley Regis

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013



Robert Walker, Chairman

“The Group has a strong platform from which to take advantage of the opportunities for sustainable growth presented by the increasing confidence of its customers.”

INTRODUCTION

Although it is still early days for the recovery, the outlook for the building materials market continues to improve. In 2013 the Group finally saw its markets come out of recession as confidence in the building industry, driven partly by the Government's Help-to-Buy scheme, picked up. However, it's worth noting that the UK market for building and construction materials is still, at December 2013, 13% below the peak levels of 2008.

Travis Perkins is led by an experienced board and executive team that has adopted a measured approach to trading and investment throughout the last five years. It has a strong portfolio of businesses that give it national reach, considerable product breadth, a diversified customer base, a market leading supply chain capability and leading positions in each of its markets. Management's track record of successfully combining organic and acquisitive growth has led to a consistent outperformance in total returns to shareholders. Overall this means the Group has a strong platform from which to take advantage of the opportunities for sustainable growth presented by the increasing confidence of its customers.

Managing top management succession is the most important task undertaken by the Board of directors. Working closely with Geoff Cooper, the Board commenced over two years ago to plan for orderly succession; in so doing, the aim was

to ensure 'best in class' practice and mitigate any investor uncertainty.

Since early 2011, the Board has held frequent Nominations Committee meetings; examined the Company's long term strategy to evaluate the need for external or internal succession, and to clarify the balance of complementary skills required at the top. Investors were kept closely informed of the process, and a clear succession process was initiated:

- In October 2012, Tony Buffin was announced as the Group's new CFO, following Paul Hampden Smith's announcement of his intention to retire after 17 years
- In July 2013, Geoff Cooper's retirement was announced as CEO in December 2013 and John Carter's appointment as CEO from 1 January 2014
- In September 2013, John Carter reorganised his senior management team and announced the new group structure
- Finally, in December 2013, the Group's new executive team presented to the Capital Markets its plans for leveraging the Group's position as the largest supplier of building materials in the UK. Details can be found on the Company's website and in the evolution of the Group's strategy section of this report on page 31

The aim throughout has been to mitigate investor uncertainty around these changes and ensure that our investors share our confidence in the future prospects of Travis Perkins.

RESULTS

Although the poor weather impacted the start to the year, 2013 has been a successful year for the Group. Revenue increased by 6.3% to £5.1bn (2012: £4.8bn) whilst adjusted profit before tax rose by £35m or 12.4% to £321m (2012: £286m). Adjusted earnings per share rose by 14.3% to 103.6p (2012: 90.6p).

As the builders merchanting market starts to grow, the Group's working capital requirements increase. Even so, despite increases in both capital investment and returns to shareholders, the Group continued its recent trend of reducing debt levels. At 31 December net debt was £348m, some £104m lower than at the previous year-end (2012: £452m).

Expansion remains a cornerstone of the Group's strategy so the acquisitions of Solfex and an online heating products distribution company were welcome additions to the Group's portfolio of businesses. In addition a net 43 sites were opened during the year increasing the number of trading premises to 1,939 by the year-end.

DIVIDEND

The Board remains confident about the Group's prospects, and believes that it should continue with its progressive policy of increasing dividends at a faster rate than the rate of increase in earnings to achieve its re-stated target dividend cover ratio of between 2.5x and 3.25x for 2014 and onwards.

Accordingly, the Board is pleased to recommend a final dividend for 2013 of 21p per share, giving a total dividend for the year of 31p (2012: 25p), an increase of 24% over 2012. The final dividend will be paid on 30 May 2014 to shareholders on the register on 2 May 2014.

The total cash outflow for dividends declared in 2013 will be approximately £75m.

BOARD OF DIRECTORS

As a fast moving trading business, operating in competitive markets, the Group has benefited significantly from having a very settled Board of Directors to guide it through the difficult markets it experienced over the last few years. The Board's directors have all had significant P&L and operating experience, mostly either as CFOs or CEOs of large businesses, so they bring to the Board table a vast array of experience in dealing with most business situations.

One of the key factors in the Group's success is Geoff Cooper who has led the Company with considerable skill and expertise over the last nine years, the results of which are that Travis Perkins is now the largest supplier of building materials in the UK and during 2013 it joined the FTSE 100 for the first time in its history. I would like to place on record my own thanks to Geoff for his leadership and support and I am sure that shareholders, colleagues and other stakeholders in the Group will join me in wishing him well for the future.

John Carter, who became Chief Executive on 1 January, is an ideal replacement for Geoff. He has extensive knowledge and experience of the building

materials industry and is widely respected by his peers. He has worked in the Travis Perkins group for over 30 years having started out in the Group's Trainee Scheme and is ideally placed to take the Group into the next phase of its development.

Last year, the Board announced the impending retirement of Chris Bunker. He stepped down from the Board in November having served as a non-executive director for a little over 9 years. Philip Jansen, who has been a director of the Company for just over four years, retired from the Board in May due to other commitments. Both Chris and Philip have been constant sources of wise counsel to the Board and will be missed. They retire with the thanks of the Board.

Christopher Rogers joined the Board as a non-executive director on 1 September 2013. He has held senior positions in a number of companies and so brings a wealth of experience to the Group.

A key challenge facing the Board in the coming year is to ensure that we have an equally strong and experienced group of non-executive directors, as John Coleman and Andrew Simon complete their nine years service, in 2014 and 2015 respectively.

EMPLOYEES

The success of the Group is founded on the quality of the people it employs. The results for 2013 are testament once again to the many thousands of colleagues who work throughout the Group. I would like to thank them all for their commitment during the year to the success of the business.

OUTLOOK

The outlook for 2014 is encouraging. However, the Board will continue to monitor the market carefully for any sign that the recovery may be slowing.

Lead indicators suggest that an improvement in the level of housing transactions is well underway with mortgage approvals increasing and consumer confidence improving although still negative. End-user markets are also showing improving signs and our analysis suggests that in 2014 only new build in the public sector will continue to contract.

After several years of following a policy of targeting investment towards those projects with very short payback periods and maintaining strong control over costs the Board is now sufficiently confident in the market's prospects to increase investment for the future. The Board therefore expects capital expenditure to increase to around £130m - £150m in 2014. This investment in new stores, implants, supply chain and IT along with the network restructuring in the P&H division will also incur additional operating expenditure. The Group will continue to devolve responsibility to its divisions, whilst evolving the Group's portfolio model and increasing the focus on returns on capital employed at divisional, business and branch level. This approach should enable the Group to extend its market leading positions.

For the coming year the Board is encouraged by the many positive lead indicators for construction and trade markets. However, it is also cognisant that stimulus measures may be withdrawn and that retail spending remains fragile with customers looking for value when deciding to invest in their homes.

Robert Walker

Chairman

25 February 2014

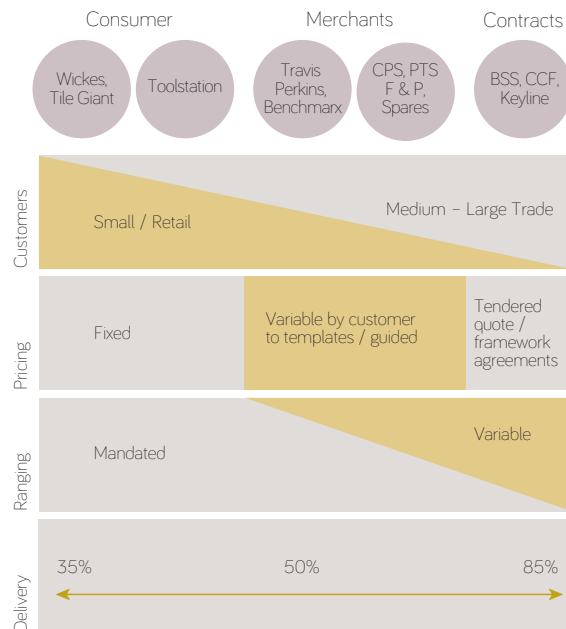


Kelly Harris,
showroom
sales manager,
City Plumbing

BUSINESS MODEL – WHAT TRAVIS PERKINS DOES

The Travis Perkins Group operates a diverse range of UK-based building materials and products distribution businesses. The businesses are organised into four divisions; General Merchandising, Plumbing and Heating, Contracts and Consumer. The Group supplies material through physical branches, stores and increasingly online, provides nationwide delivery services and has a broad range of businesses in terms of scale and customers served.

The unique breadth of businesses in the Group and diverse supply channels provide resilience to future changes in customer buying behaviour. Wickes, Tile Giant and Toolstation are well placed to benefit from the trend amongst smaller customers seeking fixed prices and online convenience. Similarly, BSS, CCF and Keyline provide the level of service and bespoke framework agreements which are increasingly important to larger contract customers. The Group is organised by customer type, product and operating model as follows:



The Group differentiates its customer proposition through its:

Size and brand strength:

- The size of the Group allows it to benefit from economies of scale in common and direct product sourcing, selective centralised distribution and access to property estate
- The Group trades through 17 well recognised brands each of which has developed a unique customer proposition and clearly defined brand position

Product solutions:

- The range of businesses the Group operates enables it to access and distribute products in almost all building material product categories
- The Group is committed to buying products commensurate with its customers' needs from ethically responsible manufacturers
- The Group has developed a wide range of own brand products which supplement the supply of branded goods
- Excellent relationships with suppliers ensure the Group benefits from product innovation and keen prices which it can pass through to its customers

Excellent availability and fast and efficient delivery:

- Nearly 70% of the Group's sales are delivered to customers with two thirds of these routed through the branch network
- Over 1,650 colleagues, 192 lorries, 24 central warehouses and 2,400 local delivery vehicles enable the Group to operate an efficient delivery service
- The operation of lightside primary distribution centres, heavyside regional distribution centres and dedicated retail supply chains mean the Group can offer superior access to range and excellent availability
- Telephone, mail order and internet ordering channels enable customers to access the product they need at their convenience

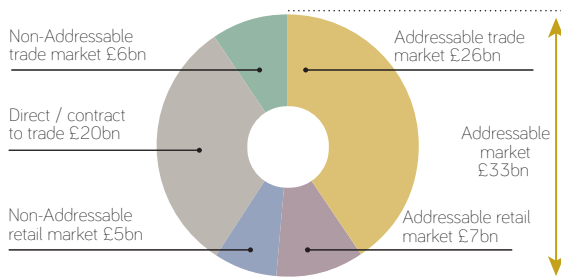
Excellent customer service:

- Each business has developed a proposition which concentrates on availability, service, range and value for money which fit with its customers' needs
- The Group aims to employ, develop and retain the best people in the sector

THE GROUP'S MARKETS AND ITS MARKET LEADING POSITIONS

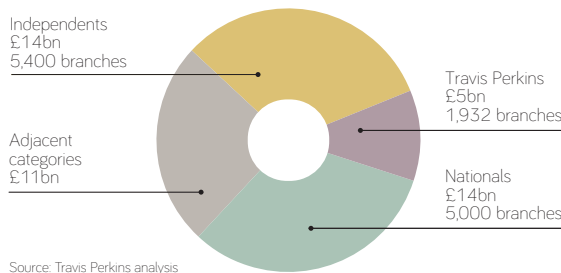
The total UK construction and home improvement materials market is worth approximately £64bn. Travis Perkins' addressable market is £33bn which excludes certain trade and DIY categories and direct from manufacturer to end-user supplies.

Building materials market (£64bn)



Source: i) Merchenting – Travis Perkins market analysis using BMF
 ii) DIY & Gardening – Verdicht iii) Adjacent markets – combination of public research (eg. AMA research) and Travis Perkins analysis.

Addressable market (£33bn) plus adjacent categories (£11bn)



Source: Travis Perkins analysis

Many of the Group's businesses hold market leading positions, and those that do not are generally the number two in their respective market. Therefore the Group is well positioned to benefit from the UK's economic recovery that is underway and further enhance shareholder returns.

The Group's largest nationwide competitors account for less than half the turnover in the Group's addressable markets. Independents and regional, largely private, companies make up the remainder of the market. There are categories with an addressable market of approximately £11bn, in which the Group

does not currently operate. These categories provide potential opportunities into which the Group may extend its reach.

LEAD INDICATORS

The Group's businesses supply greater volumes to the more resilient RMI market, albeit with a small but important component of group turnover coming from the supply of material to the new build market.

Both new build and RMI markets saw a dramatic contraction between 2007 and 2009. Market volumes did not improve significantly between 2009 and 2012 however a meaningful recovery has been underway since the first quarter of 2013. The government's action to encourage first-time house buyers through initiatives such as the Help-to-Buy scheme, has helped ease credit supply with the result that secondary housing transactions have shown encouraging growth through the majority of 2013.

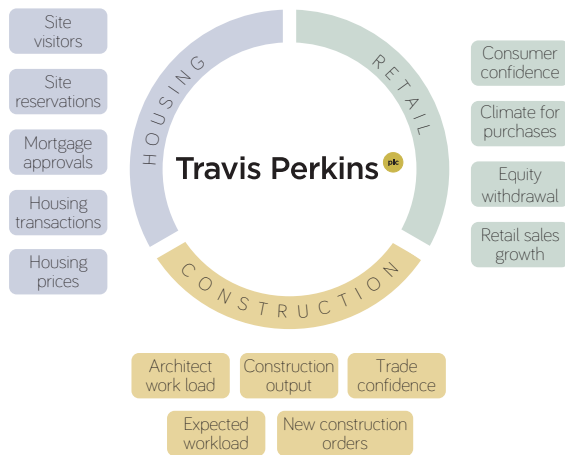
The Group tracks several market indicators from the housing, retail and construction sectors in order to determine levels of investment and inform the Group's trading stance. Housing transactions and consumer confidence remain the key indicators that most closely correlate to future performance. Traditionally there has been a lag of around nine months between a change in those key indicators and a corresponding uplift in demand volumes.

The most recent lead indicators suggest consistent signs of improvement across all sectors in which the Group operates. The Group is well placed to benefit from the upturn in UK building activity and in particular the strength of secondary housing transactions. The Group's businesses serving general trade and plumbing and heating customers have experienced the highest levels of improving demand, however, consumer markets remain weak with modest growth experienced only in the final quarter of 2013.

Whilst the lead indicators the Group monitors, and industry body forecasts, indicate significant growth across all new build and RMI channels, further market shocks would inevitably change the pace and shape of recovery. Risks and uncertainties are discussed further on pages 39 to 41.

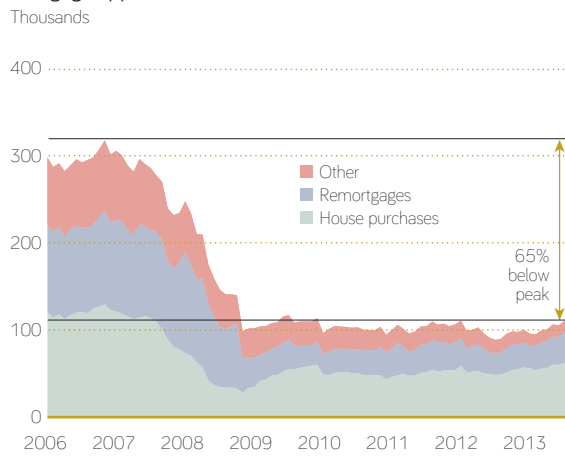
The following chart shows some of the key lead indicators the Group tracks:

Key market indicators



Looking in more detail at a number of the lead indicators the Group tracks, the chart below shows the recent recovery in mortgage approvals. Despite a modest improvement in mortgage approvals, owing to easing credit supply, improvements in customer confidence and the government's Help-to-Buy scheme, approvals remain around 65% below the levels achieved in 2007.

Mortgage approvals

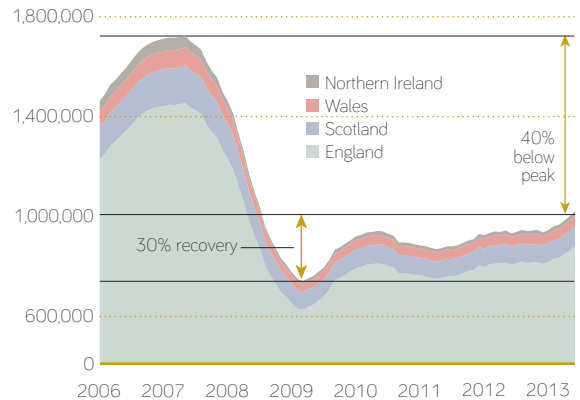


Source: Bank of England, October 2013

Generally an upturn in mortgage approvals leads to an increase in housing transactions. The increase in secondary housing transactions in 2013 appears to have followed this general trend. Similarly to mortgage approvals, secondary housing transactions remain well below the peak volumes achieved in 2006 and 2007.

Housing transactions

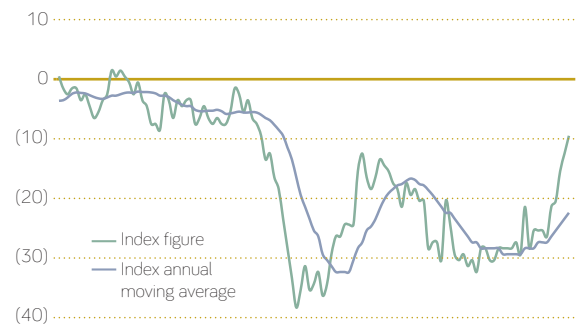
Rolling 12 month property transactions



Source: HM Revenue & Customs, October 2013 & Travis Perkins analysis

Consumer confidence, although still negative, began to improve during the year. That said, the return of confidence remains fragile with consumers circumspect about how much they spend, and when and where they invest in their homes. The following chart sets out movements in consumer confidence between 2004 and 2013.

Consumer confidence

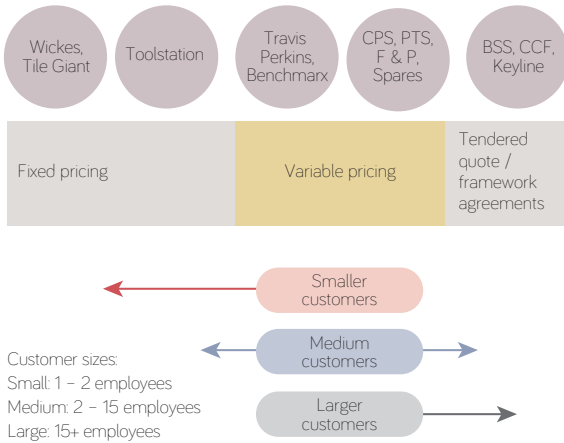


2004 2005 2006 2007 2008 2009 2010 2011 2012 2013
Source: GfK UK Consumer Confidence Index, October 2013

MARKET TRENDS AND CUSTOMER PROPOSITIONS

Customers' buying behaviours continually evolve and it is important that the Group stays ahead of these changes. End-users are becoming more confident in challenging tradesmen on materials prices with improvements in technology enabling increasing levels of price transparency. In some of the Group's markets, in specific categories and for smaller tradesmen, there is an emerging trend towards more fixed rather than negotiated prices. Larger customers, quite rightly, continue to demand both increased levels of service and better value.

Staying ahead of changes in buying behaviour

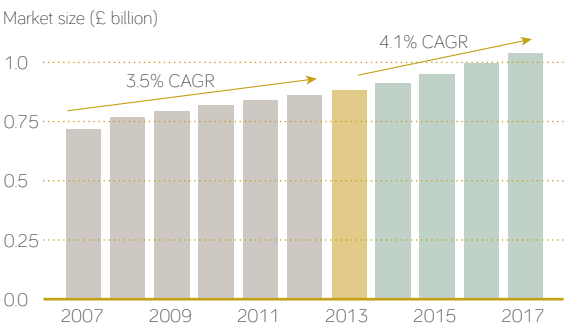


- Increasing price transparency
- End-users challenging tradesmen on material prices
- Jobbing tradesmen able to better compare prices
- Lightside and high-value products
- Large customers demanding increasing levels of service and value

The Group's assembly of businesses serving large and small customers, across a broad range of categories, through online and offline channels, and its nationwide delivery capability means it is very well placed to adapt to and benefit from any changes in customer behaviour and buying patterns.

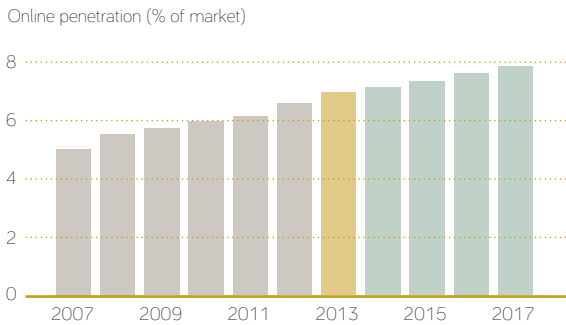
Whilst the internet is having a profound effect on the High Street, online penetration of building material supply is around 3% and for DIY it is 7%. Penetration is expected to grow, but the nature of heavy and bulky goods supply means it is likely to be weighted to lighter products or products with a high unit value. The following charts describe the historic and projected growth in online penetration, from industry forecasts, of the DIY and building products markets:

UK building products online market (estimated 3%)



Source: Conlumino, August 2013

UK DIY and gardening online penetration (currently 7%)



Source: Conlumino, August 2013

Despite the expectation of relatively modest growth in penetration of online sales, the Group is cognisant of monitoring and responding to the changes in technology, buying behaviour and supply arrangements across the Group. The Group's acquisition of Toolstation in 2012 and an online heating supplies business in 2013 alongside investment in new multichannel platforms demonstrate the Group's intention to ensure it retains and enhances its market leading positions whatever the customers' channel of choice.

The Group will continue to monitor changes in end-user and customer buying behaviour to ensure that it is well placed to invest in and benefit from any changes underway. Beyond changes to the channels through which products are distributed the Group has identified further outsourcing opportunities where larger end-users, such as local authorities, have requested full service supply agreements.

BUSINESS REVIEW

The Group's markets began to show consistent growth in 2013 and contributed to another solid year of performance. The merchandising business was the first to experience an improvement in its markets as they picked up during the second quarter. The consumer markets remained subdued until towards the end of the year when they also started to exhibit modest signs of growth.

Turnover and operating margin both increased, with costs being well controlled. Gross margins reduced slightly due to a combination of some targeted investment in prices to grow volumes, changes in the mix of product sold and competitive pricing. The Group also benefited from slightly higher than expected property profits on disposals completed at the end of the year, a number of one-off sourcing gains and income from short-term supply contracts.

In September 2013 a new divisional structure was announced. The Group will report on the new divisional basis from 1 January 2014. Accordingly the results for 2013 are reported on the old divisional basis.

REVENUE

	General Merchandising %	Specialist Merchandising %	Consumer %	Plumbing and Heating %	Total %
Volume	6.7	9.5	4.7	5.2	6.1
Price / mix	-	(0.8)	(3.7)	(0.4)	(1.1)
Like-for-like per day	6.7	8.7	1.0	4.8	5.0
Trading day impact	0.4	0.4	(0.3)	0.4	0.2
Expansion / disposals	1.3	0.3	1.7	0.8	1.1
Total revenue change	8.4	9.4	2.4	6.0	6.3

Total revenue grew by 6.3% driven by a combination of a 5.0% increase in like-for-like ('LFL') sales, continued network expansion and one extra trading day in the merchandising and plumbing and heating divisions.

After a slow start to the year, better weather combined with an increasing level of confidence saw sales improve from April. The trend continued through the year owing in part to the Government's

Help-to-Buy scheme, but also to the sustained increase in housing transactions and house prices. By the final quarter of 2013 all divisions were experiencing good volume growth.

The very weak market conditions experienced in the first four months of the year created poor conditions for passing through price increases from suppliers resulting in product sales deflation for the Group of approximately 1.5% in the first half. With the exception of the Consumer division, where Wickes continued to invest in lower prices, and plumbing and heating, which experienced intense competition resulting in deflationary prices throughout the year, the pricing outlook improved as the year went on. By the end of the third quarter the general and specialist merchandising businesses were seeing consistent month-on-month selling price inflation.

Expansion into complementary business areas continued to be an important part of the Group's strategy. In January, Solfex was acquired, distributing sustainable solar and heating product installation packages and in July the Group purchased a 51% stake in an online business distributing heating products.

The Group continued to organically grow its trading estate and by 31 December it operated from 1,939 sites (2012: 1,896). The Group accelerated its plans to intensify existing space opening Toolstation concessions within Wickes stores, new Benchmarx kitchen implants in Travis Perkins branches and introducing toolhire outlets in BSS branches.

ADJUSTED OPERATING MARGIN

The poor weather at the start of 2013 contributed to aggressive price discounting in the critical first quarter when customers' annual contracts are negotiated. Effective cost management helped to offset gross margin declines for the Group as a whole resulting in adjusted operating profit increasing by 6.7% to £348m (2012: £326m) and the related adjusted operating margins growing by 0.1 percentage point to 6.8% (2012: 6.7%).

	General Merchandising %	Specialist Merchandising %	Plumbing and Consumer %	Heating %	Total %
2012 operating margin	11.5	5.2	5.6	4.5	6.7
Gross margin	(0.2)	(1.5)	(1.1)	0.6	(0.4)
Overheads	(0.2)	1.0	0.8	0.3	0.5
Property profits	0.1	(0.1)	-	-	-
2013 operating margin	11.2	4.6	5.3	5.4	6.8

DIVISIONAL PERFORMANCE

General Merchandising

	2013	2012	Change
Revenue	£1,579m	£1,457m	8.4%
LFL growth			6.7%
Segment profit	£176m	£167m	5.4%
Operating margin	11.2%	11.5%	(0.3)pp

New housing activity continued to drive market volume growth coupled with improvements in sentiment amongst the Group's trade customers during the second half of 2013. Sales price deflation experienced in the first half, as expected, reversed in the second half of the year. As the demand for heavyside products improved, a number of brick and block products experienced longer supply lead times. These supply constraints added to second half price inflation as manufacturers increased prices in exchange for certainty of supply.

General Merchandising revenue grew by 8.4%, 6.7% on a like-for-like ('LFL') basis. Momentum accelerated from 2.7% LFL in the first half to 10.1% in the second half. All product categories contributed to this recovery, with particularly strong performances in the lightside and tool-hire categories. Gross margin improved in the second half owing to effective price management and growth in higher margin categories. Despite robust cost management and operational gearing, operating investments meant there was only a modest reduction in the overhead to sales ratio for the year as a whole.

Travis Perkins continued to develop and trial its new branch format. The Leamington and Luton branches were successfully moved and co-located with other group businesses on two of the Group's Trade Parks. Timber, forest products and lightside categories were reviewed during the year and the 'Trade Offers'

fixed price promotions continued to help improve price perception. A new multi-channel IT platform implemented across the Group will be extended to Travis Perkins in 2014 and this should enable the introduction of online product ordering to implement the already well established telephone-based ordering and local delivery infrastructure.

The extension of toolhire implants continued with 14 new implants added in the year. Seven new branches were opened along with two new managed service outlets which operate solely to service local authorities, registered social landlords and their contractors. Towards the end of the year the Warrington Regional Distribution Centre ('RDC') was successfully relocated with no service issues. Work started on the Cardiff RDC, which will come on stream during the third quarter of 2014.

These RDCs will enable a wider range of heavyside products to be made more readily available to branches and thus customers.

The division's senior commercial and operational teams were re-organised in the latter part of the year to bring clearer accountability for the improvement programmes throughout the business and an enhanced focus on operational performance. The division continued to refine its zonal delivery initiative to improve availability of transport to meet customers' requirements and new equipment and in-branch practices were introduced to improve safety for team members and their customers.

Specialist Merchandising

	2013	2012	Change
Revenue	£660m	£604m	9.4%
LFL growth			8.7%
Segment profit	£30m	£32m	(4.1)%
Operating margin	4.6%	5.2%	(0.6) pp

The division made good progress improving the depth of product range available to its customer base which was rewarded with strong volume growth.

The division's revenue grew by 9.4% owing to range improvements, selective price investments and the reduction in capacity from a significant competitor failure. Lack of product inflation, particularly in the first half, competitor activity and a change in sales mix resulted in a reduction in gross margin. The reduction in gross margin was lower in the second half with the onset of more positive trading conditions. An improvement in the overhead to revenue ratio mitigated some of the impact of the decline in gross margin.

Despite the poor weather experienced in the first quarter, Keyline's range extension and customer



David Johnson,
commercial
stock manager,
BSS, Luton
Trading Park

service focus enabled it to deliver double digit revenue growth in both the first half and second half of the year. Further specialisation improved sales but, in part, resulted in more direct to site sales which in turn attract a lower gross margin. Gross margins improved slightly in the second half.

Investment in expertise to support market specialisation was increased in order to access the rail and utilities markets and in particular in drainage and geotextile products. The expansion of the contractor customer base and access to new customers in the rail and utility markets provides a solid base for future growth. Levels of activity in the new housing market were encouraging and resulted in an increased level of demand by specialist groundwork contractors.

After a sluggish first quarter, CCF's revenue growth improved in each successive quarter, recording double digit growth in the second half and gaining market share for the year. The development of new market sectors for the business, such as the introduction of the Sektor brand late in the internal partitions market, and an improving product mix helped to offset gross margin declines in commodity categories which faced intense competitive discounting.

The opening of Belvedere branch, which has performed in line with expectations, brought the total network to 31 branches. The business' online presence continued to grow, albeit from a relatively small base.

Benchmark Kitchens and Joinery completed the restructuring of its customer proposition. The end-to-end review of the customer experience, product set and the supply chain started to yield further improvements to profitability in the second half. New standalone branches, which were opened with significantly lower set up costs on the Group's Trade Park sites in Luton and Leamington, have resonated well with customers. On 1 January 2014, twenty seven kitchen fascias in Travis Perkins branches were re-branded Benchmark. A new website was also developed during the year with encouraging results.

Consumer

	2013	2012	Change
Revenue	£1,180m	£1,152m	2.4%
LFL growth			1.0%
Segment profit	£63m	£65m	(2.7)%
Operating margin	5.3%	5.6%	(0.3) pp

Revenue in the consumer division increased by 2.4% in the year despite a challenging customer environment and inclement weather throughout the first quarter.

Sales improved throughout 2013 following the protracted cold weather at the start of the year. The improvements in gardening related sales in the summer were however less marked in Wickes given its limited range in outdoor categories.

Wickes continued to invest in lower prices through its red pencil price reduction programme and stronger promotional deals. Wickes price investment accelerated in the second half with volumes growing as a result, however, gross margins were impacted by these investments. Improvements in sourcing, changes in the distribution of ordered bathrooms and the removal of the Mycard reward programme helped reduce the impact of the greater price investment and deeper promotional offers.

Wickes increased its focus in reducing operating costs and in doing so reduced its cost to sales ratio during the year. Good progress was made in consolidating warehouse operations, improving labour productivity following the introduction of auto-replenishment systems and through the downsizing and sub-letting of oversized shops. Four stores were relocated or downsized during the year and two new stores were opened. New web and mobile platforms were introduced, offering customers a better online shopping experience.

The significant investments in pricing and promotional offers meant Wickes' 2013 profit declined modestly compared to the prior year.

Toolstation had another encouraging year of sales growth and network expansion. Double digit LFL revenue growth was driven by a continued focus on customer service, strong availability and investments in ensuring the lowest prices in the market. 24 new shops were opened during the year, including 9 implants in Wickes.

Although it is still early in the development of the proposition, Toolstation implants in Wickes appear to be resonating well with customers. Those implants are helping Wickes drive additional footfall and are contributing to rent costs. Toolstation is benefiting from Wickes footfall thereby achieving profitability faster than in many of its new standalone shops.

Plumbing and Heating

	2013	2012	Change
Revenue	£1,730m	£1,632m	6.0%
LFL growth			4.8%
Segment profit	£94m	£73m	28.8%
Operating margin	5.4%	4.5%	0.9pp

The challenging trading conditions experienced in 2012 continued into 2013 and were further exacerbated by the poor weather in the first quarter. However, trading conditions improved significantly

during the year resulting in sales growth of 6.0% and LFL growth of 4.8%.

Demand for domestic plumbing and heating products grew steadily during the year as housebuilder activity increased. RMI activity also increased and the government backed ECO (Energy Company Obligation) schemes further assisted the number of boiler installations. The ECO schemes will continue through to 2014, but most likely at a lower level of activity than experienced in 2013.

The commercial plumbing and heating market displayed good growth during the summer months, however, a number of project delays impacted volumes towards the end of the year.

Despite the commercial and industrial market sectors remaining weak, BSS performed well due to an increased focus on the industrial market. LFL growth was over twice that of the division as a whole. Ten industrial centres of excellence were opened in the year, stocking a wider range of products coupled with greater service and technical expertise.

Gross margins for the division increased despite market conditions and intense competitive pricing. This was achieved through strong partnerships with key suppliers, and improvements in sourcing and product mix as well as a number of one-off short term contract benefits which are not expected to recur at the same level in 2014.

Overheads were well controlled with the ratio of cost to sales reduced during the year. The improvement in the cost ratio was achieved despite further investment in the expansion of toolhire in BSS, and the continued roll out of new showrooms and spares implants through the existing branch network.

Seven BSS toolhire implants opened in the year bringing the total number of branches to 18. Seven PTS and F & P sites were closed in the year with the majority of business transferred to nearby locations. Four new City Plumbing branches were opened and are performing in line with the Group's expectations.

Within CPS, the very successful Endeavour bathroom showroom offer was extended to 76 showrooms. In addition, the spares product category delivered impressive growth and market share gains. Spares service was extended with orders now being taken up until 8pm for next day delivery.

The BSS industrial network has been expanded during the year with the opening of two new concept branches, one as an implant branch at a Keyline site and one as a standalone small footprint branch. These branches have traded well in the final quarter of the year and give the Group confidence that these formats could be extended into other catchments.

SUPPLY CHAIN

For the third year running the innovation and skills of our supply chain teams were recognised by the industry. The supply chain team achieved short-listings for awards in safety, innovation and technology and one of our team members achieved the award for rising star at the European Supply Chain Excellence Awards.

These awards reflect the importance the Group places on building supply chain skills. Over 100 of our team members attended tailored courses at Cranfield University. This investment in people skills coupled with continued investment in the Group's supply chain systems and infrastructure are helping to build the building materials sector's most effective and efficient supply chain. This will become more important as customers increasingly adopt mobile and other multi-channel technology.

During the year significant progress was made in implementing the Group's supply chain strategy:

- Consolidating one of the Wickes warehouses into a sister site
- Extending the reach of the Warrington heavy side RDC by relocating to a larger site
- Bringing our kitchen supply and distribution in-house for Benchmarx
- Increasing capacity for Toolstation through a new warehouse opening
- Announcing the development of a second heavy materials RDC in Cardiff
- Announcing the development of a new Primary Distribution Centre (PDC) for lighter products, which will open in Warrington early in 2015
- Completing a tender for the development of our new supply chain and warehouse systems

The supply chain team also achieved a further 30% reduction in time lost to injuries on top of an excellent safety performance in 2012.

CENTRAL SERVICES

The streamlining of central services has continued through the devolution of more responsibility to divisional management, whilst retaining the benefits arising from the scale of the Group. Divisional boards have been established and business partnering from central teams implemented.

Projects have started which will see considerable investment in the Group's IT systems in the coming years under two broad themes:

- Investing for the future: developing the Group's new web based trading platforms and other systems to improve customer propositions
- Re-engineering and infrastructure: which will result in the replacement of existing heritage platforms that are approaching the end of their useful lives and upgrading networks to support future growth and capacity demands

FINANCIAL REVIEW

MANAGING THE GROUP'S FINANCES

The Group undertook a review of its strategy during the year which was presented at the Capital Markets day in December 2013. The well documented recovery in the Group's end-user markets means there are more opportunities to invest for organic growth than has been the case for a number of years.

As a result it was right that the Group's financing strategy be reviewed and financial targets and metrics be modified to take account of these investment opportunities. These investment opportunities mean the business is likely to need access to deeper pools of funding to implement its strategy of expansion. To this end the Group intends to run the business to investment grade metrics. This is important as it will enable the Group to access debt at reasonable cost, diversify its sources of finance to avoid being overly reliant on one form of financing, and improve its covenant in negotiations with landlords, the pension schemes it operates and suppliers.

Over recent years the Group has been reducing on-balance sheet leverage as the availability of bank and other credit has become both scarce and relatively more expensive. This strategy of deleveraging will continue until the Group has access to sufficient capital at reasonable cost and is confident that this position can be maintained. At the same time the Group is cognisant of continuing to provide strong returns to shareholders.

Balancing the desire to access capital at reasonable cost to enable investment for growth, whilst maintaining strong shareholder returns, means the key financial metrics of the Group have been modified. The Group's ambition is to achieve set targets over the next three years primarily as a result of increasing the level of earnings.

The Group's strategy is also clear in its ambition to devolve more accountability to the management teams in each business. This means management teams taking a more active role in competing for capital as well as driving earnings growth and therefore it is important to place more weight on lease adjusted return on capital ('LAROCE') than operating margin as a measure of success than has historically been the case. The revised financial targets of the Group, which were announced on 3 December 2013, are set out as follows:

Measure	Current performance	Medium term ambition
Adjusted earnings per share (note 11b)	103.6p	Double digit growth p.a.
Lease adjusted ROCE (note 37)	10.0%	+200 - 300bps
Lease adjusted debt to EBITDAR (note 36)	3.0x	2.5x
Fixed charge cover (note 36)	2.9x	3.5x
Dividend cover (note 12)	3.3x	2.50x - 3.25x

The Group's success is based on its people. Finance is no different, and with the sharper focus on LAROCE and competition for capital it is essential to improve the quality of financial management throughout the business and the strength of the finance teams. This work is well underway.

FINANCIAL RESULTS

The operating performance of the Group has been laid out in the Business Review on pages 20 to 24 of this report. The key financial metrics and targets have been set out above however the key income statement metrics are shown below:

	2013 £m	%	2012 £m
Revenue	5,148.7	6.3	4,844.9
Operating profit	329.7	10.0	299.6
Profit before tax	312.6	4.5	299.2
Tax	47.9	(5.1)	50.5
Profit after tax	264.7	6.4	248.7
Basic EPS	109.9p	5.4	104.3p

Throughout this annual report, consistent with the approach in prior years, the term 'adjusted' has been used to signify that the effects of exceptional items and amortisation of intangible assets have been excluded from the disclosures being made. The adjusted operating profit and profit before tax are shown below:

	2013 £m	%	2012 £m
Adjusted operating profit	347.6	6.7	325.7
Adjusted profit before tax	321.1	12.4	285.8
Adjusted EPS	103.6p	14.3	90.6p

Amortisation of goodwill and intangible assets

The annual amortisation charge was £18m (2012: £17m). International Accounting Standards require the Group to conduct an annual review of the carrying value of goodwill and intangible assets to determine whether any impairment should be recognised in the financial statements. As shown in notes 13 and 14 the Directors have concluded that the future cash flows of each business are sufficient to support the balance sheet carrying value of goodwill and intangible assets therefore no provision for impairment is required.

Finance costs

Net finance costs, which comprise interest on debt, mark-to-market fair value adjustments and other financing type costs associated with pension schemes, provision discounts, fund raising costs and interest on tax were £26m, some £14m lower than last year (2012: £40m).

Borrowing costs on outstanding debt were £6m lower at £23m (2012: £29m) as a result of reduced debt levels, repayment of \$200m of the Group's private placement notes and lower commitment fees following the reduction in the Group's bank facilities in April. The average interest rate on the Group's borrowings during the year was 3.6% (2012: 3.9%).

The mark-to-market impact of derivative contracts outstanding at the year end was £4m lower in 2013 with a £1m gain being recorded (2012: £3m loss).

Other financing type costs were £4m lower at £4m (2012: £8m).

Exceptional items

Reported profit before tax was £14m higher than last year at £313m (2012: £299m) despite lower net exceptional credits arising principally from the fair value accounting treatment of the outstanding Toolstation consideration which is due to be settled during 2014.

Tax charges

The statutory tax charge for the year was £48m (2012: £51m). The underlying tax charge before exceptional items was £68m (2012: £66m), which represents an effective rate of 22.4% (2012: 24.5%), which is slightly below the standard rate of corporation tax of 23.25% (2012: 24.5%) applicable to profits in the United Kingdom. The difference is mainly due to the value of non-taxable property profits exceeding the value of expenses not deductible for tax purposes. A full reconciliation of the actual to standard tax rates is included in note 10 to the accounts.

The difference between the actual and the underlying tax charges is due to the impact of the:

- £20m (2012: £13m) exceptional deferred tax

credit caused by the 2% corporation tax rate reduction from April 2014 and a further 1% reduction from April 2015

- The £2m tax impact of the £9m (2012: £10m tax impact of £39m) of non-taxable exceptional items included within profit before tax

The Group's balance sheet tax provision includes £45m relating to an uncertain tax position currently under discussion with H M Revenue and Customs (HMRC), which arose in a prior period. Should the Group's filed tax position be agreed with HMRC the tax charge in the group income statement in a future period will be reduced by the release of the £45m provision. If after concluding all possible avenues available to the Group, it becomes necessary to amend the Group's filed tax position then a tax payment of £45m will be made to HMRC at that time.

Earnings per share

Profit after taxation rose by 6.4% to £265m (2012: £249m) which resulted in basic earnings per share growing 5.4% to 109.9 pence (2012: 104.3 pence). There is no significant difference between basic and diluted basic earnings per share.

Adjusted profit after tax was £249m (2012: £216m) which resulted in adjusted earnings per share increasing by 14.3% to 103.6 pence (2012: 90.6 pence). The increase reflects the improvement in trading profit, lower financing costs and the reduction in the standard rate of corporation tax. There is no significant difference between adjusted and diluted adjusted earnings per share.

Capital employed and LAROC

Net assets at the end of 2013 were £2,515m (2012: £2,256m), which contributed to capital employed of £3,009m (2012: £2,878m) (note 37).

The Group's adjusted (for exceptional items and amortisation) pre-tax return on capital for the year was 11.8%, (2012: 11.5%). After adjusting for property leases at a rate of 8 times the annual lease charge the lease adjusted return on lease adjusted capital employed was 10.0%, (2012: 9.8%). On both a reported and lease adjusted basis returns are well above the Group's weighted average cost of capital of 9.7%.

The Group's property team made a further important contribution to profits by realising £17m of gains (2012: £15m) from ten significant projects, the largest of which was the final stage of the St. Pancras branch development. This was better than anticipated as a number of smaller projects were completed in the final quarter of the year. Consistently delivering property profits has become a feature of the Group's property management strategy and the intention is to continue to manage the property estate to ensure that the Group has access to the best operating

sites whilst at the same time maximising value from its property portfolio over time. At the year end, the carrying value of the freehold and long-leasehold estate was £309m (2012: £287m).

During the year, the daily closing share price ranged between 1,088p (2012: 794p) and 1,872p (2012: 1,149p). The shares closed the year at a price of 1,872p (2012: 1,088p), increasing the Group's market capitalisation over the year by 74% to £4.62bn (2012: £2.66bn). This represented 1.8 times shareholders funds (31 December 2012: 1.2 times).

Dividend

The proposed dividend for the year of 31 pence represents a 24% increase compared to 2012 (2012: 25 pence). An interim dividend of 10 pence was paid to shareholders in November 2013 at a cost of £24.2m. If it is approved, the proposed final dividend of 21 pence will be paid on 30 May 2014 and will cost the Group £51m.

A 31p full year dividend reduces dividend cover to 3.3 times (2012: 3.6 times) adjusted earnings per share, bringing dividend cover closer to the Board's re-stated target cover of between 2.5x and 3.25x from 2014.

FINANCING STRATEGY

Strong financial capital management is a fundamental component of the overall group strategy. The Group maintains a capital structure that is both appropriate to the on-going needs of the business and ensures it remains within the covenant limits that apply to its banking arrangements.

The current preferred capital structure of the Group consists of debt, which includes bank borrowings and US private placement notes, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. However, the Board regularly reviews the sources of debt available to the Group and it is the intention to diversify sources and maturities over the next two years.

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

The strategic capital management ambition of the Group is to:

- Target investment grade credit metrics
- Diversify sources of debt to maintain an acceptable maturity profile, whilst lowering overall funding costs
- Maintain group funding flexibility to allow for property purchases and branch infill and category acquisitions
- Balance the need to ensure available funding with

the desire for an efficient cost of capital

- Generate sufficient free cash flow to enable the Group to follow a progressive and sustainable dividend policy through the cycle. Specifically this will result in:
 - A dividend cover range from 2014 of between 2.5x and 3.25x
 - Moving towards the centre of the range over the following 12 to 24 months

Whilst the Group has brought down debt levels in recent years deleveraging over the next two years may be more modest given the Groups:

- Value adding investment plans
 - Need to increase investment in working capital as the Group expands
 - Intention to operate a progressive dividend policy
- The Group is also party to a large number of leases, most of which relate to premises occupied by the Group for trading purposes. The weighted average duration (the time until the Group's first opportunity to exit the lease) is approximately 9.5 years.

At 31 December 2013, property leases capitalised at 8x the annual rent roll were approximately 81% of the Group's combined on and off balance sheet funding with an annual rent roll of approximately £184m (2012: £175m). It is likely that property leases will become a smaller component of the Group's financing structure in future, nonetheless they will remain a significant and important part of the Group's funding structure. In addition the Group paid approximately £12m (2012: £14m) in respect of non-property operating leases.

Note 30 gives further details about the Group's operating lease commitments.

The capital structure of the Group at 31 December comprised:

	2013 £m	2012 £m
Cash and cash equivalents	(80)	(139)
Bank loans	235	264
US private placement notes at fair value	129	261
Loan notes	3	3
Finance leases	24	26
Liability to pension scheme	37	37
Net pension fund deficits	57	97
Goodwill written off	93	93
Exchange adjustment	(4)	(20)
Equity attributable to shareholders	2,515	2,256
Total balance sheet capital employed	3,009	2,878
Property operating leases (8x rentals)	1,474	1,405
Total lease adjusted capital employed	4,483	4,283

NET DEBT, FUNDING AND LIQUIDITY

Strong working capital control in the final quarter of the year enabled net debt to finish the year ahead of the Group's expectations at £348m (31 December 2012: £452m), a reduction of £104m (2012: £131m). Adjusted free cash flow for the period was £240m (2012: £242m) (note 35).

Despite the business tending to increase working capital as trade sales grow, when compared with 2012, the net movement in debtors and creditors is very similar. However, we have increased stockholdings to ensure that availability, one of the core pillars of our customer proposition, has been further improved.

Gross capital and investment expenditure totalled £119m (2012: £110m). Capital replacement expenditure totalled £44m (2012: £54m) and aggregate expansionary capital was £75m (2012: £56m).

In addition to its equity, the Group is financed through a combination of unsecured bank borrowings and unsecured guaranteed US senior notes at fixed and floating rates of interest. The Board regularly reviews the facilities available and seeks to maintain them at a level sufficient to facilitate execution of its strategy, whilst ensuring that liquidity headroom will cover most reasonably possible eventualities.

The Group has no immediate need to refinance existing facilities however it will seek to diversify funding sources over the next two years. At 31 December 2013 the Group's committed funding comprised:

- A revolving credit facility of £550m, which runs until December 2016, advanced by a syndicate of 10 banks
- \$200m of unsecured guaranteed \$US senior notes due for repayment in January 2016
- A £50m bilateral revolving credit facility committed to 31 March 2015

Since the year-end the Group has signed another two bi-lateral agreements, each for a £50m revolving credit facility which expire in March 2015.

The peak and minimum levels of daily drawn borrowings on a cleared basis during the year were £684m and £397m respectively (2012: £827m and £468m). The maximum month end cleared borrowings were £603m (2012: £682m). At 31 December 2013, the Group had undrawn committed facilities of £360m (2012: £475m).

EFFECTIVE FINANCIAL RISK MANAGEMENT

The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net assets. The Group manages the principal financial risks within policies and operating parameters

approved by the Board of Directors and does not enter into speculative transactions. Treasury activities are managed centrally under a framework of policies and procedures approved by and monitored by the Board.

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

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

The Group has entered into a number of interest rate derivatives designed to protect it from fluctuating interest and exchange rates on its borrowings. At the year-end, the Group had £116m notional value of interest rate derivatives resulting in interest rates being fixed on approximately 42% (2012: 39%) of the Group's cleared gross debt (before cash and cash equivalents).

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 2013 the nominal value of currency contracts, all of which were \$US denominated, was \$83m (2012: \$113m), which gave a 42% (2012: 57%) coverage of forecast requirements for 2014.

To fully protect itself against adverse currency movements and enable it to achieve its desired interest rate profile, the Group has entered into two cross currency swaps and four forward currency contracts in respect of its \$200m of \$US private placement notes.

The Group is a substantial provider of credit to a large portfolio of small and medium size businesses throughout the UK together with some of the country's largest companies. It manages its exposure to credit risk through a strong credit control function that works closely with the business and its customers to ensure the Group offers credit sufficient for the needs of those customers without exposing the Group to excessive risk. The bad debt charge in 2013 was approximately 0.35% of credit sales, which is at the lower end of the scale previously achieved by the Group.

In summary, the key aspects of the Group's financial risk management strategy are to:

- Target investment grade credit parameters
- Reduce the Group's reliance on the bank market



Carl Gooch, timber products leader, Travis Perkins

for its funding by having a diverse mix of funding sources with a spread of maturities

- Seek to maintain a strong balance sheet
- Accord a high priority to effective cash and working capital management
- Maintain liquidity headroom of over £200m and continue good relationships with the Group's bankers
- Manage counterparty risk by raising funds from a syndicate of lenders, the members of which maintain investment grade credit ratings
- Operate banking covenants within comfortable margins:
 - The ratio of net debt to adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) has to be lower than 3.0x; it was 0.7x at the year-end (note 36)
 - The number of times adjusted operating profit covers interest charges has to be a least 3.5x and it was approximately 18x at 31 December 2013 (note 9)
- Have a conservative hedging policy that reduces the Group's exposure to currency and interest rate fluctuations

TAX STRATEGY AND TAX RISK MANAGEMENT

The Group's objectives in managing and controlling its tax affairs and related tax risks are as follows:

- Ensuring compliance with all applicable rules and regulations under which the Group operates
- Maintaining an open and co-operative relationship with the UK Tax Authorities to reduce its risk profile

Tax risks are assessed as part of the formal governance process and are reviewed by the Chief Financial Officer and reported to the Group's Audit Committee on a regular basis.

Significant tax risks, implications arising from these risks and potential mitigating actions are considered by the Board when strategic decisions are taken:

- The tax risks of proposed transactions or new areas of business are fully considered before proceeding
- The Group employs professional tax specialists to manage tax risks and takes appropriate tax advice from reputable professional firms where it is considered to be necessary

PENSIONS

Adjustments to prior period results

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit schemes, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit scheme liability. The comparatives for 2012 have been restated with the result that profit before tax decreased by £14.1m and actuarial

losses in the statement of other comprehensive income were reduced by £14.1m. The combined net deficit of the schemes at 31 December 2012 was unaffected and there was no impact on reported cash flows.

During 2013 the Financial Reporting Review Panel issued guidance in respect of IFRIC 14 'Prepayments of a Minimum Funding Requirement'. This caused the Group to obtain further legal advice, which has resulted in the Group amending its accounting treatment of pension scheme schedules of contributions. In these accounts the Group has included the schedule of contributions in its calculation of pension scheme liabilities recognised in the balance sheet. Although the change has resulted in a restatement of the pension liabilities and associated deferred tax assets for the Travis Perkins scheme for previous year-ends (net adjustment 2012: £53m; 2011: £58m), the change has not impacted upon reported profits or cash flows. Further details are given in note 28.

Current funding position and contributions

At 31 December 2013 the combined accounting gross deficit of the Group's defined benefit pension schemes, after allowing for the minimum funding schedule of contributions, was £71m (2012: £126m).

The Travis Perkins scheme saw a significant improvement in its funding level as a result of strong asset returns. At the year-end it was 99% funded on a technical provisions basis, giving a gross deficit of £6m (2012: £67m). Once the scheme is fully funded, the Company will have no further obligation to make minimum funding contributions unless the funding level returns to below 100%, when the value of contributions will depend upon the value of the deficit, the Company's investment rating and dividend policy.

Following the Government's decision to introduce pension auto-enrolment for employees the Group commenced its preparations in 2012. It set up a new master trust and consolidated all its existing defined contribution schemes into one.

The Group's staging date was 1 March 2013. On 1 June auto-enrolment commenced and approximately 9,200 colleagues joined the scheme with only 2% opting out.

The Group contributed £12m (2012: £7m) of contributions to its defined contribution scheme during the year.

Tony Buffin

Chief Financial Officer
25 February 2014

EVOLUTION OF THE GROUP'S STRATEGY

Following the improving outlook for the overall market and changes to the Group's executive directors the Group reviewed its strategy and presented it to investors at a Capital Markets day in December 2013.

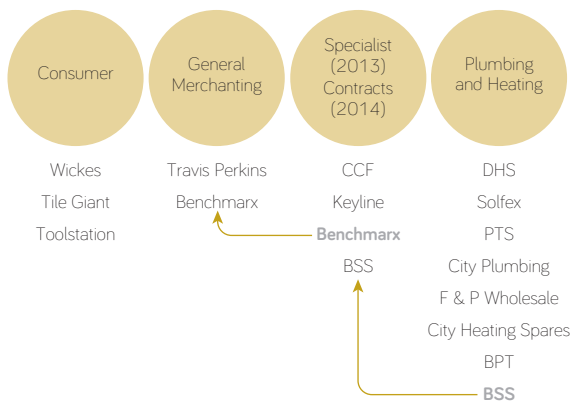
As explained on page 17, the Group's markets are showing signs of improvement. As many of the Group's businesses occupy market leading positions they are well positioned to exploit opportunities offered by improving markets.

The Group's main aim over the last five years has been to protect its margins through careful management of prices, whilst holding volumes generally stable. Its careful control of costs, working capital and capital expenditure has helped maintain the strength of the balance sheet. The improving market conditions now give the Group the confidence to modify its strategy through increasing its capital investment programme to intensify sales and profit densities from existing space, reinvest in its customer propositions and continue to use its scale to improve service to customers and returns to shareholders.

To enable the Group to deliver its strategy the divisional structure was refined with effect from 1 January 2014. The most significant change was to combine the three businesses that supply products under contract arrangements to large construction companies and project contractors into one contracts division. In so doing, the division can better track major project activity for all three businesses: Keyline, BSS and CCF.

The financial and operating sections of the Annual Report has, however, been prepared using the divisional structure in place throughout 2013.

The diagram below shows the revised structure as a result of the changes made on 1 January 2014.

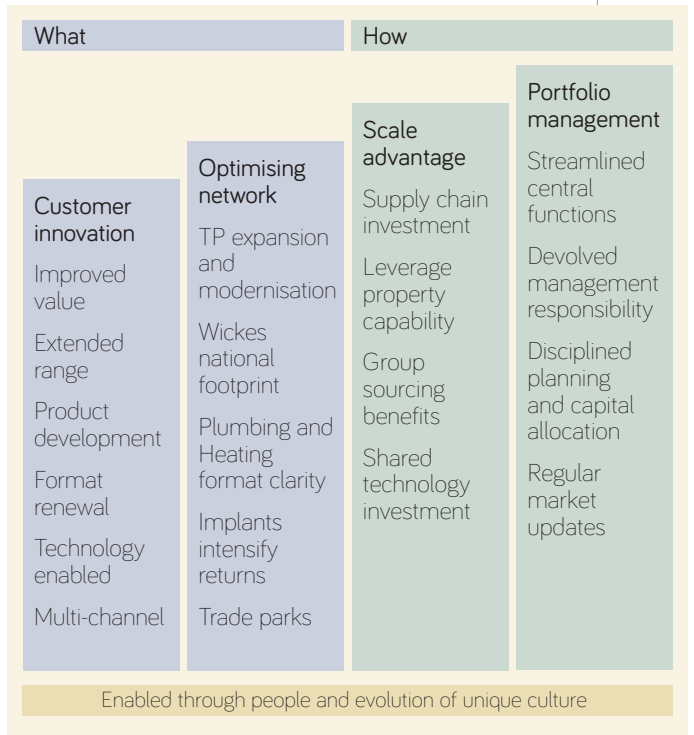


THE GROUP'S MODIFIED STRATEGY

The refocused strategy is designed to deliver long term sustainable value through the following levers of value creation:

- Improved customer innovation
- Optimising the Group's store and branch network
- Scale advantage
- Portfolio management

The levers of value creation and key components of each lever are set out in the diagram below:



Portfolio management

Starting with the Group's revised approach to managing its portfolio of businesses, the Group has developed a more robust planning approach enabling it to allocate capital to the opportunities which are expected to deliver the most material value for shareholders. Aligned with this approach to managing capital allocation is a revision to the metrics upon which the Group is managed. Future lease-adjusted return on capital will become an increasingly important measure of success as the Group believes it best aligns investment decisions with the ultimate goal of shareholders; their return on equity.

In order to improve lease adjusted return on capital management responsibility for both earnings

and capital employed will be devolved further down through the business. This greater accountability and autonomy will be managed and monitored through improved processes for governance. As management in each of the businesses take more control for managing returns, central functions will be streamlined to ensure all teams are closer to the businesses they support and ultimately customers. This revised approach to capital allocation is creating more competition for capital.

Capital expenditure is expected to increase in the medium term to take advantage of development opportunities in the market and will be tiered based upon the risk and return profiles of the various investment opportunities identified. The tiering of capital spend will be managed under four broad headings:

1. Extending the Group's leadership: investment in proven businesses delivering attractive returns
2. Investing to grow: investment in customer propositions to adapt to changing customer needs and cement the Group's market leading positions.
3. Infrastructure investment: investment to enable future outperformance
4. Divest: where there are better uses for capital to grow or return to shareholders

Scale advantage

One of the key value creation levers is using the Group's scale to improve efficiency and deliver a better customer proposition.

The Group's supply chain ambition is to provide branches and customers with easy access to the broadest range of products, reliably, efficiently, safely and on time:

- Ordering will be made simpler for branches with improved range management tools and automated stock replenishment systems
- The Group's distribution centre ('DC') footprint will undergo further change, increasing lightside DC capacity and rolling out regional heavyside DCs
- Route planning tools and further optimisation of the vehicle fleet will reduce the cost of, and enhance, the local delivery proposition

The strength of the Group's balance sheet enables businesses within the Group to access properties they would otherwise find it difficult to occupy. Furthermore, by developing multi-fascia sites, the Group is able to provide opportunities for the Group's smaller operating businesses to co-locate with the Group's larger businesses and benefit from greater foot traffic.

The Group is also focused on using its buying scale to source products directly from manufacturers at lower cost and in creating more commonality in product ranges such that it can further consolidate volumes so reducing costs further.

For many years, the Group has benefited from efficient, low-cost IT systems. These systems are approaching the end of their useful life and, therefore, a clear four point strategy has been developed to ensure better IT systems capacity and flexibility in the future.

- Delivering a common and shared trading platform across the Group's merchanting businesses
- Delivering an appropriate multi-channel presence for each brand making it easier for customers to order, buy and receive delivery
- Simplifying back office systems to enable decoupling and enhance efficiency
- Increasing system usability and the experience for colleagues and customers so that the Group is easier to do business with

Customer innovation and optimising the branch and store network

The underpinning activities to improving the customer proposition and improve the network including offering better value, extending range, better availability, format renewal, modernising TP branches and creating national networks in a number of the Group's businesses are included in the plans for each of the divisions in the following sections.

GENERAL MERCHANTING DIVISION STRATEGY

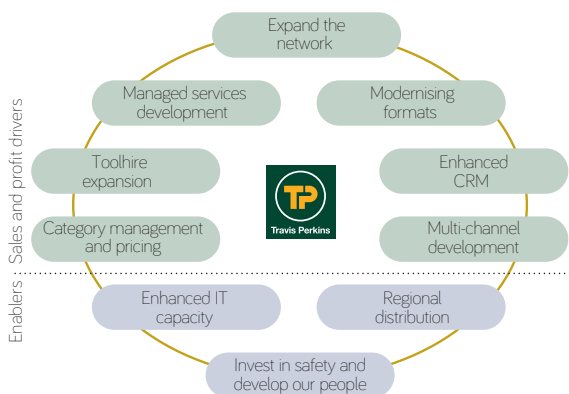
Travis Perkins is, and for the foreseeable future will continue to be, the Group's core business. It is the Group's largest business by sales, profitability and one of the highest returning businesses operated within the Group.

The business benefits from national coverage with over 640 branches, an efficient lightside central distribution network, access to a range few competitors can match, a modern vehicle delivery fleet and branch managers with an unparalleled relationship with customers. Branch manager incentives are based on return on capital improvements setting the business apart from its competitors which is a key component of Travis Perkins' market outperformance.

The following chart sets out the key components of the plan to improve Travis Perkins, combining both sales and profit drivers and investments in enabling infrastructure.



Toolstation implant in Wickes, Bicester, one of nine opened in 2013



There is significant scope for network expansion and relocation. Travis Perkins is targeting 5-15 net new branches per annum and to increase the number of Benchmarx Kitchens and Toolhire equipment implants. Furthermore the Group recognises the need to modernise the branch network with plans underway to develop a new branch format, 'TP 2018', alongside further development of TP's multi-channel proposition.

The plans to improve the TP multi-channel offer are set out below:

	Customer experience	Infrastructure
1. Where we are now	<ul style="list-style-type: none"> Clean and functional Passive Non-transactional 	<ul style="list-style-type: none"> Branch to site delivery for heavyside Branch collection only for lightside Branch acting as call centre
2. Next steps	<ul style="list-style-type: none"> Transactional capability Integration to pricing systems Account management Click & collect 	<ul style="list-style-type: none"> Heavyside distribution improvements expanding range and availability Lightside range access from DCs DC direct to site picking
3. Where we will get to	<ul style="list-style-type: none"> Leading online gateway Interactive and social hub Seamless experience across channels Integrated CRM 	<ul style="list-style-type: none"> Cross-channel fulfilment for lightside CRM and account management systems development Contact centre coordination

In summary, the Group is confident that Travis Perkins can maintain its market leading position and further drive improvements to the customer proposition and value to shareholders. The targets for improvement are set out as follows:

Measure	Current	Medium term ambition
Network expansion	645 TP branches	5-15 net new branches p.a.
Like-for-like sales growth outperformance	0-5%	1-4%
Operating margin improvement prospects	Sector leading	Sustain
Capital expenditure	£44m*	£40-60m p.a.
Lease adjusted ROCE	-	Add 200-300bps

*Year ended 31 December 2013

Outperformance through:

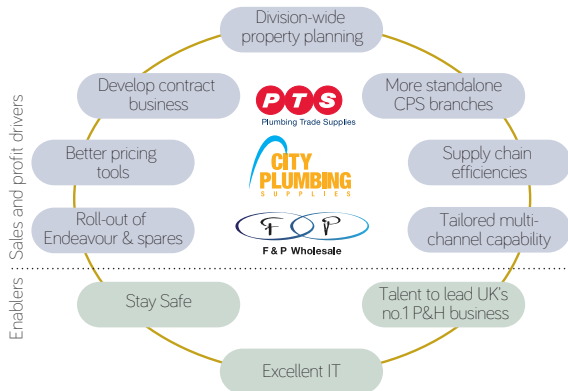
- Local customer relationships
- Consistent range and range extension
- Better availability
- Sourcing and own label development
- Product knowledge and ease of transactions
- Format improvements
- Network and multi-channel development
- Managed services expansion

PLUMBING AND HEATING DIVISION STRATEGY

The strategy for the Plumbing and Heating division has three key elements:

- Developing clear propositions serving plumbing and heating, bathroom installer and contract customers: The focus on bathroom installers, local plumbers and mid-sized plumbing contractors will provide solid returns through effective pricing and range substitution including through greater penetration of the Group's 'iflo' exclusive ranges.
- Intensifying use of space through the Group's showroom concept and spares implants: The new 'Endeavour' showrooms are designed to help tradesmen win new business. New showrooms have been opened in 69 locations and are generating healthy returns. Approximately 40 new showrooms per annum are planned over the medium term.
- Developing multi-channel, sustainability and own label product offerings: The acquisition of an online heating equipment distributor gives the P&H division access to growth in the online channel. Furthermore, the division is developing an additional multichannel capability to enable ordering, account management, and online transactions as well as providing enhanced product information tools to its installer network. Further work is underway to enhance the exclusive brands the Group owns including iflo and BOSS and to continue the progress already made in launching 'Sustainable Building Solutions' which accesses Government funding for improvements in household energy efficiency.

The plan for the P&H division is graphically represented as follows:



The targets for the division are shown below alongside how the P&H division intends to outperform in its markets:

Measure	Current	Medium term ambition
Network expansion	525 branches	~10 net new branches p.a.
Like-for-like sales growth outperformance	0-3%	0-3%
Operating margin improvement prospects	-	Good
Capital expenditure	£11m*	£10-20m pa.
Lease adjusted ROCE	-	Add 150-250bps

*Year ended 31 December 2013

Outperformance through:

- Clarity of contracts and installer propositions
- Enhanced branch pricing tools
- Sourcing and own label development
- Spares implants
- CPS network expansion
- Endeavour showroom rollout
- Multi-channel establishment
- Sustainable solutions growth

CONTRACTS DIVISION STRATEGY

The Contracts Division was formed on 1 January 2014, bringing together the three businesses that supply products to large construction companies and project contractors. These businesses all track major commercial and infrastructure projects and by bringing them together into one division, this will assist project tracking and selling into major contractors.

The key components of the strategy for the division are set out below.



As with the other divisions, the Group has clear performance targets for the division including increasing the level of capital investment with the ambition of outperforming market peers.

Measure	Current	Medium term ambition
Network expansion	181 branches	1-2% net new space growth
Like-for-like sales growth outperformance	0-3%	1-3%
Operating margin improvement prospects	-	Good
Capital expenditure	£12m*	£10-20m pa.
Lease adjusted ROCE	-	Add 200-300bps

*Year ended 31 December 2013

Outperformance through:

- Deeper product knowledge and customer service
- Extended ranges
- Selective network expansion
- Category expansion
- Sourcing and own label development

CONSUMER DIVISION STRATEGY

The key elements of the consumer division's strategy are to:

- Enhance Wickes proposition to tradesmen and serious 'DIYers'
- Gain nationwide coverage through Wickes store estate including renewing its store format
- Expand the Toolstation network through Wickes implants and standalone shops
- Continue multi-channel development

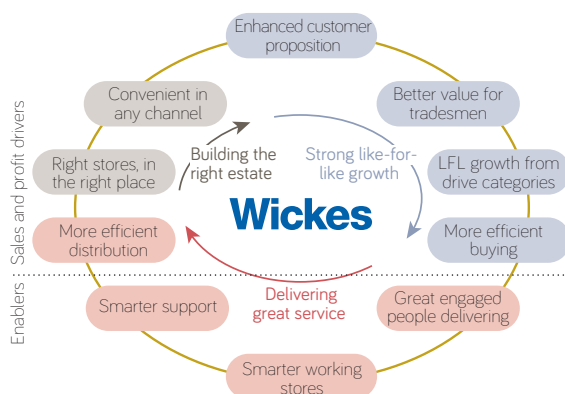
Wickes' ambition is to always offer lower prices than its competitors alongside ranges, to include brands that trade and serious DIYers demand, which enable customers to complete any DIY or trade RMI project. Plans are progressing to improve online and in-store

availability, improve ranges and enhance the level of customer service. Wickes already has a growing multi-channel business which holds its fair share of the online market, however, the Group believes there is opportunity to further enhance sales through this channel by adding additional ranges.

Wickes plans to continue to expand its network by between 5 and 10 new stores per year.

The early signs from the recent Toolstation store implants in Wickes have also been encouraging. These implants contribute to Wickes rental cost, are driving additional footfall and producing solid returns in their own right for the Toolstation business without increasing the Group's lease commitments.

The Wickes plan is graphically represented below:



Toolstation is planning to continue to open both Wickes implants and standalone stores with an ambition to open approximately 100 shops in the medium term. Toolstation's fixed prices, excellent availability, delivery promise and service proposition are resonating strongly with jobbing tradesmen and general DIYers who are not able to negotiate larger volume discounts from trade outlets. The performance of both standalone Toolstation stores and Wickes implants gives the Group confidence to extend the rollout of new shops.

The performance targets for the Consumer division are set out below:

Measure	Current	Medium term ambition
Network expansion	227 Wickes 108 Tile Giant 143 Toolstation	5-10 net new pa. implants ~20 p.a.
Like-for-like sales growth outperformance	Flat	Above market
Operating margin improvement prospects	-	Good
Capital expenditure	£18m*	£30-40m pa.
Lease adjusted ROCE	-	Add 150-250bps

*Year ended 31 December 2013

Outperformance through:

- Clearer and sharper pricing
- Catalogue and online range extension
- Improved availability in Wickes
- Format renewal and network expansion
- Toolstation expansion and implants
- Tile Giant implants only
- Driving multi-channel harder

HOW PERFORMANCE WILL BE COMPARED TO STRATEGY

The Group's ambition is to deliver long term, sustainable value to shareholders. There are a series of financial and non-financial measures which the Group tracks to monitor performance.

The Group's medium term KPIs are set out below:

Key performance indicator	Medium term target
Network expansion	20-35 net new branches p.a.
Like-for-like sales growth outperformance	Outperform industry sales growth by 1-4 % p.a.
Operating margin improvement	Sustain sector leading margins in General Merchandising. Add 150bps to operating margins in each of Consumer, Contracts and Plumbing and Heating divisions.
Lease adjusted return on capital employed	Add 200-300 bps to lease adjusted ROCE

Operationally, success is measured through a comprehensive set of key performance indicators. All of these indicators are aligned to achieving the Group's strategic ambition. The Group's actual performance against these key indicators for 2013 is shown in the divisional performance section on pages 21 to 24 and in the Corporate Responsibility section on pages 42 to 45.

RISKS

The Statement of Principal Risks and Uncertainties on pages 39 to 41 sets out the key risk factors that are considered by the Directors to be material to the business. These include those risks which are deemed to be material and may impact upon the successful delivery of this strategy. In addition there are a number of risks which are set out in the table below that are not deemed to be material to the Group as a whole but are relevant when setting out a balanced commentary on a divisional basis.

What				How
Division	Strategic intent	KPIs	Risks	Group value drivers
General Merchandising	Cementing mixed merchant leadership through better prices, range available today and extended ranges tomorrow, on-time deliveries when customers need it. Backed up by a fast and efficient ordering process, credit for customers and a reliable and consistent in-branch experience.	↑	<ul style="list-style-type: none"> Rate of multi-channel migration higher than assumed Unable to source property to meet expansion plans Pricing changes do not increase volumes Lack of available product to supply 	↑
Plumbing and Heating	To create the market leading domestic plumbing and heating business built upon customer focused and truly differentiated propositions. The plans build on the businesses' recognised stay safe culture, high employee engagement and development of talent. In addition the division will grow market leading positions in new sectors, renewables, internet trading and sustainable building solutions.	<ul style="list-style-type: none"> Network expansion Like-for-like sales growth Operating margin 	<ul style="list-style-type: none"> Lack of suitable sites for expansion plans Project delays Businesses not adapting to the evolving customer Lack of available product to supply 	<ul style="list-style-type: none"> Customer innovation Optimising network Scale advantage
Contracts	Grow business through network expansion and selling of key products to targeted customer segments with highly engaged colleagues providing excellent customer service.	<ul style="list-style-type: none"> Capital expenditure Lease adjusted ROCE 	<ul style="list-style-type: none"> Lower prices and extended payment terms to customer Lower specification products offered by competitors Disintermediation of customers by manufacturers 	<ul style="list-style-type: none"> Portfolio management
Consumer	Rebuilding Wickes into the UK's best 'do a house up' store serving local tradesmen and serious DIYers with the lowest priced building materials for their projects. Always in stock with delivery to home or site when it suits the customer.	↓	<ul style="list-style-type: none"> Consumers accelerate trend towards fixed price merchandising and online (positive) Competitor response Inability to secure stores for relocations 	↓

STRATEGIC SUMMARY

The Group is well placed to benefit from the upturn in UK building activity. Housing transaction growth should boost those businesses that serve trade related customers whilst improving customer confidence should benefit the consumer businesses. However, the Group recognises that all customers are searching for even greater value and it is therefore imperative that the Group continues to modify and modernise its customer propositions.

As many Travis Perkins businesses occupy market leading positions it is well positioned to exploit new opportunities. Its strategy is to ensure it delivers long term, sustainable growth, which is achievable because:

- Market growth indicators are encouraging
- Market developments create compelling opportunities
- There are significant opportunities for structural growth

- The Group has an evolving portfolio model to exploit opportunities

Its strategy is geared towards achieving long term shareholder value with its medium term targets fully aligned with this strategy. Group returns will be improved by:

- Continuing to outperform in each of our markets
- Operating margin prospects:
 - General Merchandising – sustain
 - Plumbing and Heating – good growth
 - Contracts – good growth
 - Consumer – good growth
- Targeting medium term double digit EBITA growth p.a.
- Adding 200–300bps to lease adjusted ROCE over the medium term
- Delivering strong and consistent growth in shareholder returns



Graham Sealby,
assistant branch
manager, Benchmark

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

FOR THE YEAR ENDED 31 DECEMBER 2013

The Group operates in a market and an industry which by their nature are subject to a number of inherent risks. The Group is able to mitigate those risks by adopting different strategies and maintaining a strong system of internal control. However, regardless of the approach that is taken, the Group has to accept a level of risk in order to generate suitable returns for shareholders.

Details of the Group's risk management processes are given in the Corporate Governance report on page 59. The risk environment in which the Group operates does not remain static. The nature of risk is that its scope and potential impact will change over time. As such the list below should

not be regarded as a comprehensive statement of all potential risks and uncertainties that may manifest themselves in the future. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, could also have an adverse effect on the Group's future operating results, financial condition or prospects.

This section describes the current risk factors that are considered by the Board to be material, their potential impacts and the factors that mitigate them. The inherent risk (before the operation of control) is stated for each risk area together with an indication of the current trend for that risk:

Risk description	Impact	Risk mitigation
Market conditions		
Inherent risk: ●●● Trend: ◀▶		
<p>The Group's products are sold to tradesmen and retail customers for a broad range of end uses in the built environment. The performance of the market is affected by general economic conditions and a number of specific drivers of construction and DIY activity, including housing transactions, net disposable income, house price inflation, consumer confidence, interest rates and unemployment.</p>	Adverse effect on financial results	<p>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.</p> <p>The Group maintains a comprehensive tracking system for lead indicators that influence the market for the consumption of building materials in the UK.</p> <p>Significant events including those in the supply chain that may affect the Group are monitored by the Executive Committee and reported to the Board monthly by the Group Chief Executive.</p> <p>Should market conditions deteriorate then the Board has a range of options dependent upon the severity of the change. Historically these have included amending the Group's trading stance, cost reduction, lowering capital investment and cutting the dividend.</p>
Competitive pressures		
Inherent risk: ●●● Trend: ◀▶		
<p>Market trends, particularly in respect of customers' preferences for purchasing materials through a range of supply channels and not just through our traditional competitors may affect the Group's performance so making traditional branch based operations less relevant.</p> <p>Public sector buying groups could reduce sales if public bodies chose to buy direct from the manufacturers.</p> <p>Disintermediation may become more of a threat if manufacturers decide to deal directly with the end users.</p>	Adverse effect on financial results	<p>Changes to market practice are tracked on an on-going basis and reported to the Board each month.</p> <p>The Group is building multi-channel capabilities so they compliment its existing operations and provide its customers with the opportunity to transact with the Group as they wish.</p> <p>The Group is leading the industry in terms of the development of new and innovative supply solutions, and works closely with customers and suppliers on a programme of continuous improvements.</p> <p>The Group continues to refine pricing strategies to ensure it retains competitiveness.</p> <p>The Group's branding strategy allows it to use sites flexibly. Alternative space utilisation models are possible, including maintaining smaller stores and implanting additional services into existing branches.</p>

Inherent risk: High ●●● Medium ●● Low ● Trend: Increasing ▲ Static ◀▶ Reducing ▼

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

Risk description	Impact	Risk mitigation	Inherent risk: ●●	Trend: ◀▶
Information technology				
<p>The operations of the Group depend on a wide range of complex IT systems, both in terms of the availability of hardware and the operation of software operating efficiently and effectively.</p> <p>The rapid expansion of the Group together with an increasing demand for IT services, particularly as the Group embraces modern platforms such as multi-channel, could result in development programmes being delayed.</p> <p>Should the system become unavailable for an extended period either through deliberate act or through accidental failure it would impact the businesses' ability to trade.</p> <p>Increasing levels of cyber crime represent a significant threat to all businesses with the potential to cause loss of system availability or financial loss.</p>	<p>Adverse effect on financial results</p> <p>Adverse effect on the Group's reputation</p>	<p>The strategic demands of the business, the resources available to IT, the performance levels of key systems and IT security are kept under review by the Executive Committee.</p> <p>Plans that require continual investment in the IT infrastructure have been approved and are being implemented. Maintenance is undertaken on an on-going basis to ensure the resilience of group systems, with escalation procedures operating to ensure any performance issues are resolved at an early stage.</p> <p>The Group's three data centres mirror each other with data processing switched from one to the other on a regular basis. An IT disaster recovery plan exists and is tested regularly together with the business continuity plan. Arrangements are in place for alternative data sites for both trade and consumer businesses. Off-site back-up routines are in place.</p> <p>A programme of risk oriented reviews is undertaken to ensure the level of control around the IT systems remains robust.</p>		
Colleague recruitment, retention and succession				
<p>The ability to recruit, retain and motivate suitably qualified staff is an important driver of the Group's overall performance.</p> <p>The strength of the Group's customer proposition is underpinned by the quality of people working throughout the Group. Many of them have worked for Travis Perkins for some considerable time, during which they have gained valuable knowledge and expertise.</p> <p>Ensuring proper development of employees and the succession for key positions is important if the Group is to continue to be successful in the future.</p>	<p>Inability to develop and execute our development plans</p> <p>Competitive disadvantage</p>	<p>The Group Human Resources Director monitors staff engagement and turnover by job type and reports to the Executive Committee regularly and to the Board annually. Succession plans are established for the most senior positions within the Group and these are reviewed annually.</p> <p>Our reward and recognition systems are actively managed to ensure high levels of employee engagement.</p> <p>A wide-range of training programmes are in place to encourage staff development, whilst management development programmes are used to assist those identified for more senior positions.</p> <p>Salaries and other benefits are benchmarked annually to ensure that the Group remains competitive.</p>		
Supplier dependency and direct sourcing				
<p>The Group is the largest customer of many of its suppliers. In some cases, those suppliers are large enough to cause significant supply difficulties to the Group if they become unable to meet their supply obligations due to either economic or operational factors.</p> <p>Alternative sourcing is available, but the volumes required and the time it may take those suppliers to increase production could result in significant stock-outs for some considerable time.</p> <p>The Group has become more reliant on overseas factories producing product as the Group has rapidly expanded its direct sourcing capabilities. This has increased the Group's exposure to sourcing, quality, trading, warranty and currency issues.</p> <p>There is a potential for European anti-dumping legislation to be extended to encompass further Asian countries which could increase the cost of some imported products.</p>	<p>Adverse effect on financial results</p> <p>Adverse effect on the Group's reputation</p>	<p>The commercial and financial teams have established strong relationships with the Group's key suppliers and work closely with them to ensure the continuity of quality materials.</p> <p>To spread the risk where possible contracts exist with more than one supplier for key products.</p> <p>The Group has made a significant investment in its Far East infrastructure to support its direct sourcing operation which allows the development of own brand product, which reduces the reliance on branded suppliers.</p> <p>Comprehensive checks are undertaken on the factories producing product, the quality and suitability of that product before it is shipped to the UK.</p>		

Inherent risk: High ●●● Medium ●● Low ● Trend: Increasing ▲ Static ◀▶ Reducing ▼

Risk description	Impact	Risk mitigation	Inherent risk: ●● Trend: ▼
<p>Defined benefit pension scheme funding</p> <p>The Group is required by law to maintain a minimum funding level in relation to its on-going obligations to provide current and future pensions for members of its pension schemes who are entitled to defined benefits.</p> <p>Some issues could adversely affect the funding of these obligations including poor performance of the pension fund investments and increasing longevity of pension scheme members.</p> <p>The level of contributions required from the Group to meet the benefits promised in the final salary schemes will vary depending upon the funding position of those schemes.</p>	Adverse effect on financial condition	<p>All of the Group's final salary pension schemes are closed to new members.</p> <p>For the Travis Perkins scheme, pensionable salary inflation has been capped at 3% per annum.</p> <p>The scheme's investment policy is kept under regular review to ensure asset profiles are kept in line with the profile of liabilities.</p> <p>The Group has agreed deficit payment plans which currently require it to pay up to £26m per annum to its defined benefit pension schemes. The repayment plans will remain in place until the next actuarial valuations, when in conjunction with the scheme Trustees they will be reassessed to take into account the circumstances at the time.</p>	Inherent risk: ●● Trend: ▼

Risk description	Impact	Risk mitigation	Inherent risk: ● Trend: ◀▶
<p>Future expansion</p> <p>The Group's strategic plans are predicated on the continued expansion of its UK branch network.</p> <p>Large scale acquisitions in existing UK markets are unlikely to be available to the Group due to the concerns of the Office of Fair Trading to ensure competitive markets. Therefore the Group will rely on developing small scale opportunities, in new catchment areas or within existing sites or on expanding into adjacent markets in which it does not have a presence.</p> <p>The Group also needs to ensure that funding is available to support its plans. The Group is reliant on the bank market for funding, a market that has contracted in recent years and which may continue to contract in the future.</p>	Adverse effect on financial results	<p>Responsibility for identifying opportunities to expand is given to each of the divisional boards, with capital being deployed to those giving the best return on capital.</p> <p>The Group has identified a significant number of opportunities for expansion throughout the UK and continues to develop alternative formats that will open up additional opportunities in future.</p> <p>As part of its capital management strategy the Group has developed plans and instituted a series of metrics that are designed to provide opportunities to extend sources of funding to reduce reliance on one principal source of funding with generally short term durations.</p>	Inherent risk: ● Trend: ◀▶

Inherent risk: High ●●● Medium ●● Low ● Trend: Increasing ▲ Static ◀▶ Reducing ▼

CORPORATE RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

Travis Perkins understands that as a major UK plc it has a responsibility to conduct its business in a way that recognises its obligations to all its stakeholders as well as to society as a whole. As such it actively seeks to embed the principles of good corporate responsibility in its day-to-day activities throughout the Group.

HEALTH AND SAFETY

The continued health and safety of all people who come into contact with Travis Perkins is given the highest priority throughout the Group and is kept permanently at the forefront of its activities. The Group's aim is to eliminate all health and safety related incidents so that nobody is injured when they are involved in any activity influenced by the Group whether it is in its branches, at its customers' premises or in the factories of suppliers of the products it sells. Not only is this the morally correct stance to take, but it also brings significant benefits to the business.

The Group has an established health and safety committee chaired by Andrew Simon, a non-executive board director that sets standards for health and safety throughout the Group and regularly monitors progress made towards achieving them. However, it is the Group's philosophy that whilst standards should be set at the highest level all colleagues have a responsibility for ensuring there is a safe working environment; they are expected to adhere to the Group's 'Stay Safe' philosophy.

'Stay Safe' continues to be the philosophy which guides the Group's approach to safety. In 2013, it established a clear statistical link between aspects of its organisational culture and injury rates. This has helped it identify where the focus is needed, and which new ways of working need to be introduced to effectively and significantly improve safety performance. It has also discovered that sharing best practice quickly and positively has greater leverage in its businesses, and helps it deliver more sustainable safety improvements.

Safety, ultimately, is about making it easier to keep everyone in the business safe, and this was part of the rationale for placing responsibility for safety closer to businesses. This divisional alignment has resulted in more effective leadership, which owns and drives the safety message into the businesses, along with a greater sense of personal responsibility. It's also given the Group the opportunity to simplify

its message, its systems and procedures so they're better understood and easier to act on. And it seems to be working.

In 2014, the Group will continue to embed this approach to safety at branch and store level, moving from compliance to proactive discretionary effort, and safe behaviour. Branch and store managers will be the local safety leaders, changing the culture by demonstrating visible leadership and inculcating the habits of regular safety conversations, safety 'nudges' and praise within branches and stores. The Group will continue to seek external perspectives from experts in this field, as it continues to strive for safety for all.

A report outlining the Group's health and safety activities is set out on pages 46 to 48.

ENVIRONMENTAL

As the UK's largest supplier of building materials Travis Perkins has a significant environmental footprint which it takes great care to try and minimise. It is a business built on relationships, and by sharing ideas and inspiring positive change, it will make the biggest difference. The teamwork across the organisation, the dialogue with customers and the collaboration with key partners is proof of this, and presents opportunities to adopt more sustainable behaviours every day.

Profitability is no longer divorced from responsibility, and it's much easier to empower people to demonstrate their commitment to a sustainable agenda if they are also successful business ambassadors. This combination creates a win-win situation for both the business and for the environment. Travis Perkins is committed, long-term, to profitability and sustainability within a well-governed framework.

As explained in the environmental report on the group website at www.travisperkinsplc.co.uk/citizenship/environment, which is summarised on pages 50 to 51 of this report, targets have been set and many initiatives have been underway for some time to further lower the Group's carbon footprint by reducing its direct and indirect consumption of energy, water and fuel.

Focus is also put on reducing the Group's impact on the local environments in which it operates. Pollution and nuisance prevention is a key part of the Group's environmental agenda with the aim of avoiding any reportable incidents or complaints from those people that are affected by the Group's activities.



CCF Sektor product, launched in 2013 and installed at the Group's Northampton head office

The last strand of the Group's environmental efforts concerns the products it sells. Customers of the Group are becoming increasingly environmentally aware so together with suppliers considerable effort is expended trying to maximise the quantity of product obtained from sustainable sources.

COMMUNITY ENGAGEMENT

The Group's businesses and employees are encouraged to support community activities in the areas where they live, work and operate. They are passionate about the charitable work they undertake; the enthusiasm and commitment shown by the Group's employees as they fundraise is something that inspires us all. Each of the Group's 17 businesses, along with its central functions, has a strong and extremely valuable partnership with a number of British charities, each of which is selected by employees. Their reach touches many, including Parkinsons UK, Alzheimer's Society, Mind, AgeUK and the RNLI, amongst others.

COLLEAGUE ENGAGEMENT

For the Travis Perkins Group, engagement is about attracting, recruiting, developing and inspiring great people, so they can make a difference, share in the success of its businesses, and have some fun along the way. As such, it has created an inclusive working environment where everyone can contribute because everyone is listened to, valued and respected.

The Group's people strategy is a fundamental part of what drives it forward. Every one of its 23,000 people is a direct contributor to whichever of the 17 businesses they work in, and as such, they are key to the Group's success.

The 'family feel' of the business has created a strong inclusive culture over many years, and that's something the Group strives to maintain by making sure that people throughout the organisation feel able to voice opinions and concerns and that their views are respected. It is recognised throughout the Group that people make all the difference.

The Group's business goals and cultural values are clearly defined and regularly shared with employees; their feedback is regularly sought. The Group's culture is reinforced in all aspects of its recruitment, training and development programmes, where behaviours, practices and ways of working are clearly articulated, brought to life and can be seen in practice.

Further details of the work undertaken by the Group to recruit, retain and develop colleagues and of their efforts to help the community are set out on pages 52 to 54.

ETHICAL POLICIES

The Travis Perkins Group is a leading supplier to Britain's building construction and home

improvement industry. Its reputation for providing excellent customer service with the highest integrity is the direct result of the collective effort of its employees, all of whom are caretakers of that reputation. How the business conducts itself and how it treats others, will continue to determine how the world views Travis Perkins.

The Group has established clearly defined principles aimed at helping all its employees to uphold the highest ethical, legal and business standards across all the business activities it is involved in.

Group colleagues are made aware of the standards expected of them through the Group's 'Doing the Right Thing' initiative which draws together under a single umbrella three separate, but closely related policies on business principles, diversity and encouraging equal treatment.

The Group has clear policies that set out the expectations that colleagues will not have any involvement with acts of bribery, will avoid conflicts of interest, will ensure they comply with all aspects of all applicable laws when performing their duties and will not become involved with any aspect of insider dealing.

In summarising the Group's commitment to integrity, to acting honestly and ethically and to complying with the law the initiative has provided a one stop guide for colleagues when considering how they interact with customers, suppliers, shareholders and the communities in which they operate. In essence it sets out the Group's commitment to 'Doing the Right Thing'.

EQUAL OPPORTUNITIES AND DIVERSITY

The Group is committed to promoting equality of opportunity for all employees and job applicants. Decisions relating to any aspect of employment are based upon ability and potential rather than age, sex, race, religion or belief, disability or sexual orientation, gender reassignment, civil partnership status, pregnancy or maternity.

The Group complies with national legal requirements in respect of wages and working hours. It supports the International Labour Organisation's ('ILO') standards regarding child labour and minimum age. It is also committed to working only with suppliers who embrace standards of ethical behaviour that are consistent with its own.

A workforce with a difference allows the Group to maximise the unique and individual qualities of its people. A diverse workforce is at the heart of a strong business performance; it delivers increased engagement, improves output and generates better financial returns.

The Group employs 23,000 people in 17 different businesses across both the retail and merchandising sectors.

Around 40% of the work force in the Group's retail sector businesses is female; across the Group as a whole it is 22% reflecting the fact that women find the merchandising workplace less attractive than retail or other areas of the Group's business; although it is worth noting that over half of these women are in management positions. The following table sets out more details of the mix of men and women employed by the Group at the year-end.

	Men		Women		Total	
	Number	%	Number	%	Number	%
Colleagues	13,280	75.9	4,225	24.1	17,505	100
Managers	4,803	85.6	811	14.4	5,614	100
	18,083	78.2	5,036	21.8	23,119	100

The Group is hearing through its research that more men than women like, and are interested in bricks, blocks and timber. This has come from women who have worked for it, or have considered working for it and chosen not to. The Group will however continue to work hard to create a working environment which equally supports, develops and recognises the contribution both men and women make to its business.

At a senior leadership level 18% (2 out of 11) of the operating Executive and 13% of the Board (1 out of 8) are female.

John Carter

Chief Executive Officer

25 February 2014



Luton trade park incorporating branches of Travis Perkins, Benchmark, City Plumbing and BSS, which opened in 2013

STAY SAFE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

OUR STAY SAFE PHILOSOPHY AND OBJECTIVES

Our underlying philosophy is that all injuries are avoidable and that everyone involved in our business should return home safe and well at the end of every day.

To achieve this we have devolved Stay Safe responsibility to our business divisions, rather than dictating a central approach. Devolving responsibility to a divisional level has cultivated a more committed level of ownership which is underpinned by:

- Effective leadership – that owns and drives the Stay Safe message in each of our businesses
- Everyone taking personal responsibility for their own actions and believing that our behaviour can affect Stay Safe performance
- Simplifying safety systems and procedures so that they are understood and respected by all

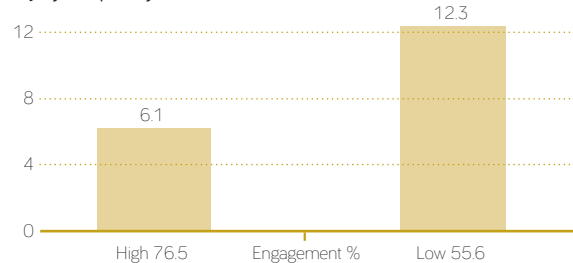
In line with our strategy, a particular emphasis of our investment of time and effort this year has been developing our safety leadership. We believe the tone and culture created by each of our business leaders – right down to store and branch level in their businesses – has a key influence on overall Stay Safe performance.

In 2013 we were able to actually confirm the strong statistical link between elements of our organisation culture (as measured by our employee opinion survey, which includes a measure of 'engagement') and our injury rates. In doing so we have helped our business leaders identify which elements of culture may need to be focussed upon to improve safety performance and reduce accidents in their areas. In particular, the ways of working that they establish as leaders, e.g. the challenge, meaning and variety of work done by colleagues; the freedom to express ideas; effective two-way communication and conversations about safety, etc. can significantly improve safety performance.

The bar chart shows that the more engaged areas of our business have half the injury frequency compared to areas where engagement is not so high.

The key message: More engaged businesses have fewer injuries.

Injury frequency rate



STAY SAFE GOVERNANCE

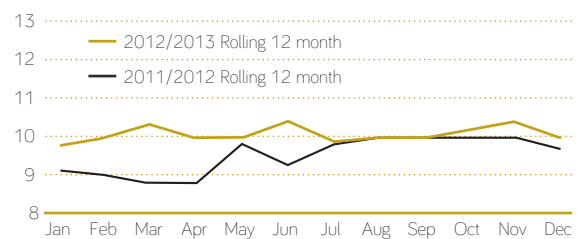
Throughout 2013 all Stay Safe activity continued to be reviewed by the Plc Stay Safe Committee which comprises me as Chairman with Group Board members Ruth Anderson, John Carter and Robert Walker. In addition Stay Safe performance is also discussed at monthly Plc Board meetings.

DATA TRENDS FOR 2013

The graph below shows a 'plateau' effect in the lost time frequency rates during most of 2013 for the Group as a whole. Whilst some Divisions are making more progress, the combined effect for the Group is not as positive as we had hoped. However, these statistics will only reinforce our commitment to increasing awareness and understanding as to the kind of incidents that we should be reporting.

Health & safety frequency rates 2013 vs 2012

Lost time injuries per million hours worked



We have seen encouraging signs, particularly in our Supply Chain function and retail businesses, where we have achieved a 10% and an 11% reduction respectively in lost time injuries when compared with 2012 levels. This was achieved by a reduction in manual handling-related injuries in our Supply Chain areas and a reduction in 'slips and trips' in our retail outlets.

More than 6,000 'near misses' were recorded in the Travis Perkins Group in 2013, and we believe that by recording and learning from such incidents, we are seeing a corresponding reduction in the

number of physical injuries across the Group.

Our firm view is that a focus on what is working well has greater leverage as we seek to deliver improvements in our safety performance, and is a more powerful engagement tool than a preoccupation with what has not worked or has failed. As such, we are measuring and communicating the 'safe branch concept' in the Group.

SAFE BRANCHES

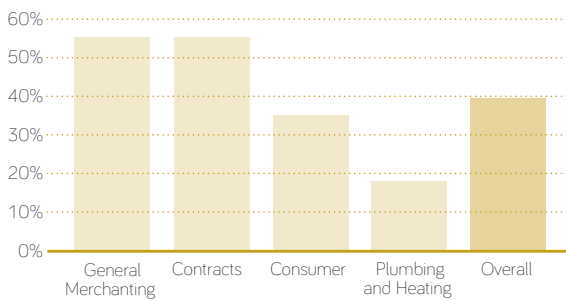
During 2013 85.4% of our branches were free from any reported lost time injuries. This means that during this time, just over 1,500 branches and stores covering 98.5% of our colleagues did not report a lost time injury. However we are disappointed that there were 257 which did report a lost time injury and we shall be working closely with those branches and stores to improve their safety performance in 2014.

The 'highest standard' benchmark for all our branches is to be recognised as a 'safe branch'. In achieving the status of being a safe branch three key criteria have to be satisfied:

- No lost time injuries have been reported
- Near miss accidents are being reported using our online reporting system
- The Group's audit team has not given the branch a red / amber rating on its most recent Stay Safe audit

Using this internal 'stretch' criteria only 39.1% of our Group branches could truly call themselves a 100% safe branch by the end of 2013. However some of our Divisions do achieve higher levels (over 50%) of safe branches against these stringent criteria.

Percentage of 'Safe' branches 2013

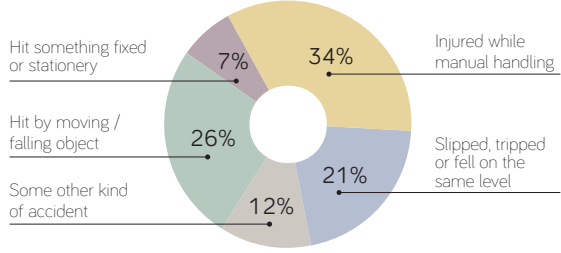


TYPE OF LOST TIME INJURIES IN 2013

The type and pattern of lost time injuries that we are experiencing has not changed since 2011 with manual handling contributing to most lost time injuries.

Therefore, in 2013 we targeted the most commonly occurring lost time injuries, i.e. those acquired during manual handling. During the year we developed the 'Lift' project with the assistance of the strength and conditioning coaches at our partners, Northampton Saints Rugby club.

Lost time injuries 2013



Lift is the Group's newly developed manual handling programme launched during the second half of 2013 to improve lifting techniques of our colleagues. It is designed to not only tackle the actual lifting, but also the root cause of manual handling problems.



To follow up in 2014 we will dedicate more time to educating colleagues to think differently about lifting. This will include implementing Lift 'champions' in all branches who will carry out the practical elements of Lift including training and identifying local issues (including storage) that present a risk of manual handling injury.



Colleagues undergoing manual handling training

NON-COLLEAGUE INJURIES

There were 959 injuries to people not employed by the Group reported in 2013 (2012: 789) of which 59% were in our consumer businesses. However with well over 30 million store visits in those businesses during 2013 these regrettable injury statistics can be viewed more in context. The majority were hand cuts when handling products. As is always the case for our colleagues, we do not set out to injure our customers and all incidents are thoroughly investigated and any lessons learned are acted upon.

STAY SAFE INNOVATIONS IN OUR DIVISIONS IN 2013

Empowering our divisions to develop Stay Safe initiatives and activities that match their type of business and calibre is a major part of our strategy. It has allowed our Divisions and businesses to tailor initiatives to the specific issues they face. Listed below are some examples of the innovations they have introduced in 2013:

- In the General Merchandising and Contracts divisions, the introduction of the new Pro Pole tool

(with its range of tool heads) for drivers eliminates any reason for them to work on the flat-bed of their vehicle. In another project, by working with their supplier, TP Merchanting were able to reduce the size of reinforcing mesh stocked to make it easier and safer to be manually handled in the branch and by our customers

- In our Transport function, the findings of a trial last year confirmed that the introduction of CCTV into vehicles made our drivers drive more safely. As a result, we will be fitting 360 degree CCTV vision cameras into all new vehicles. Also by investing in more vehicle driver risk assessors, who coach drivers about safety and risks, we have seen a reduction in accident insurance claims which has resulted in savings of circa £100k year-on-year, and all this during a time we have 120 more HGV trucks
- To promote the health of our supply chain colleagues we have been trialling a personal fitness trainer in one distribution site to raise engagement levels and give colleagues access to personal health and fitness assessments
- In Wickes, we found that many employees did not wear safety gloves because they could not easily carry them around. The simple introduction of a glove clip meant that gloves could be carried, were always visible and managers could wear them to show their support for the 'Stay Safe' initiative. Following the full roll-out of glove clips by May 2013, Wickes has achieved a 26% reduction in cut injuries
- Our City Plumbing business produced the Stay Safe 8 aide-memoire card for all managers and leaders



SAFER ROADS INITIATIVE

We have made a great start with our Safer Roads campaign aimed at our drivers and as a result, instances of speeding by our drivers have dropped by 58%.

In 2013 the Group was a finalist in four Motor Transport Industry Awards. From a safety perspective we were finalists for the Safety in Operation Award. This was predominantly for our

brick grab modification to our crane fleet which reduced the amount of times drivers had to get on the bed of the vehicle and made delivery of bulk bags much quicker and safer.

The Group were also finalists for the following awards: Innovation Award, Best use of Technology; Transport team of the year.

LOOKING AHEAD TO 2014

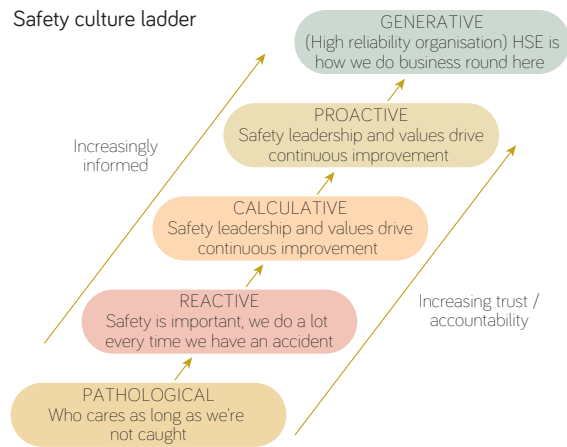
In 2014 our aim is to build on the great progress made in 2013 by continuing to drive forward the

embedding of grass roots behavioural safety at our branch and store level – to move from compliance to proactive discretionary effort, and safe behaviour. We will target a branch 'shop floor' safety culture through our branch managers to achieve this.

Through our branch managers we will focus on ways of involving our people in developing safety improvements and ensuring safety conversations and observations are part of everyday life in our branches and stores. Branch managers as safety leaders, will be key to making this happen through creating a just culture, showing visible leadership and inculcating the habits of regular safety conversations, safety 'nudges', praise etc. within the branch.

We will be engaging external safety experts to assess and provide a fresh independent perspective on where each of our Divisions (down to branch / store level) has got to on their Stay Safe journey by referencing where they are today on what experts call 'the safety culture ladder'.

This external safety expertise will conduct qualitative research and assessment of 'where we are now' and help point out to our leaders and managers what needs to happen locally to nudge us forward where needed beyond the 'today' position especially where statistics suggest we have plateaued.



I look forward over the coming years to reporting on a real improvement in colleague and customer safety statistics and I want to thank all colleagues who are engaged in making improvements to their own and others safety. I sincerely hope that the excellent innovations and initiatives being taken across the Group will result in a meaningful reduction in the number of accidents next year and beyond.

Andrew Simon

Chairman Plc Board Health & Safety Committee
25 February 2014



Recycling centre
at Brackmills
distribution
warehouse

ENVIRONMENTAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

ESSENTIAL ENVIRONMENT

We break down our environmental approach into 3 areas, buying responsibly, operating responsibly and selling responsibly; this generates a sustainable competitive advantage. This is a summary of our environmental performance in 2013¹. This summary has been verified by the independent company LRQA. More details about this verification and a copy of the verification statement can be found at www.travisperkinsplc.co.uk/citizenship/environment

LEADERSHIP

We have previously been given awards for innovation and leadership for our environmental approach. We have started 2014 with a new set of actions that will deliver against our vision. We have adopted leadership positions with Sustainable Building Solutions ('SBS') and in making public our 'other indirect Greenhouse Gas ('GHG') emissions' (known as Scope 3)² we will keep our actions and our performance reporting meaningful by:

- Retaining the role of our Non-executive Environmental Advisory Panel
- Continuing to talk and listen to a wide range of stakeholder voices

BUYING RESPONSIBLY

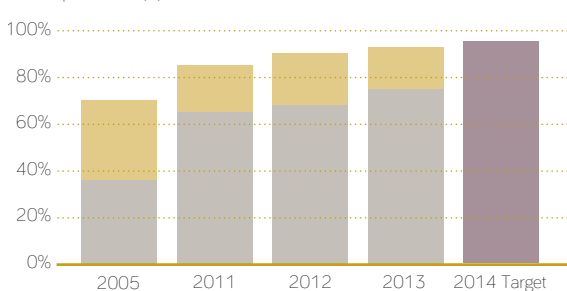
Buying timber better

The 93% performance figure (a 3% increase on last year) reflects improvements in the kitchen and flooring categories in the Consumer division. We have tightened our control on supply during 2013 and have been working with suppliers to ensure they can meet our requirements for legal and credibly certified products. Availability of certain special orders can be an issue, but there is no doubt that the 95% certified level by the end of 2014 which was stated in last year's report is achievable.

Timber certification

2005 data excludes Wickes timber figures

Timber purchased (£)



Emerging resource efficiency practice

We are examining whether a 5% consumption decrease in materials, energy and water is achievable in our supply chain. It may be possible to achieve this order of reduction through collaboration and knowledge sharing alone.

OPERATING RESPONSIBLY

Reducing our carbon footprint

We have considered direct GHG emissions (Scope 1) and indirect GHG emissions (Scope 2) from all activities and operations where the Group has operational control over the business. All emission sources were analysed, including fugitive emissions from domestic refrigeration, vehicle and building air conditioning. However, as these emissions were not material compared to our overall emissions they have been excluded from this report. We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Scope 1 and 2 emissions are calculated using the UK Government Conversion Factors for Company Reporting 2013. 95% of Scope 1 and 2 data is from measured sources with the remainder extrapolated from expenditure on fuel.

	Carbon Dioxide Equivalent (CO ₂ e)	
	Reference year 2012	Reporting year 2013
Scope 1		
Direct emissions from burning gas and solid fuel for heating and from road fuel use for distribution ³	129,183 tonnes	136,614 tonnes
Scope 2		
Indirect emissions from our use of electricity	69,681 tonnes	68,904 tonnes
Intensity		
Tonnes of CO ₂ e from Scope 1 and 2 sources per million pounds of inflation adjusted sales	53.73 tonnes	54.36 tonnes

We have recalculated 2012 emission data from tonnes of CO₂ to tonnes of CO₂e (equivalent).

Our scope 1 and 2 emissions are 1.1% more carbon intensive in 2013 than in 2012, but nearly 5% less than our 2005 baseline year^{4,5}. The main

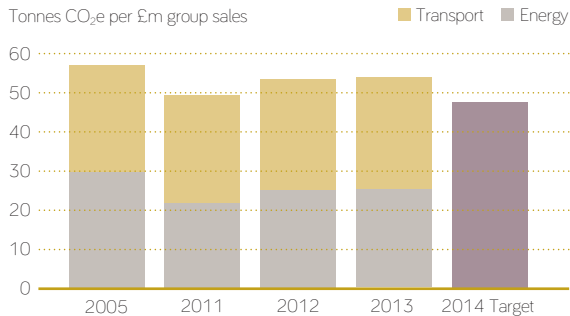
¹ This report excludes activities and data relating to Solfix Energy Systems Ltd, Rinus Roofing Supplies Ltd, The Mosaic Tile Company Ltd and Toolstation sites in the Netherlands and the Wickes franchise in Ireland which ceased in Feb 2013. ² Scope 3 emissions not verified by LRQA. ³ Scope 1 CO₂e emissions include 27,291 from buildings and 109,323 from transport. ⁴ The 2005 baseline year annual carbon dioxide emissions data is an estimate based upon financial information and not direct consumption data, unlike succeeding years. ⁵ In the absence of a CO₂e conversion factor for 2005 we have applied the 2009 CO₂e conversion factor, the first year it was introduced.

cause of the intensity change is a dramatic increase in gas consumption (16%) which is likely to be weather related. Our interim 2014 target of a 20% decrease in intensity on 2005 levels looks beyond us. However, the introduction of divisional cost saving environmental improvement plans will ensure sustained and deeper reductions in subsequent years. Our ambition remains to almost halve (48% reduction) our intensity by 2020 on 2005 levels.

CO₂e emissions

OECD sales deflated figures

Tonnes CO₂e per £m group sales



Waste

In 2013 we generated 34,069 tonnes of waste, a 17% reduction on 2012. We recycled or recovered 27,374 tonnes.

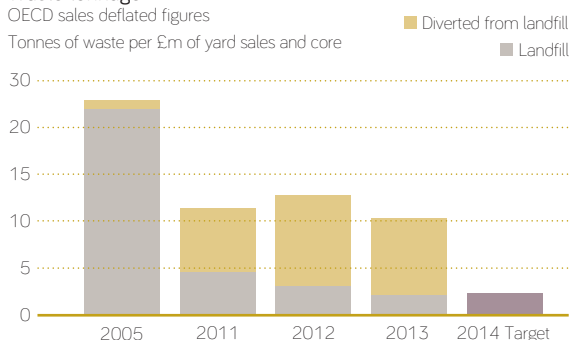
Our performance was achieved by reducing the number of general waste collections at our branches and increasing the number of dry mixed recycling bins. We also continued our successful backhaul operation where materials such as cardboard and plastic are collected at our distribution centres and sold to reprocessors.

We have exceeded our 2014 target of a 90% reduction in the tonnage of waste per million pounds of adjusted yard and core sales over 2005 a year early and we still expect to be a 'zero waste to landfill' business by 2017.

Waste tonnage

OECD sales deflated figures

Tonnes of waste per £m of yard sales and core



Operational environmental management

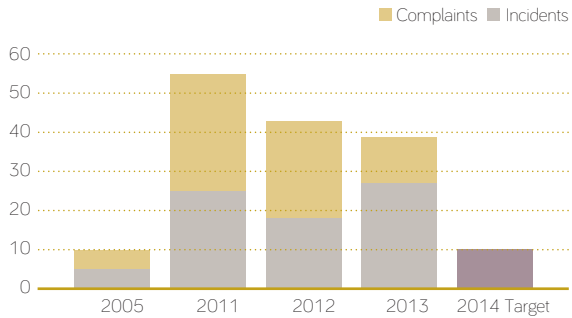
Our Environmental Management System ('EMS') was successfully re-certified to the ISO14001 standard in 2013.

We experienced 27 incidents in 2013 an increase of 11 from the previous year, but only 12 were

reportable, one less than in 2012. The majority relate to spillages of paint and oil in branches and from our vehicles. We will be focusing on improving our management of spillages in 2014 to reduce the overall number of incidents.

We are in no ongoing conversations with enforcement bodies where there is a risk or threat of prosecution.

Environmental incidents and complaints



SELLING RESPONSIBLY

Our 'multi award' winning SBS service continued to develop a capability and capacity to train and change the way people think about low impact building. In the merchant and contract divisions, sales of products with an in use environmental benefit typically account for 15% of total sales. We are expanding the range all the time and improving our communication to customers on the benefits. Some of our sanitaryware will, for example, be amongst the first to carry new voluntary water efficiency labels.

We have detected a rise in demand for credibly certified timber materials over the year and have responded by reintroducing chain of custody controls into Keyline branches so that they could service customer requirements. We plan to introduce similar controls into CCF and Benchmark over 2014.

RISKS AND OPPORTUNITIES

Our new environmental approach sets out clear areas where sustainable competitive advantage can be gained. Environmental improvement measures netted more than £9m and sales of products which have an in use environmental benefit were c. £330m in 2013. There is more growth potential in both these areas.

We have not identified any high unmitigated risk to the business from environmental issues. We have been recognised by CDP giving clear consideration to identifying the issues, risks and opportunities around climate change.

John Carter

Chief Executive Officer
25 February 2014

ENGAGING PEOPLE

FOR THE YEAR ENDED 31 DECEMBER 2013

The Group's unique approach to its people has been a key factor in its successful record of growth. The Travis Perkins Group is committed to empowering those who work in its businesses and central functions, providing a collaborative, learning environment in which they can develop, rewarding them fairly and creatively, and supporting charitable activity that links its businesses to their communities.

BECOMING AN EVEN BETTER PLACE TO WORK

Engaged employees are a vital part of any successful company, and the Group recognises that its people are central to the fundamental objective that drives its business – serving its customers as best they can. Travis Perkins works hard to attract and retain the best people, creating opportunities so everyone can make a difference as they work to contribute to the success of each of the businesses and the Group. That focus helps drive employee engagement, which in turn helps to make the Group an even better place to work.

The Group regularly undertakes surveys to measure how employee engagement is changing. Colleagues are regarded as engaged if they respond positively to each of four questions they are asked:

- Would they recommend the Group as a good place to work to people outside the business?
- Would they recommend the Group's products and services to people outside work?
- Are they proud to work for the business?
- Are they motivated to perform well in their job?

Colleague engagement is one of the Group's key performance indicators; the three year engagement trend is shown on page 6.

Recognising and rewarding our people

People who are happy and engaged in their work do a better job, which ultimately makes it easier for them to delight customers with better, faster, more responsive service. The Group is full of those who go the extra mile with the range of their achievements and successes being recognised in a number of ways:

a. Industry-leading compensation and benefits

The Group's Sharesave scheme continues to be a great success. In 2013 around 1,750 employees shared close to £20m of gains from three and five year schemes which matured at the end of the

year. Following the invitation for the new Sharesave plan, more than 8,500 employees are now active Sharesave participants (2012: 7,500).

During the year, the implementation of pension auto-enrolment to bring all eligible employees into a retirement benefit arrangement was completed, with the hugely encouraging outcome that 19,000 employees are now pension plan members.

Opportunities to bring engaging and innovative benefits to colleagues are continually being sought. In 2013, the PERKS brand for employee benefits was launched and in 2014, it is planned to launch a new online benefit offering under the 'myPERKS' banner, which will provide everyone with an increasing range of benefits and greater flexibility to select benefits which best suit their requirements.

b. Individual awards and recognitions

In addition to its extremely popular Sharesave and pension schemes, the Group has a reward system which recognises hard work and commitment as colleagues all strive to deliver business goals; everyone is able to qualify for the 'all colleague bonus'.

Recognising those who 'go that extra mile' is also important. Simon Kemp, a yard supervisor in the Keyline business, received a 'hero award' in the summer of 2013, thanks to his constant drive for improvement and innovation at our Milton Keynes branch. Credit Control Manager, Ann Green, has been recognised for long service and loyalty to the Group having delivered outstanding support to the businesses from her Group central function role.

Travis Perkins businesses can probably claim the highest long service total of any group in the UK, and the Group is enormously proud that many people make working in the Group their life's work. Their contribution is recognised in many ways, but one that really generates traction is the 'long service award' system, which recognises long service at key milestones and rewards with badges as well as financial incentives. The badges are something people are proud to wear and strive to achieve.

The Wickes business encourages employees to submit ideas and suggestions via a 'Bright Sparks' initiative, a mechanism which certainly generates interest and engagement. It can also generate £500 for the employee if their idea is introduced into the business.

'Getting it Right' awards are also a feature of the Group's business life, and the scheme allows

employees to be recognised at a local level for making a difference to customers, their colleagues or the performance of the business. Line managers are encouraged to present colleagues with a £50 High Street voucher; examples range from exceptional customer service to contributing to remerchandising a branch after a refit.

c. External recognition

In 2013, the Group HR team, led by Group HR Director, Carol Kavanagh, reached the final of the 'HR Team of the Year' award at the Personnel Today awards. This leading industry award is highly regarded, and the Group was delighted that judges recognised the 'Impressive, cost-effective deployment of HR business partners and reduction in HR costs as a percentage of sales' that the Group's sustainable HR model has delivered, a model which has contributed to an improvement, year-on-year, in the Group's employee engagement score. This HR business partner model also better supports the Group's divisions and its businesses, by identifying best practices, cost-efficiencies, and improvements in the areas of talent management, reward and communication.

THE LAW OF ATTRACTION... AND RETENTION

The success of the Group and the shape of its businesses are shaped by the people who work in them. Indeed, it's driven by them, and it's a privilege that the Group is able to attract the most talented, committed, hard-working people in the building materials sector. The Group's diverse culture is something it's enormously proud of, and it's that diversity of backgrounds, of skills, of expertise and experience that can be drawn on, developed, moulded and encouraged at every level of the Group.

a. New ways of engaging people

The changing face of recruitment has probably been a surprise to some, but for Travis Perkins it has represented an opportunity and a challenge it has been quick to embrace. It has made a significant investment in LinkedIn and is actively encouraging employees to develop their networks through this platform which, in turn, gives the Group's resourcing function better access to key talent at no or low cost.

b. Developing people and careers

The Group constantly checks and benchmarks itself to ensure it is better positioned to stay ahead of its competitors, as each tries to attract and retain the best people in the market. During the year a review has been undertaken of the effectiveness of the structure of the resourcing and succession, leadership and training and development functions,

which has identified a number of significant improvement opportunities. This has led to new approaches being developed in the following areas:

- Product knowledge, sales and service skills, so colleagues can provide even better customer service
- Apprenticeships, group management trainee schemes and graduate programmes, so the early careers of the young entrants brought into the business can be accelerated
- Qualifications in leadership development, to help managers get the best from their people
- Fast track development programmes to strengthen the Group's talent pipeline as it grows. People are able to move between brands sharing best practice and great ideas
- Tailored safety development to keep colleagues and customers safe
- A new in-house search company that helps line managers make excellent recruitment decisions



Management trainee course in progress

AN INCLUSIVE CULTURE

Internal communications activity regularly shares group-wide, divisional and business specific information with employees, using numerous print, digital and face-to-face channels and mechanisms. The Group has recently 'gone google' and so now colleagues have a number of google plus social media channels to draw upon. The Group's intranet is widely used and is currently being redesigned to make it even better.

CHARITIES AND COMMUNITIES – A COLLECTIVE RESPONSIBILITY

During the year colleagues across the Group have engaged in a wide variety of community and charitable activities. Here are just a few examples:

a. Engaging with communities

- Travis Perkins supported the next generation of builders by donating materials to Live Train, a London-based training scheme which equips unemployed people with the skills and experience to start a sustainable career in the construction industry. It has also donated part of its branch in Vauxhall, London, to house a new Live Train training centre
- Wickes continued its support of the VIY ('Volunteer It Yourself') project, which combines volunteering and DIY by challenging young people aged 14-17 to learn trade and building skills on the job by committing to repair local youth club and community centre buildings.
- In September, colleagues from Wickes' Tottenham store joined 40 tradespeople and 270 young people in a VIY Challenge Weekend in September to renovate four community spaces across London. The store contributed materials and store manager Raj Patel supported the Selby Trust Community Centre in Tottenham with his leadership skills, helping to coordinate participating tradespeople in mentoring young people on the job

b. Charity partnerships

- Those who work for City Plumbing Supplies have stepped up their fundraising activities in 2013 in support of their new partner Teenage Cancer Trust. Scott Hurcombe, manager at City Plumbing Gloucester described running the London Marathon this year as 'the greatest and most rewarding achievement of my life.' Scott

raised over £5,000, and is one of many across the Group who have either trekked across the Highlands, jumped out of planes, 'broken out of jail', climbed mountains, tackled challenge events, entered our TP's Got Talent competition or simply baked cakes

- The Olympic legacy left by Great Britain's cycling team has inspired many employees to fundraise through pedal power this year. In August, 14 Travis Perkins branch colleagues completed the famous 300 mile London to Paris cycle ride, raising a staggering £22,000, while colleagues from Tile Giant conquered the 103 mile trek along Hadrian's Wall to raise £8,300, and eight people from our Group Property & Environment team completed the 55 mile London to Brighton bike ride raising £4,500

Internally, employees can support additional charitable activity through payroll-giving and a 'Colleague Lottery', and the popularity of these schemes remains undiminished. Thanks to wonderful activities like these, the Group is pleased to have donated more than £1.9m (2012: £2.1m) through Group activities, including £142,212 (2012: £165,716) directly from the Group, to worthwhile causes in the fields of cancer research, support for children and young people, and the hospice movement, to name a few.

John Carter
 Chief Executive Officer
 25 February 2014



Janie Bungey,
sales assistant,
Keyline,
Northampton

DIRECTORS

Chairman

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

Chief Executive

John Carter joined Sandell Perkins as a management trainee in 1978. He held a number of regional management positions, before being appointed Managing Director, Operations in 1996, and a director of Travis Perkins plc in July 2001. He became Chief Operating Officer in February 2005 and Deputy Chief Executive in December 2011. He was appointed Chief Executive on 1 January 2014. He is a trustee of the Building Research Establishment. He is a member of the Health & Safety Committee and Chairman of the Executive Committee.

Chief Financial Officer

Tony Buffin was appointed as Chief Financial Officer on 8 April 2013. He is a chartered accountant and was previously with the Coles Group in Australia where he was Chief Financial Officer from 2009. Prior to that he was Chief Executive Officer of the Loyalty Management Group. He is member of the Executive Committee.



Non-Executive Directors

Ruth Anderson was appointed as a non-executive director in 2011. She is a non-executive director of Ocado plc, Coats plc, The Royal Parks – an executive agency of the Department of Culture, Media and Sport and a trustee of the charity the Duke of Edinburgh's Award. She is a chartered accountant and held a number of positions in KPMG (UK) from 1976 to 2009, being a member of its board from 1998 to 2004 and Vice Chair from 2005 to 2009. She is Chairman of the Audit Committee and a member of the Health & Safety Committee.

John Coleman was appointed as a non-executive director in 2005. He is a chartered management accountant and Chairman of AGA Rangemaster Group plc and a non-executive director of Bonmarche Holdings plc. He has previously been Chairman of Holiday Break plc, Chief Executive of House of Fraser plc and Chief Executive of Texas Homecare and of a number of businesses within Burton Group PLC. He became Senior Independent Director in January 2013, and is a member of the Remuneration, Audit and Nominations Committees.

Christopher Rogers was appointed as a non-executive director on 1 September 2013. He is a chartered accountant, Managing Director of Costa Coffee and a director of Whitbread PLC, of which he was Group Finance Director from 2005 to 2012. He was Group Finance Director of Woolworth Group PLC from 2001 to 2005 and previously held senior roles in both finance and commercial functions in Comet Group PLC and Kingfisher PLC. He was also a non-executive director of HMV Group PLC from 2006 to 2012. He is a member of the Audit Committee.

Andrew Simon O.B.E. was appointed as a non-executive director in 2006. He is a non-executive director of Finning International Inc. (Canada), Management Consulting Group plc, SGL Carbon SE (Germany), Exova Group plc, Icon Infrastructure Management LLP (Guernsey), Icon 1A GP Ltd, British Car Auctions and Gulf Keystone Petroleum Ltd (Bermuda). He was previously Deputy Chairman of Dalkia plc, Chairman and / or Chief Executive of Evode Group plc and has also held non-executive directorships with Severn Trent Plc, Ibstock PLC, Laporte Plc, Associated British Ports Holdings PLC, and Brake Bros Holdings Ltd. He is chairman of the Remuneration and Health & Safety Committees and a member of the Nominations Committee.



COMMITTEES AND PROFESSIONAL ADVISERS

COMMITTEES

Secretary	Deborah Grimason
Audit Committee	Ruth Anderson (Chairman), John Coleman, Christopher Rogers
Remuneration Committee	Andrew Simon (Chairman), John Coleman, Robert Walker
Nominations Committee	Robert Walker (Chairman), John Coleman, Andrew Simon, Christopher Rogers, Ruth Anderson
Health & Safety Committee	Andrew Simon (Chairman), Ruth Anderson, John Carter, Robert Walker
Executive Committee	John Carter (Chief Executive and Committee Chairman) Tony Buffin (Chief Financial Officer) Norman Bell (Group Development Director) Arthur Davidson (Divisional CEO, General Merchandising Division) Frank Elkins (Divisional CEO, Contracts Division) Deborah Grimason (Company Secretary & General Counsel) Carol Kavanagh (Group HR Director) Martin Meech (Group Property Director) Ian Preedy (Group Buying Director) Robin Proctor (Group Supply Chain Director) Paul Tallentire (Divisional CEO, Plumbing and Heating Division)

PROFESSIONAL ADVISERS

Investment Bankers / Advisors:	HSBC Bank plc, Nomura International plc
Corporate Broker:	Citibank, Credit Suisse
Bankers:	The Royal Bank of Scotland plc, Barclays Bank plc, Lloyds Bank plc
Solicitors:	Linklaters LLP, London; Clifford Chance LLP, London
Auditor:	Deloitte LLP, London
Registrars:	Capita Asset Services

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

59

UK CORPORATE GOVERNANCE CODE

In the following pages, we explain how the Company has applied the principles and provisions of the UK Corporate Governance Code ('the Code') during 2013. Since inevitably, and despite our best efforts, the following pages can make fairly turgid reading and might appear somewhat 'boilerplate', I would like to make the following points by way of introduction:

- The Board considers that the Company has complied with the provisions set out in the Code
- The Board invested considerable time and effort to ensure Geoff Cooper's retirement as Group Chief Executive and John Carter's appointment as Geoff's successor was properly planned and executed
- Our initiative of involving our non-executive directors more extensively in the Group's businesses has continued successfully, although rotating businesses among them has been delayed due to current and future changes in our non-executive bench
- Although I conducted an internal evaluation of the Board's performance this year, additional steps were taken to ensure Board performance was kept up to date with best practice externally. John Coleman (Senior Independent Director) and I held a separate meeting with Egon Zehnder (who have conducted over 400 external board reviews) to compare best practice
- We welcome extensive and regular shareholder engagement. Each year, we aim to engage early and with as wide a range of shareholders as possible. We do this to ensure that we have sufficient time to address significant shareholder concerns

The following pages summarise the Company's governance practices by reference to the five main sections of the Code.

1. LEADERSHIP

At 31 December 2013 the Board was made up of five non-executive directors (including myself as Chairman) and three executive directors. John Coleman is the Senior Independent Director. The Board has a schedule of matters reserved to it, which is reviewed annually. Four items were added in December 2013:

- Any decision likely to have a material impact on the Group from any perspective including strategic, financial or operational
- Approval of a conflicts of interest policy, and authorisation of any conflicts
- Policies on bribery prevention
- Processes for ensuring a satisfactory dialogue with shareholders

The Board's key responsibilities are for overall group strategy, policy on corporate governance, approval of expansion plans and major capital expenditure, consideration of significant financial and operational matters and the Group's exposure to key risks. It also reviews the strategy of the individual businesses, their annual budgets and progress towards the achievement of those budgets and long-term objectives. Legislative, environmental, health and safety and employment issues are also considered.

The Board has approved a written statement of the division of key responsibilities between the Chairman, and the Chief Executive. This is reviewed annually and no changes were made in 2013.

The Company maintains directors & officers' insurance in respect of the risk of claims against directors. This is reviewed annually and has been increased for 2014.

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

I agree the agenda for board meetings in conjunction with the Chief Executive and the Company Secretary / General Counsel. Agendas are based upon an annual plan, but also include matters of particular interest or concern to the Board at any particular time.

I monitor the information provided to the Board to ensure it is sufficient, timely and clear.

I generally contact all the non-executive directors in advance of Board meetings, to suggest the key issues for discussion. In particular I discuss the meeting papers with any director who is unable to attend, to obtain that director's views. At the meetings, as Chairman, I ensure that each director is able to make an effective contribution within an atmosphere of transparency and constructive debate.

Between board meetings I maintain frequent direct contact with the executive directors and keep the non-executive directors informed of material developments. I held a number of meetings during the year with all the non-executive directors, without the executive directors being present.

Board meetings

We held ten Board meetings in 2013 (one 2-day meeting and one by conference call). Two meetings considered the Group's long-term strategy. Eight meetings included either visits to parts of the Group's operations or presentations by senior executives on their areas of responsibility. Non-executive directors also made individual visits to operational sites. In addition to the regular board meetings, key financial information is circulated to directors outside of meetings.

The number of board and committee meetings attended by each director (in whole or in part) during the year is detailed in the table on the next page.

	PLC Board No.	Audit No.	Remuneration No.	Nomination No.	Health & Safety No.	Executive No.
Number of meetings	10	4	5	3	3	7
Attendances:						
Ruth Anderson	10	4	2	3	2	-
Tony Buffin ¹	8	3	1	2	-	5
Chris Bunker ²	7	3	3	3	-	-
John Carter	10	3	2	2	3	7
John Coleman	10	4	5	3	-	-
Geoff Cooper	10	-	3	3	-	7
Paul Hampden Smith ³	1	1	-	-	-	1
Philip Jansen ⁴	3	-	1	2	-	-
Christopher Rogers ⁵	4	1	-	-	-	-
Andrew Simon	9	-	5	3	3	-
Robert Walker	10	4	5	3	3	-

¹ Appointed April 2013, ² Retired September 2013, ³ Retired February 2013, ⁴ Retired May 2013, ⁵ Appointed September 2013

Board committees

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

The Executive Committee is chaired by the Group CEO and its members are listed on page 58. Other executives are invited to attend from time to time in relation to specific matters. The main purpose of this Committee is to assist the executive directors in the performance of their duties in relation in particular to:

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

On occasions during 2013, sub-committees of the Executive Committee met to carry out more detailed reviews of particular areas.

2. EFFECTIVENESS

The Board is satisfied that I and the non-executive directors are all independent. In particular, none of the specific circumstances set out in Code provision B.1.1 apply. Appointments of new directors are made by the Board on the recommendation of the Nominations Committee. I chair that Committee and all the other members are independent non-executive directors. A report of the Committee's work in 2013 is on pages 83 to 84.

Appointments of non-executive directors

Our policy is to recruit people of the highest calibre, with a breadth of skills and experience appropriate for the Company's business. The Group's businesses, both trade and retail, are trading businesses. Given the highly competitive

and fast moving nature of the markets in which the Group operates, our preference in seeking future non-executives, is to attract individuals who have had significant Profit and Loss experience as CFOs or CEOs; additional expertise in areas relevant to the Group's businesses is also valuable. We support the principles of the Davies Review and the need for a diverse board, although we do not intend to commit to specific quotas. We use search firms who will abide by the voluntary code of conduct which followed the Davies Review. Our diversity policy is summarised in the Nominations Committee Report.

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

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

Ruth Anderson	October 2014 (3 years)
John Coleman	February 2014 (9 years)
Christopher Rogers	August 2016 (3 years)
Andrew Simon	February 2015 (9 years)
Robert Walker	September 2015 (6 years)

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

During 2013 Christopher Rogers joined the Board. Christopher had most recently been Group CFO at

Whitbread plc, and is currently Chief Executive of Costa Coffee, part of Whitbread. In view of the pending retirement over the next three years of three of our four non-executive directors, and in order to secure continuity during this period of change, John Coleman's appointment was extended beyond his normal retirement date of February 2014. This extension will be for a maximum of one year and major shareholders were consulted on this well in advance.

Induction

We have an induction process for new directors, which is facilitated by the Company Secretary / General Counsel. In particular, this includes a programme of meetings with senior management in both operations and central functions, and visits to a range of branches and stores. I ensure that all directors receive appropriate training on appointment and then subsequently as required, taking into account the need to update their skills and their knowledge of the Company's business. Non-executive directors are also regularly provided with information on forthcoming legal and regulatory changes and corporate governance developments, and briefings on the key risks facing the Company, including those identified in the Statement of Principal Risks and Uncertainties on pages 39 to 41.

Executive mentoring by non-executive directors

Each non-executive director is allocated to one or more of the Group's businesses and one of the Group's central functions. The precise mentoring process is for each non-executive director to decide, but involves contact and meetings with the management of the allocated businesses or functions, and site visits. The intention is to give the non-executive directors a better understanding of our businesses and functions, their people and strategies, while allowing them to use their skills and experience to bring a fresh, independent, viewpoint to those parts of the Group. This mentoring arrangement will continue in 2014.

Evaluation of board performance

Each year, the Board undertakes an evaluation of its performance and the performance of its committees and individual directors. The Board's policy is to engage an external facilitator to assist this process every three years. In 2007 and 2011, the Board's performance was reviewed externally by Egon Zehnder. The Board had no conflict of interest with Egon Zehnder, who have conducted over 400 external reviews, significantly more than most other comparable practitioners. In the Board's experience, finding qualified practitioners in this area has been particularly challenging. Many companies have emerged to provide this service, with little or no experience in boardroom practice and little demonstrable value added; in a sense "taking your watch to tell you what the time is". We welcome the recent initiative to develop a code of practice in this area, although the first draft circulated in February 2014 is unsatisfactory.

In 2012, the Board carried out an internal review of its performance. Reviewing the actions identified at that time, the Board has generally performed well on most, if not all, items. Executive succession has been comprehensively managed and progress is underway on future non-executive succession. Considerable time was invested in group and individual strategic business initiatives including an externally facilitated process of challenge; this led to a Capital Markets day presentation on 3 December 2013. Further streamlining our financial reporting for the Board remains

a work in progress, but should be completed this May. As a Board, we still need to spend more time on management succession and development beyond the senior team. Finally, we continued to involve appropriate and challenging external expertise in Board discussions.

Turning to 2013, when we once again conducted an internal performance review. This entailed each director and the Company Secretary completing a questionnaire about the performance of the Board and its committees, followed by individual interviews with myself. Following a separate meeting with Egon Zehnder to compare best practice, and referred to above, I prepared a report for the Board in December. Additionally, the Senior Independent Director also conducted a review of my own performance.

As a result, the Board determined that it had effectively managed the achievement of the Company's objectives during the year, that the mix of knowledge and skills among Board members were appropriate, and that the Board worked cohesively.

For 2014, the following areas for focus, among others, were identified:

- Continuing to manage non-executive succession
- Honing board processes
- Refreshing the Company's risk processes

In 2014, an external review of the Board's performance will be conducted.

Re-election

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

The Board believes that there is presently a blend of skills and experience among the non-executive directors, which is appropriate for the Group. The skills required for our Board, include experience in the merchanting and retail sectors, capital project and M&A evaluation and experience of international markets, as well as the essential understanding of financial controls and accounting background. An understanding of information technology is increasingly important.

3. ACCOUNTABILITY

A review of the performance of the Group's businesses and the financial position of the Group is included in the Strategic Report on pages 20 to 30. The Board uses the Strategic Report to present a full assessment of the Group's position and prospects, its business model, and its strategy for delivering that model. The Directors' responsibilities for the financial statements are described on page 88.

Going concern

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

In arriving at their opinion the Directors considered the:

- Group's cash flow forecasts and revenue projections
- Reasonably possible changes in trading performance
- Committed facilities available to the Group to late 2016 and the covenants thereon
- Group's robust policy towards liquidity and cash flow management
- Group management's ability to successfully manage the principal risks and uncertainties outlined on pages 39 to 41 during periods of uncertain economic outlook and challenging macro economic conditions

Internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. In the design of the system of internal control, consideration has been given to the significant risks to the business, the probability of these risks manifesting themselves and the most cost effective means of controlling them. The threat posed by those risks, and any perceived change in that threat, is reviewed quarterly by both the Executive Committee and the Board. The system manages rather than eliminates risk and therefore can only provide reasonable, and not absolute, assurance against material misstatement or loss.

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

Risk assessment

It is the responsibility of the Board to establish the risk framework within which the Group operates. The Board and the Executive Committee receive reports on specific areas of risk at each meeting, in accordance with a rolling timetable. They also receive reports of Internal Audit reviews. If appropriate, these reports include recommendations for improvement in controls or for the management of those risks. Measures to integrate risk management processes into the Group's operations, to extend awareness of the importance of risk management and to ensure that recommended improvements are implemented, are regularly reviewed and refreshed. Senior executives and managers are asked, each year, to confirm the adequacy of internal controls in their areas of responsibility, identify any control weaknesses, and to confirm the accuracy and completeness of information given to the directors and to the external auditor.

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

Audit committee and auditors

The Board has established an Audit Committee consisting of three independent non-executive directors. Its key responsibilities and a description of its work in 2013 are contained in its report, which is set out on pages 64 to 67.

4. REMUNERATION

The Board has established a Remuneration Committee consisting of the Chairman and two independent non-executive directors. Its responsibilities include remuneration policy, a review of the performance of executive directors prior to determining their remuneration

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

The Committee's key responsibilities and a description of its work in 2013 are contained in its report, which is set out on pages 68 to 82.

5. RELATIONS WITH SHAREHOLDERS

The Company encourages two-way communication with both its institutional and private investors and responds promptly to all enquiries received. Each year, the Company reviews its strategy for engaging with shareholders. In 2013, the Senior Independent Director, the executive directors and I, either separately or together, attended a large number of meetings with analysts, and with shareholders representing about 50% of the issued share capital.

In December we held our Capital Markets day, which was attended by more than 100 investors and analysts as well as a number of representatives from the Group's banks. The executive directors together with members of our Executive Committee outlined the Group's future strategy for creating shareholder value, our divisional plans and our capital management strategy. A copy of the presentation is available in the investor section of our website at www.travisperkinsplc.co.uk

We make the Senior Independent Director available as a direct contact for shareholders, if they wish. The Chairman and executive directors report to the Board on any meetings with shareholders or analysts. In addition, written reports about the Company by analysts or brokers are circulated to all directors.

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

As well as sending the annual report to shareholders, during the year, the Group published its interim results on its website and issued two interim management statements. Shareholders receive at least twenty working days notice of the Annual General Meeting at which all directors are available for questions and a short business presentation takes place. Each substantive issue is the subject of a separate resolution. I announce the numbers of proxy votes for and against each resolution at the meeting, after the voting has taken place, and these numbers are subsequently published on the Company's website.

THE BOARD'S FAIR, BALANCED AND UNDERSTANDABLE DECLARATION

At the board meeting during which the Group's results for the year were presented by the Chief Executive Officer and the Chief Financial Officer, the Board also considered whether the Annual Report and Accounts, when taken as a whole, present a fair, balanced and understandable overview of the Group and its performance.

After:

- Hearing from the executive directors
- Receiving a report from the Chairman of the Audit Committee on that Committee's meeting to discuss the preparation and content of the year end financial statements and the audit conducted upon them
- Discussing the contents of the Annual Report and Accounts
- Recognising that the Auditor has stated in their audit report on pages 89 to 91

"We are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements."

the Board concluded that the Annual Report and Accounts are fair, balanced and understandable and accordingly the Directors declaration to that effect can be found in the Statement of Directors Responsibilities on page 88.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

I am pleased to report that the Company has complied throughout the year ended 31 December 2013 with the provisions set out in the Code.

Robert Walker
Chairman
25 February 2014

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

As Chairman of the Audit Committee, I am pleased to report below on the Committee's activities in 2013.

ROLE OF THE AUDIT COMMITTEE

The Committee is primarily responsible for:

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

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

The Committee's full terms of reference (which are reviewed annually and were last updated in December 2013) are available on the Group's website (www.travisperkinsplc.co.uk), or on request to the Company Secretary / General Counsel.

COMPOSITION OF THE AUDIT COMMITTEE

Chris Bunker was Chairman of the Committee until July when I assumed the chairmanship. He remained a member of the Committee until 30 September when he retired as a Director of the Group. Christopher Rogers joined the Committee following his appointment as a non-executive director with effect from 1 September 2013. Christopher is a chartered accountant and was previously Group Finance Director at both Whitbread PLC and Woolworth Group PLC. John Coleman was a member of the Committee throughout 2013.

All members of the Committee are considered to be independent and have considerable financial and commercial experience gained through a variety of corporate and professional appointments. In particular, the Board considers that Chris Bunker had, and Christopher Rogers and I have, the recent and relevant financial experience required by the UK Corporate Governance Code (see also the board profiles on pages 56 to 57). The Company Secretary was secretary to the Committee throughout 2013.

MEETINGS AND ATTENDANCE

The Committee held four meetings during 2013 and attendance at the meetings is shown on page 60. The Group Chairman, the Chief Financial Officer, the Deputy Chief Executive, the Group Financial Controller, the Director of Business Risk and Assurance and the external auditor also attended most meetings. At each meeting attended, the external auditor and the Director of Business Risk and Assurance were given the opportunity to discuss with the Committee any matters which they wished to raise without the presence of management. In addition, during the year, there were a number of meetings between the Chairman of the Committee and the Director of Business Risk and Assurance and between the Chairman of the Committee and the external auditors, without management being present.

WORK OF THE COMMITTEE

The meetings were arranged to fit around the Group's half year and full year financial reporting requirements. The following areas were covered during the year:

	February	May	July	November
Financial reporting				
Consideration of annual report and accounts	●			
Consideration of interim results			●	
Review of the impact of accounting and governance developments	●	●	●	●
Internal audit				
Terms of reference review				●
Annual activity plan and resource allocation		●		●
Activity review				●
Appraisal of effectiveness				●
Systems of internal controls review	●			●
External audit				
Auditor's report on their activities	●		●	
Auditor's independence and quality control processes	●			
Review of effectiveness of the External Auditors	●			●
Review of interim / annual terms of engagement		●		●
Review of year-end audit plan				●
Review of audit and non-audit fees				●
Risk management				
Review of risk management framework				●
Consideration of fraud, bribery and whistleblowing report		●		●
Systems of internal controls review	●			●
Audit Committee governance				
Terms of reference review				●
Review of the Committee's effectiveness	●			●

Key topics covered at the meetings and not commented on elsewhere in this report, were:

- The security of the Group's information technology systems
- Restructuring the finance department to reflect the increasing decentralisation of operating and financial responsibility throughout the Group
- The impact of decentralisation on the Group's financial systems, financial analysis systems and the availability of management information

In addition to attending the formal Audit Committee meetings, during the year the Committee members regularly met with operational and finance staff and received a number of technical updates.

I am satisfied that the Committee received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities during the year.

SIGNIFICANT ISSUES RELATED TO THE FINANCIAL STATEMENTS

The Audit Committee received papers from the Group's management team and from the Group's Auditors that provided details of the significant financial reporting estimates and judgements made during the preparation and presentation of the Group's interim and annual accounts.

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

The key issues in respect of the annual accounts considered by the Committee were the:

- **Potential for an impairment to the carrying value of goodwill and other intangible assets.** A number of judgements are made by management when determining their estimates of the future cash flows of businesses in the Group. Those judgements included revenue growth

rates, on-going margins, overhead increases and the level of investment required to maintain the individual business' operating capability. Additionally the rate chosen by management at which to discount future cash flows and the allocation of assets and operations to cash generating units can significantly impact any calculations.

In arriving at its conclusion that no impairment had occurred, the Committee reviewed the board approved forecasts, challenged management on the key assumptions and questioned the Auditors about management's application of the accounting rules.

- **Systems, processes and controls involved in determining the value of supplier rebate income recognised in the accounts.** Supplier rebate agreements can be extremely complicated and are not always coterminous with the Group's accounting year-end. As a result, judgements are made to forecast turnover for those deals where the rate at which rebate is earned varies dependent upon the volume or value purchased.

The Committee concluded, following presentations from management and the Auditors, that rebate income had been properly reflected in the accounts.

- **Application of pension accounting rules to the Group's three defined benefit pension schemes.** The complex calculation of pension scheme funding position undertaken by the Scheme Actuary is dependent upon key assumptions made by management in respect of future rates of inflation, investment income, interest rates, scheme member mortality and contributions in respect of historical deficits. In addition the FRRP issued guidance on the application of the IFRIC 14 during the year.

After considering benchmarking information provided by the Auditors, and updated legal advice about the rights of the Group in respect of any surplus in the Travis Perkins defined benefit pension scheme the Committee decided that management's pension scheme assumptions, calculations and disclosures were acceptable.

- **Level of provisioning for liabilities, which included insurance, warranties, property leases, bad debts, stock and tax.** In determining the values of provisions required at the year-end, management had to make judgements, often based upon previous experience, about the future recoverability of assets or the likelihood of successful claims to be made against the Group.

In each case management presented to the Committee the basis of the provision and the key assumptions applied when quantifying it. In addition the Committee sought the views of the auditors before arriving at the conclusion that provisions were fairly stated in the annual accounts.

EXTERNAL AUDITOR

Appointment and performance

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

In accordance with the recent change to the UK Corporate Governance Code, it is the Group's intention to put the audit out to tender at least every 10 years. The Committee decided it was not necessary to tender the audit in 2013, but intends to do so and the tender process will be completed in time for the 2015 year-end at the latest.

During the year the Committee reviewed the following in respect of the external auditor:

- The policy on engagement of the external auditor for non-audit work, as referred to below, and the policy on the employment of anyone previously employed by the external auditor
- The plans presented by the external auditor for the conduct of the year-end audit and half-year review including the related risk analyses, terms of engagement, fees and letters of representation
- The effectiveness, independence, and objectivity of the external auditor, taking into account information and written assurances provided by Deloitte LLP, on its quality and independence controls, and its ethical standards and reports of the FRC Audit Inspection Unit

The Committee specifically discussed the effectiveness of the external audit process at its meetings of February and November 2013 and again at its meeting in February 2014. In each case the Committee obtained input from the Company's finance team. In particular the Committee considered the audit of the 2012 report and accounts, the audit plan for 2013 and the audit of the 2013 report and accounts, the risk identification process and the future impact of the divisional reporting structure. The Committee was satisfied of the effectiveness of the external audit process.

Independence and objectivity

One of the Committee's responsibilities is to ensure compliance with the Board's policy in respect of services provided by, and fees paid to, the external auditor. There has been no change to this policy, which is summarised below and is included on the Group's website at www.travisperkinsplc.co.uk.

General principle for non-audit work

The external auditors should only be chosen to carry out non-audit work where its nature makes it more effective for the work to be carried out by auditors who have existing knowledge of the Group. The external auditors should not provide non-audit services where it might impair their independence or objectivity in carrying out the audit.

Areas of work

Permitted work – audit related

Activities required by law or legislation to be undertaken by the Auditors

Reviews of interim financial information

Managed service reports to housing associations and local authorities

Permitted work – non-audit related

Tax compliance services

Tax advisory services

Public reporting on investment circulars and similar documents

Private reporting to sponsors and similar parties in connection with investment circulars and similar documents

Employee benefit plan audits

Prohibited work

Book-keeping and work related to the preparation of accounting records

Financial information system design or implementation

Appraisal and valuation services

Internal audit services

Actuarial services

Forensic work

Recruitment services

Secondment of staff to a supervisory or management position

Provision of investment advice, broking or legal services

Value of work

Non-audit services require approval as follows:

- £5,000 to £25,000: Chief Financial Officer
- £25,000 to £50,000: Chief Financial Officer and Committee Chairman
- £50,000+: Chief Financial Officer and Committee Chairman following a competitive tender

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

Reporting

The Chief Financial Officer reports twice annually to the Committee on fees for non-audit services payable to the auditors.

As shown in note 5a to the accounts, during the year the Auditors were paid £442,000 (2012: £431,000) for audit-related work, and £188,000 (2012: £129,000) for non-audit work.

The principal items of non-audit fees related to reviewing the Group's interim announcement to shareholders

and sundry tax advice. In view of Deloitte's detailed understanding of the Group's operations and accounting policies, and being mindful of future Auditor reporting obligations, the Audit Committee decided that it was appropriate for Deloitte to undertake this work. In addition, £837,000 (2012: £347,000) of fees were paid to other accounting firms for non-audit work, including advice to the Remuneration Committee.

The Committee understands that the total fees paid by the Group to Deloitte in 2013 amount to less than 0.01% of Deloitte's UK fee income and considers that the Auditor's independence and objectivity has not been impaired by the non-audit fees paid in 2013.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Committee reviewed the Group's internal financial controls and its internal control and risk management systems in February 2014. The Committee considered these systems to have been effective during the year. Additionally the Executive Committee risk sub group met ten times during 2013 to consider risk related matters. There is an intention to review the risk management systems in 2014 to more closely align them with the Group's strategy and corporate plans.

INTERNAL AUDIT

The Committee continued to review the plans for work in 2013 throughout the first part of the year and increased the emphasis on finance matters. At each Committee meeting the results of internal audits were considered and the Committee reviewed progress on meeting agreed recommendations. Risk based plans for work in 2014 were agreed by the Committee in November 2013.

The Committee, working with the Chief Financial Officer, reviewed the effectiveness of the internal audit department and, as a result, the team will be restructured and strengthened in 2014 through recruitment and the use of external resources for some specialist area audits.

The Committee was satisfied with the overall effectiveness of the internal audit function.

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 61, the Committee considers that it has acted in accordance with its terms of reference and has ensured the independence, objectivity and effectiveness of the external and internal auditors. The Committee has also concluded that the Group's internal control and risk management systems were effective during the year.

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

Ruth Anderson

Chairman, Audit Committee
25 February 2014

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

This report sets out the Group's remuneration policies for its directors and senior executives and how these policies will be applied in practice. The policy is available to view on the Company's website in the investor centre.

UNAUDITED INFORMATION

1. REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

Dear Shareholder,

2013 was a year of transition for the reporting of directors' remuneration, following the introduction of the new government regulations on executive remuneration disclosure. Historically we have always sought to be transparent in our disclosures and consulted widely with shareholders on our remuneration proposals and we have embraced the new regulations as we believe they will help us to continue to deliver clear and easy to read remuneration reports.

The policy on directors' remuneration will be subject to a binding shareholder resolution at the forthcoming Annual General Meeting (AGM) and every three years thereafter. The Annual Report on remuneration which describes how the policy has been applied during the year will be subject to an advisory resolution at the forthcoming AGM.

In addition we are seeking support via a separate resolution for the renewal of part of our long term incentive arrangements. During consultations last year shareholders were supportive of our remuneration package for directors and a key element of the package is our co-investment share matching scheme ('SMS'). Participants invest in company shares using their own funds and are eligible for a matching grant which vests subject to achievement of cash return on capital employed targets. It is for this scheme renewal we seek support.

In this, our first report under the regulations, I want to explain the context of our remuneration philosophy both in terms of our recent performance but also in relation to our future business strategy.

REMUNERATION PHILOSOPHY

We remain committed to a remuneration policy that balances long term shareholder value creation with the need to motivate, reward and retain high calibre executives. The principles of our remuneration policy remain unchanged from previous years.

- Remuneration should be competitive and contribute to the delivery of short and long-term superior financial results for shareholders
- Remuneration should contain significant performance related incentive elements
- Reward mechanisms ensure that a significant proportion of variable pay is delivered in deferred shares with clawback provisions ensuring that executives retain a meaningful personal stake in the Group's success
- All colleagues should be able to share in the success of the Group through participation in both annual bonus schemes and longer term share plans

- The approach to basic salary increases should be consistent across all colleagues including no pay increases for mergers and acquisitions activity

PERFORMANCE OUTCOMES

As the Chairman's report indicated, the strong business performance in the second half of the year driven by the delivery of a number of management's strategic initiatives resulted in very good full year results. Adjusted EPS was up 14%, debt levels lower by £104m, and the share price increased from £12.52 at the time of writing last year's report to £18.72 by the end of 2013. We have continued our progressive dividend policy - this year declaring a full year dividend of 31.0p, a 24% increase on the previous year. Over the longer term the Group's outperformance has been reflected in the TSR increase from 100% to 742% over 5 years and our move into the FTSE 100, during 2013. This compares favourably to the market TSR increase from 100% to 200% over the same period.

This performance is reflected in the remuneration received by the executive directors for the year under review. Annual bonus awards for executive directors have been determined by the Committee based on a rounded assessment of financial and personal performance. There will be an annual incentive payout for executive directors and central function managers of typically 60-65% of the maximum bonus opportunity. This reflects the fact that whilst performance in the second half of the year was very strong the tough conditions in the first half meant that the EPS and ROCE targets set for 2013 were only partially met. These results are set out separately in this report on page 26.

As part of determining the 60-65% bonus payment level the Committee reviewed management's performance against a range of strategic objectives which account for up to 20% of the maximum bonus. These include measures relating to people and process capability, health and safety improvements, market competitiveness, business quality, growth potential and financial performance. Overall the Remuneration Committee has judged these objectives as 75% achieved with particular success in relation to TSR and incremental value of investments but with some work to do against stretching targets for customer engagement, multi-channel and safe sites.

Levels of bonus awarded therefore reflect actual performance relative to both annual and longer term expectations.

Half of the annual bonus earned has been deferred into shares which are subject to forfeiture if target share prices are not achieved over the next two years. This mechanism ensures that there is a meaningful deferral of variable pay on an 'at risk' basis.

We are delighted that across our businesses the majority of colleagues in our merchanting divisions and central support functions will also receive a bonus in respect of 2013 performance.

Both short and long term incentive performance measures are directly linked to driving and rewarding

strategic growth initiatives, whilst efficiently managing capital expenditure, operating expenditure, costs and cash flows. The performance measures include the following; EPS, TSR, cashflow, ROCE and broader goals such as market share, sales growth, colleague engagement and health and safety improvements. We believe that this balanced basket of measures, which management find easy to relate to, has ensured a clear focus on the activities which have driven the Group's current position as the largest supplier of building materials in the UK. Over the last three years the share price has increased from £10.58 to £18.72 with a 34% increase in EPS over the same time period. This has been balanced with an investment and focus on longer term development areas such as IT, health and safety and training where we plan to increase levels of investment in the future. The consistent outperformance in total returns to shareholders has been achieved through management's track record of successfully combining organic and acquisitive growth which is measured and rewarded through the basket of measures.

The Committee is delighted that this superior longer term performance resulted in a maximum payment under the three year individual investment linked share award measured on CROCE and a 60.7% payout on the measures linked to the Performance Share LTIP for the awards which vested in March 2013. Around 200 senior managers participate in at least one of these plans.

Last year I referred to the Committee's decision to defer its decision in relation to the January 2013 management annual pay review until July 2013 due to the market and trading performance uncertainty at that time. As a result of the stronger business performance as the business approached the second half of the year, it was agreed that in line with all other management employees, the executive directors would receive the same 1.5% increase to basic salary in July 2013 (delayed from January 2013), but this was not backdated.

In respect of the January 2014 pay review an award of 2% was agreed reflecting the more positive trading environment and outlook. This is the seventh successive year in which the same pay increase has applied to all employees other than for promotion. The average pay increase over the last seven years has been 2.2%.

REMUNERATION POLICY

Our Remuneration Policy is first and foremost designed to support the Group goal of creating and maintaining long term shareholder value and returns through consistently outperforming in our markets. With this in mind, we continue to focus our efforts on achieving the right blend of fixed and variable remuneration and ensuring that our senior executives are paid at a level appropriate to the size of our Group. We are mindful of our responsibilities to other stakeholders, especially employees, and take this into account when reviewing pay for senior executives. A key principle applied for directors and colleagues throughout the Group is that base salaries should be competitive and set at the median for the relevant comparator group. Bonus schemes are designed to incentivise and reward both individual and team performance.

Appropriate levels of incentives are just as important. External guidance received indicates that over the longer term, more than 50% of total remuneration should be performance related. The framework we now have in place means that if all incentives vested at their maximum, between 75%-80% of total remuneration for the executive

directors would be performance related. In determining our policy, all associated risks are considered, so that the overall remuneration structure and targets in incentive schemes do not give rise to any undue risk taking.

We believe that it is important for all of our most senior executives to build up a shareholding in the Company and so we have implemented an increased requirement for executive directors to hold shares to the value of two times basic salary to be built up over a five year period. Participation in our long term incentive schemes will be restricted or withdrawn if the required shareholding is not acquired and maintained. At 31 December 2013 both John Carter and Geoff Cooper had exceeded their target level of holdings. Tony Buffin has already built up a shareholding of over 100% of basic salary.

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

Shareholder consultation

The Remuneration Committee consulted shareholders during the year on some of the key challenges it faced and was pleased to gain a high level of support for the decisions made in a year of major change as outlined in this report, namely;

- The 'one off' share award in relation to securing the appointment of Tony Buffin as Chief Financial Officer
- The basic salary implemented on the appointment of John Carter as Chief Executive Officer
- The increase to the fee levels for the roles of non-executive director and chairman

Remuneration challenges and outcomes

2013 has been a busy year of leadership change and transition for the Group. Whilst this has presented a number of challenges the principle guiding both the Remuneration and Nominations' committees has been to ensure that the decisions made by them in all related matters resulted in continued outperformance of total returns to shareholders and eliminated risk. In turn this has fully tested the degree to which our remuneration philosophy, policy and approach works in practice.

The Committee carefully considered these matters, consulting shareholders and taking external advice where necessary, and dealt with each of the matters within the remuneration policy framework set out on page 71.

The challenges and outcomes can be summarised as follows:

Recruitment of our Chief Financial Officer

As I set out in last year's remuneration report, in order to secure Tony Buffin as Group Chief Financial Officer, it was necessary to compensate him for part of the significant cash awards earned at his previous employer, but not yet paid, which he forfeited on his resignation. The 'one off' award was structured on a co-investment basis whereby Tony Buffin invested £500,000, from his own resources, purchasing 32,902 Company shares and will, in turn, receive 65,804 Company shares, half in June 2014 and half in June 2015 subject to him continuing to be employed by the Company and also achieving a number of personal

objectives in relation to changes and improvements agreed for the finance function and management information provision. He will not be able to sell any of these shares until he has achieved a shareholding of at least two times basic salary. Full details of the award are detailed on page 79.

Ensuring a smooth transition of the Group's finance leadership

As the precise timing of Tony Buffin's commencement date could not be confirmed quickly due to his previous employer's notice period restrictions it was essential to retain the services of Paul Hampden Smith for longer than envisaged under his original retirement timetable. It was agreed that he would continue in employment until September 30th 2013 to ensure a smooth handover could take place. In recognition of his commitment and support in this matter as well as recognising his significant contribution to the Group's growth and shareholder returns over the previous 20 years, (demonstrated by the rise in EPS from 21.4p in 1994 to 103.6p), the Remuneration Committee exercised their discretion in relation to the vesting of his 2012 LTIP awards. This means that the awards will still be subject to performance target testing in the normal way, but will not be time prorated.

Retirement of our Group Chief Executive Officer

As previously communicated to shareholders, Geoff Cooper confirmed his decision to retire on his 60th birthday, 6 March 2014, and, as part of the succession planning process, stepped down from his position as CEO on 31 December 2013, the date of John Carter's appointment as Chief Executive Officer. All elements of remuneration will be enacted in line with the remuneration policy applicable to retirement with no discretions exercised in his favour. Geoff has agreed to continue as an advisor to John Carter and the Board for a further 12 months specifically in relation to the Toolstation business.

The salary agreed for his new advisory role is £100,000 per annum. He will not be eligible for any bonus payments and no new LTIP awards will be granted during this transitional period. He will continue to retain awards granted to him prior to his stepping down from his position as CEO until his cessation of employment at which point any vesting of awards will be dependent on the rules of the relevant scheme for cessation due to retirement.

Appointment of our Group Chief Executive Officer

We commissioned external benchmarking work to assist us in determining the base salary level for John Carter's promotion to Chief Executive Officer. Our main focus was to ensure we identified the right salary level for John given that bonus and LTIP levels are already established for the Chief Executive Officer position and had been approved by shareholders at the 2013 AGM. In doing this we took into account not only key market indicators but also John's experience, both in the industry and in senior roles in Travis Perkins, and the rigorous selection process which ultimately led to his appointment. We were pleased that the majority of our major shareholders confirmed their support to both the salary level of £660,000 per annum and the rationale for it. Whilst some shareholders indicated a general preference for substantial pay increases to be implemented in two stages there was recognition that this appointment had been planned and managed over a few years as demonstrated by John's increased responsibilities in the role of Deputy

Chief Executive Officer; this approach ensured that John Carter 'hit the ground running' and the high level of investor support we received was an important endorsement of the final appointment decision.

As we do not plan to replace John's previous role as Deputy CEO there will be a significantly reduced overall total board remuneration cost.

Review of fee levels for the Chairman and non-executive directors

The Board commissioned a review of the Chairman's and non-executive directors' fees which had not been increased for three years. Based on the independent benchmarking a decision was made by the appropriate directors to increase the fee levels to a market median competitive level with a minimum of 25% of the fee level being paid in shares as outlined on page 74. We believe that this achieves a better alignment of interests between non-executive directors and shareholders and were pleased to receive shareholder support for this recommendation and also to the decision to bring the future review timetable in line with all other employees.

FORWARD LOOKING

On 3 December 2013 the Company held a Capital Markets day and presented its revised corporate plan to investors. The plan reflected a significant shift in the investment strategy of the business compared to the prior plan. Over recent years the Company strategy has been to protect returns, achieved through judicious operational cost and capital control. The 2013 corporate plan recognises that to exploit the significant growth opportunities over the next 5 years, a significant cash investment within the business system infrastructure and the respective network portfolio would be required in 2014 and 2015. The plan was well received and endorsed by investors and analysts.

Targets confirmed in last year's Annual Report for long term incentives awarded in March 2013 (just prior to the corporate plan review) were based upon ranges of 95-105% of planned cashflow and CROCE targets reflecting the prior business plan. The new corporate plan and the significant investment in growth outlined therein means that the cashflow and CROCE ranges for 2013 and beyond need to be amended. The revised 2013 and the 2014 cashflow and CROCE targets and range are detailed in the annual report on remuneration. The levels of investment which give rise to the necessity to adjust these targets will be closely monitored by the Remuneration and Audit Committees to ensure that they are satisfied that the adjustment remains valid and justified. LTI grants made prior to 2013 will not be revisited.

The adjustment agreed reflects the changes to the investment profile supported by analysts and shareholders and ensures that the management group affected (circa 200 employees) are in the same position as they would have been had the original plan and targets remained unchanged.

The Committee is satisfied that the adjusted targets are no less demanding than the targets agreed under the previous corporate plan. These will be reviewed and the outcomes reported to shareholders at the time the relevant performance measures are tested in 2015/2016.

REMUNERATION ELSEWHERE IN THE GROUP

The Committee takes into account remuneration packages available to all colleagues when considering executive pay. As with many companies, senior management

participate in a wider range of incentives than the majority of colleagues. We recognise that we have to operate on this basis to attract and retain high-quality managers.

All colleagues are entitled to a competitive remuneration package that includes basic pay, bonus, pension, life assurance cover, Sharesave, Buy as You Earn shares, colleague discount, tax-efficient benefits such as childcare vouchers and the cycle-to-work scheme, a range of 'voluntary benefits', and paid annual leave.

In order to improve the accessibility, understanding and take up of these benefits we launched our colleague benefits brand PERKS during the year. It has provided improved communication opportunities and helps colleagues view and value their total employment remuneration in the round. We intend to expand this initiative during 2014, increasing the range of benefits on offer and further enhancing how these are communicated and delivered to our colleagues.

Over 19,000 colleagues are active members of a group pension scheme. Contribution rates made by the Group range from 1% to 20% of salary under the defined contribution scheme whilst over 2,300 colleagues are active members of a defined benefit scheme where company contribution rates are currently 8.8% for the BSS Group scheme and 12.1% for the Travis Perkins scheme. Other than Tony Buffin, the executive directors are not active members of a company pension scheme, primarily as a consequence of recent changes in tax rules. Instead, the Company pays a gross cash allowance of 25% of salary. As this allowance is fully taxed, unlike the contributions to an approved pension scheme, the equivalent net benefit for executive directors is currently 13.25% of salary. The allowance is not considered as salary for the purposes of any benefits or incentive plans. Tony Buffin receives paid pension contributions and paid allowances totalling 25% of salary.

Our Sharesave scheme continues to be a great success.

In 2013 around 1,750 colleagues shared close to £20m of gains from five and three year schemes which matured at the end of the year. The gain for each employee vesting at the maximum level in the five year scheme was around £50,000. Following the invitation for the new 2013 Sharesave plan over 8,500 (2012: 7,500) colleagues are active Sharesave participants.

It only remains for me to thank all the shareholders we have connected with over the last year for their time and input to the main change issues we consulted them on and which are described above. I hope that by listening and carefully considering the range of different views expressed we have reached a mutually acceptable outcome for 2013 which our shareholders feel able to support.

Andrew Simon

Chairman, Remuneration Committee
25 February 2014

2. POLICY REPORT

Our remuneration policies are not unique to our directors. The same principles underpin how we reward and compensate all our colleagues. We aim to provide base pay to all colleagues that is market competitive. We provide all colleagues with the opportunity to share in our success through a variety of bonuses and incentive schemes where return on capital employed measures aligns colleagues from store and branch operations to the CEO. We provide all colleagues with the opportunity to prepare for retirement through participation in our pension plan and our PERKS colleague benefit brand launched in 2013, covering flexible benefits, employee discounts, health and welfare benefits and risk and insurance benefits is all inclusive.

How our policies specifically apply to directors is detailed below. Subject to shareholder approval these policies will apply from 28 May 2014. It is intended that the policies will apply for three years from the date of approval.

FUTURE POLICY TABLE

Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Remuneration element – base salary				
Core element of total package, essential to support recruitment and retention of high calibre executives.	Reviewed annually as at 1 January. Factors influencing decision include: <ul style="list-style-type: none"> • Role, experience and individual performance • Pay awards elsewhere in the Group • External market (benchmarked against the FTSE 75-125 companies) • General economic environment 	The Remuneration Committee ('The Committee') normally considers the relevant market median as the maximum salary level required. In the normal course of events the maximum salary increase for executive directors will be in line with the general employee increase.	None	The Committee retains discretion to award salaries of above median levels or increases in excess of the general population where necessary to attract high calibre candidates, to reflect performance and recognise changes in roles and responsibilities. The Committee retains discretion to review the appropriate peer comparator group used for benchmarking.

DIRECTORS' REMUNERATION REPORT

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Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Remuneration element – benefits				
Maintain competitive package with range of benefits for the director and their family.	Directors are currently entitled to: <ul style="list-style-type: none"> Private medical insurance Income protection Annual leave – up to 30 days Fully expensed company car (or cash alternative) Life insurance of up to 5 times salary. 	Benefit levels reflect those typically available to senior managers within the Group and may be subject to minor change. The maximum potential value being the cost to the Company to provide those benefits.	None	-
Remuneration element – pension				
Helps executives provide for retirement and aids retention.	No director actively participates in a defined benefit pension scheme. Up to 25% of salary is provided either as a cash allowance or as part allowance and part pension contribution. Cash allowances are paid gross and after statutory deductions provide a net benefit of 13.25% of salary. <p>Pension allowances will not be included in the salary figure to be used to calculate bonus or the level of award under long term incentive plans.</p>	25% allowance or contribution.	None	-
Remuneration element – deferred share bonus plan				
Rewards achievement of annual financial and key business strategy objectives. Rewards personal performance measured against key objectives. Deferred element encourages longer term shareholding and aligns reward to shareholder interests. Claw-back and forfeiture provisions discourage excessive risk taking and short term outlook ensuring that executive and shareholder interests are aligned.	Targets are set annually in line with the performance metrics (see aside). <p>Total bonus level is determined after the year end, based on achievement of targets.</p> <p>50% of the total bonus is paid in cash within 4 months of the year end. The remainder of the bonus is deferred as shares.</p> <p>Bonus deferred as shares is subject to forfeiture if target share prices are not achieved. Target share prices are based upon the average share price during the bonus year inclusive of a compounded long-term equity rate of return (currently 8%).</p> <p>The deferred shares are split into two equal tranches. Tranche 1 vests if after 1 year, by comparison to the highest 30 day average share price during the period the target share price is met. If the target share price is not met 50% of tranche 1 is forfeited.</p> <p>Tranche 2 vests if after two years, by comparison to the highest 30 day average share price during the period the target share price is met. If the target share price is not met at the end of two years 50% of tranche 2 is forfeited.</p> <p>In determining achievement of target share prices dividends paid during the period will be added.</p> <p>Dividend equivalents on vesting shares may be paid.</p>	Maximum bonus opportunity under the plan is 180% of annual salary.	Bonus measures include: <ul style="list-style-type: none"> Financial targets relating to profitability and return on capital Individual or group targets pertaining to delivery of the business strategy <p>Financial targets are based on the Group's Annual Operating Plan (AOP) with the bonus threshold and maximum bonus set equidistantly around AOP. Threshold will be a maximum of 5% below AOP.</p> <p>Performance below threshold results in zero bonus. Bonus earned rises from 0% to 100% of maximum bonus opportunity for levels of performance between threshold and maximum targets.</p> <p>Performance conditions and weightings are set out in the Statement of Implementation of the Remuneration Policy in 2014.</p>	The Committee retains the discretion to review the weighting of measures and to set the performance targets and ranges for each metric (including the long-term equity rate of return which determines the rate of vesting of the deferred bonus element). <p>For financial targets the Committee will determine the amount of bonus which can be earned for achievement of the AOP. This determination will be based upon an assessment of the degree of difficulty in achieving the AOP taking into account market conditions, improvement on prior year performance required, and other relevant factors.</p>

Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Remuneration element – performance share plan				
Incentivises participants to deliver key financial targets over a longer term, with particular focus on shareholder return and the generation of cash to fund investment in growth and long term sustainability. Helps retain high performing executives.	Awards are granted in the form of nil cost options (or a mix of nil cost options and approved options at market price), annually to participants. Awards vest after 3 years subject to achievement of performance measures (see aside). Participation may be scaled back where the shareholding requirement set by the Committee is not met. Dividend equivalents on vesting shares may be paid.	The maximum annual award for all executive directors is 150% of salary.	Performance measures are: • EPS Growth • Aggregate cash-flow • Relative TSR Vesting criteria for aggregate cash-flow is set against a range based on threshold and maximum performance levels determined by the Group's projections for the next 3 years. TSR awards are measured against an appropriate peer group. EPS growth targets are set as a % growth range (in addition to RPI) over 3 years. Performance below threshold levels results in zero vesting. At threshold the amount of the award vesting rises from 30% to 100% of maximum bonus opportunity for levels of performance between threshold and maximum targets. Performance conditions and weightings are set out in the Statement of Implementation of the Remuneration Policy in 2014.	The Committee retains discretion to review the weighting applied to measures, and to set the target ranges for each measure. In addition the Committee will review and select the appropriate comparator group for the TSR, or similar, measures.
Remuneration element – share matching scheme				
Encourages a mutual commitment whereby participants build up a shareholding in the Company and are incentivised to deliver key financial targets over a longer term. Helps retain high calibre executives.	Participants are invited to participate annually. Each participant buys shares from their own resources. A matching share award in the form of nil cost options is made to each participant, which vests after 3 years subject to achievement of performance target. Dividend equivalents on vesting shares may be paid.	Participants may invest up to 50% of their post tax salary. Maximum matching is 2:1 (100% of salary).	Performance target is Cash Return on Capital Employed ('CROCE'). Vesting range is based on threshold and maximum performance levels based upon the Company's business plan and projections for the next 3 years. Performance below the threshold results in zero vesting. At threshold the amount of the award vesting rises from 30% to 100% of maximum bonus opportunity for levels of performance between threshold and maximum targets. Performance conditions are set out in the Statement of Implementation of the Remuneration Policy in 2014.	The Committee retains discretion to review the weighting applied to measures, and to set the target ranges for each measure.
Remuneration element – special award for John Carter				
A one-off award made following consultation with principal shareholders in 2009	Structured as a nil cost share option. The award vests in equal tranches after completion of years four, five and six the first year being 2009.	The award was made over 47,612 shares.	The performance conditions which have been achieved, were linked to procurement improvement initiatives agreed annually by the Remuneration Committee together with delivery of John Carter's objectives as part of Travis Perkins' strategic plan.	-
Remuneration element – co-investment special award for Tony Buffin				
A one-off award made following consultation with principal shareholders in 2013 reflecting compensation forfeited on appointment to Travis Perkins.	Investment of own funds to acquire £500,000 of Company shares. A matching share award in the form of nil cost options is made half vesting 12 months from grant, half vesting 24 months from grant.	The award was made over 65,804 co-investment shares.	Fulfilment of specific functional objectives as defined by the CEO and assessed by the Remuneration Committee.	-

Link to strategy	Operation	Maximum potential value	Performance metrics	Remuneration Committee discretion
Remuneration element – all employee share plans				
Share plans available to all employees to encourage wider share ownership and engagement amongst colleagues	HMRC SAYE and BAYE plans.	In line with HMRC and all colleague plan limits.	None	-
Remuneration element – shareholding requirements				
Aligns the interests of executives and shareholders.	Formal requirement (not voluntary guidelines) applies to directors and senior executives. Participation in long-term incentives may be scaled back or withheld if the requirements are not met or maintained. For the purposes of assessing compliance with the shareholding requirement vested, but unexercised awards will be considered.	-	Executive directors are required to hold shares valued at two times salary within 5 years.	The Committee retains discretion to increase shareholding requirements.

In considering appropriate performance metrics the Committee seeks to incentivise and reinforce delivery of the Company's strategic objectives achieving a balance between delivering annual return to shareholders and ensuring sustainable long term profitability and growth. Measures will therefore reflect a balance of direct shareholder value, such as TSR and those which reflect appropriate investment strategies, for example, CROCE.

The Committee calibrates these targets by due reference to general and bespoke market intelligence, lead indicators and other indicators of the economic environment to ensure targets represent relative, as well as absolute, achievement.

DISCRETION

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

The Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. Any exercise of this discretion will be explained in full to shareholders. Discretion may also be exercised in cases where the Committee believe that the outcome is not a fair and accurate reflection of business performance.

It is the Committee's intention that commitments made in line with its policies prior to the date of the 2014 AGM will be honoured, even if satisfaction of such commitments is made post the AGM and may be inconsistent with the above policies. Such commitments include, but are not limited to:

- Awards under the Deferred Share Bonus Plan
- Awards under the Performance Share Plan
- Awards under the Share Matching Plan

Such commitments remain subject to the share plan rules and terms and conditions under which they were granted.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors' fees are positioned in line with the same peer comparator group used for executive directors at median level. The following fees were reviewed in 2013, and notwithstanding peer group comparison, will normally be reviewed on an annual basis in line with inflation and general movement of pay within the Company.

Fee type	Fee
Chairman	£270,000
Basic fee for other non-executive directors	£55,000
Chair of Audit Committee	£12,000
Chair of Remuneration Committee	£12,000
Chair of Health & Safety Committee	£4,000
Senior Independent Director	£10,000

A minimum of 25% of non-executive director fees are paid in shares. Non-executive directors do not receive any other benefits (other than a staff discount card for purchasing products) and are not eligible to join a company pension scheme. No compensation is payable on termination of their employment, which may be without notice from the Company. They cannot participate in any of the Company's share plans.

RECRUITMENT REMUNERATION

It is our policy to recruit the best candidate possible for any executive board position. We seek to avoid paying more than necessary to secure the candidate and will have regard to guidelines and shareholder sentiment when formulating the remuneration package.

Generally we structure salary, incentives and benefits for candidates in line with the above remuneration policy and accordingly participation in short and long term incentives will be on the same basis as existing directors. In all cases we commit to providing shareholders with timely disclosure of the terms of any new executive hires including the approach taken to determine a fair level of compensation. The table on the next page outlines our normal recruitment policy.

Base salary and benefits

The pay of any new recruit would be assessed following the principles set out in the remuneration policy table.

Pension

The appointee will be able to receive either a contribution to a personal pension scheme or cash allowance in lieu of pension benefits in line with the Company's policy as set out in the remuneration policy table.

Annual bonus

The appointee will be eligible to participate in the Deferred Share Bonus Plan as set out in the remuneration policy table. Awards may be granted up to the maximum opportunity allowable in the remuneration policy table at the Remuneration Committee's discretion.

Long-term incentives

The appointee will be eligible to participate in the Company's 2013 Long-Term Incentive Plans (PSP and SMS) as set out in the remuneration policy table. Awards may be granted up to the maximum opportunity allowable under scheme rules at the Remuneration Committee's discretion.

Sign-on payments

The Group's policy is not to provide sign-on payments. However, in exceptional cases payments to an appointee may be made when the Committee deem it to be in the best interests of the Company and shareholders. In such exceptional circumstances the business reason will be explained to shareholders at the time of appointment and put to shareholders at the next AGM. Where required, a payment can be made in cash or shares and may be subject to performance conditions and/or a holding period. Any sign-on payment will be limited to a value equal to twice annual salary.

Share buy-outs / replacement awards

The Group's policy is not to provide buy-out as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justified the provision of a buyout, the value of any incentives that will be forfeited on cessation of a director's previous employment will be calculated taking into account the following:

- The proportion of the performance period completed on the date of the director's cessation of employment
- The performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied
- Any other terms and conditions having a material effect on their value ('lapsed value')

The Committee may then grant up to the equivalent value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.

Relocation

Where we require a candidate to relocate in order to take up an executive position or take up changed responsibilities we will normally reimburse the reasonable costs of the relocation.

Where an internal candidate is promoted to an executive position we will honour any contractual commitments made through their employment prior to the promotion.

Recruitment remuneration for non-executive directors would be assessed following the principles set out in the policy for non-executive director fees.

SERVICE CONTRACTS

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 or at the Company's registered office. These contracts provide for 6 months' notice from the Directors and 12 months' notice from the Company. They do not specify any particular level of compensation in the event of termination or change of control.

- John Carter – 1 January 2014
- Tony Buffin – 8 April 2013

Non-executive directors do not have a service contract, but each has received a letter of appointment which will be available for inspection at the AGM or at the Company's registered office. These appointments expire on the following dates:

Director	Expiry of appointment letter
Ruth Anderson	October 2014
John Coleman	February 2014
Christopher Rogers	August 2016
Andrew Simon	February 2015
Robert Walker	September 2015

No compensation is payable on termination of the employment of non-executive directors, which may be with or without notice.

POLICY ON PAYMENT FOR DIRECTORS LEAVING EMPLOYMENT

Contractual notice periods for directors are normally set at 6 months' notice from the director and 12 months' notice from the Company and the Company would normally honour contractual commitments in the event of the termination of a director. Notwithstanding this approach it is company policy to seek to minimise liability in the event of any early termination of an executive director's contract.

We classify terminations of employment arising from death, ill health, disability, injury, retirement with company agreement, redundancy or the transfer from the Group of the employing entity as 'good leaver' reasons. In addition the Committee retains discretion under incentive plan rules to determine 'good leaver' status. In the event such discretion is exercised, for example, recognising significant long term contribution to achievement of strategic objectives, a full explanation will be provided to shareholders.

Leaver reason may impact the treatment of the various remuneration elements as follows:

Remuneration element	Good leaver reason	Other leaver reason
Salary	Ceases on cessation of employment (salary may be paid in lieu of notice) unless a pre-existing contractual term applies.	Ceases on cessation of employment (salary may be paid in lieu of notice) unless a pre-existing contractual term applies.
Bonus including Deferred Share Bonus Plan*	Unpaid bonus from the period prior to cessation will be paid in full. A pro-rata bonus may be paid, subject to normal performance conditions, for the period in which cessation occurs. Bonus earned and deferred from 2013 onwards will vest at the normal vesting date on a pro-rata basis. Bonus earned and deferred prior to 2013 will vest in full at cessation.	All unpaid bonus payments lapse. Deferred bonus payments also lapse.
Benefits	Provision or accrual of benefits will cease on cessation of employment.	Provision or accrual of benefits will cease on cessation of employment.
PSP*	Normal vesting on a pro-rata basis (full vesting in the event of the ill health, injury, disability or death of the executive.)	Participation lapses at cessation of employment.
SMS*	Vests on a pro-rata basis in year of leaving based on performance in that period.	Participation lapses at cessation of employment.

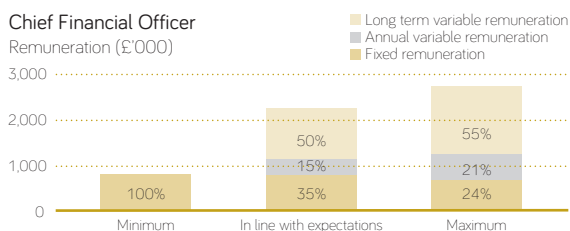
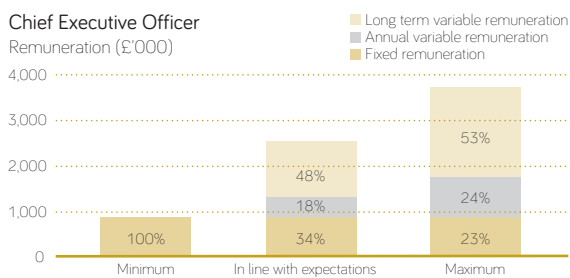
*Leaver vesting provisions are fully defined in the appropriate plan documents

Exceptional circumstances may arise where the Committee considers it appropriate to exercise discretion in relation to the terms afforded to departing directors and allow for pro-rata vesting to be calculated on a basis other than the director's leaving date but normal performance conditions will always apply (other than for the events described in the table above) and the application of discretion will not be used to bring forward vesting.

The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment.

In reporting payments to leaving or past directors we will not normally report payments below a de minimis level of £5,000.

Illustration of the application of the remuneration policy



Fixed remuneration includes basic salary, pension provision and other benefits. Annual variable remuneration includes annual bonus potential under the Deferred Share Bonus Plan, and includes that part of the bonus which is deferred as shares and may be subject to Malus, but not subject to further

performance targets. Long term variable remuneration includes potential awards under the Performance Share Plan and Share Matching Scheme as well as that part of the bonus which is deferred as shares and subject to performance testing. Performance 'in line with expectations' assumes, for annual variable remuneration, performance in line with annual operating plan. For long-term variable remuneration it assumes mid-range performance relative to the targets set for each plan. Maximum performance means performance at or in excess of maximum performance targets.

RELATIONSHIP TO COLLEAGUE PAY

Pay levels for employees at all levels across the Group are determined in relation to a number of factors including economic conditions, affordability, colleague feedback and market practice. Market practice is determined by reference to relevant market benchmark data, and for all employees we benchmark at market median for base salary. Recent executive salary increases have mirrored those increases applied to our colleagues as a whole.

We do not directly consult with employees when formulating directors' remuneration policy, however we are kept informed of general remuneration feedback from across the Group and in particular output from employee opinion surveys and consultation groups.

SHAREHOLDER FEEDBACK

We consult widely and in detail with shareholders on our remuneration policy and its execution. We welcome their constructive feedback and use this to effectively shape our approach. During 2013 we consulted widely and actively on the following issues:

- The appropriate salary on appointment of the new Chief Executive Officer
 - Review of the Chairman of the Board's annual fee
 - The one-off share matching award made to the newly appointed Chief Financial Officer in recognition of forfeited cash incentives relating to his previous employment
- The 2012 remuneration report received a 77.1% vote in support at the AGM.

AUDITED INFORMATION
3. ANNUAL REPORT ON REMUNERATION

Single total figure of remuneration

	Salary 2013 £'000	Salary 2012 £'000	Benefits 2013 ⁷ £'000	Benefits 2012 £'000	Bonus 2013 ⁸ £'000	Bonus 2012 £'000	LTI 2013 ⁹ £'000	LTI 2012 £'000	Pension 2013 £'000	Pension 2012 £'000	Other 2013 ¹⁰ £'000	Other 2012 £'000	Total 2013 £'000	Total 2012 £'000
Geoff Cooper ¹	657	652	1	1	375	211	1,795	2,478	165	164	-	-	2,993	3,506
John Carter	504	500	33	34	239	135	1,418	1,604	126	125	17	-	2,337	2,398
Paul Hampden Smith ²	294	392	14	18	222	106	1,185	1,620	74	98	21	-	1,810	2,234
Tony Buffin ³	365	-	16	-	177	-	-	-	91	-	-	-	649	-
Ruth Anderson	59	50	-	-	-	-	-	-	-	-	-	-	59	50
Chris Bunker ⁴	44	67	-	-	-	-	-	-	-	-	-	-	44	67
John Coleman	61	50	-	-	-	-	-	-	-	-	-	-	61	50
Philip Jansen ⁵	29	50	-	-	-	-	-	-	-	-	-	-	29	50
Christopher Rogers ⁶	18	-	-	-	-	-	-	-	-	-	-	-	18	-
Andrew Simon	69	64	-	-	-	-	-	-	-	-	-	-	69	64
Robert Walker	235	200	-	-	-	-	-	-	-	-	-	-	235	200
Total	2,335	2,025	64	53	1,013	452	4,398	5,702	456	387	38	-	8,304	8,619

¹ Geoff Cooper also received, and retained, in respect of his non-executive chairmanship of Dunelm plc £110,000 (2012: £100,000) and £66,667 in respect of his non-executive directorship of Bourne Leisure Holdings Ltd.

² Paul Hampden Smith stood down as Finance Director on 28 February 2013, remaining as a paid employee of the Company until 30 September 2013. Paul Hampden Smith also received, and retained, £30,507 in respect of non-executive directorship of Pendragon plc and £21,458 for 5 months at Bellway plc.

³ Tony Buffin appointed CFO on 8 April 2013.

⁴ Chris Bunker retired from the Board on 30 September 2013.

⁵ Philip Jansen retired from the Board 23 May 2013.

⁶ Christopher Rogers appointed non-executive director from 1 September 2013.

⁷ Benefits for 2013 for John Carter, Paul Hampden Smith and Tony Buffin include private medical insurance and provision of company car or car allowance. For Geoff Cooper benefits include private medical insurance.

⁸ For Geoff Cooper, John Carter and Tony Buffin, 2013 bonus payment reflects half of the bonus earned. The remaining half of the bonus is deferred under the Deferred Share Bonus Plan (as detailed in the future policy table) and will be included on vesting. Bonus payments made in respect of the 2013 financial year reflected an achievement of:

- 76% achievement of EPS maximum target (achieved 103.6p, plan 101p, maximum 106p) - weighted at 50% of bonus
- 33% achievement of ROCE maximum target (achieved 11.8%, plan 12%, maximum 12.6%) - weighted at 30% of bonus
- 75% achievement of Individual targets set against group strategic objectives (including measures relating to people and process capability, market competitiveness, business quality, growth potential and financial performance) reviewed and assessed by the Remuneration Committee (20% weighting). Any greater disclosure of strategic tracker objectives would be commercially sensitive and could provide advantage to our competitors

⁹ LTIPs vesting in 2013 were under the Performance Share Plan (PSP), Share Matching Scheme (SMS) and Sharesave (SAYE).

- a. There were three vesting targets under the PSP:

- Aggregate Cash Flow (40% weighting) – for this element to vest in full, aggregate cash flow had to exceed £632m. The outcome over the three years was £718m so this element vested in full
- Total Shareholder Return (40% weighting) - during the three year period the increase in share price, in combination with the dividends paid, resulted in Travis Perkins being ranked 124th of the companies in the FTSE 250, just inside the median quartile which resulted in a 12.4% vesting
- Earnings per Share (20% weighting) - this is an absolute target measure (rather than relative to AOP). Over the 3 year period EPS growth exceeded the minimum target of RPI plus 3% compounded by 3.9%, which was sufficient for an 8.3% vesting. The maximum target was RPI plus 10% compounded

- b. For the co-investment share matching plan the performance target was average CROCE for 2010, 2011 and 2012 which needed to be over 8.69% for full vesting. The average achieved was 9.28%.

- c. Awards vesting were as follows:

- For Geoff Cooper 56,109 shares vested under the PSP, 71,853 shares under the SMS and 3,670 shares under SAYE
- For John Carter 32,730 shares vested under the PSP, 50,296 shares under the SMS, 3,670 shares under SAYE and 15,870 shares under the terms of his special share award
- For Paul Hampden-Smith 32,730 shares vested under the PSP, 50,296 shares under the SMS and 3,670 shares under SAYE

- d. Vesting LTIPS also includes, where relevant, de minimis vesting of awards under the all employee Sharesave plan.

¹⁰ Other payments includes dividend equivalents arising on exercise of LTIP awards which vested in prior years for John Carter and Paul Hampden Smith. For 2013 onwards dividend equivalents are included in the values for vesting LTIPS.

DIRECTORS' PENSION ENTITLEMENTS

The Company's defined benefit schemes are closed to new members. Geoff Cooper ceased accrual on 5 April 2006, but benefits up to that date retain a link to pensionable salary. John Carter ceased accrual on 31 December 2010 and Paul Hampden Smith ceased accrual on 31 March 2011. The value of the pension under the defined benefit scheme is calculated using the HMRC Method.

A gross cash allowance of 25% of salary was paid to Geoff Cooper, John Carter and Paul Hampden Smith in lieu of continued accrual. Tony Buffin has received 25% of salary paid as a mix of pension contributions to the defined contribution scheme and a cash allowance.

	Geoff Cooper £'000	John Carter £'000	Paul Hampden Smith £'000	Tony Buffin £'000
Accrued DB pension at 31 December 2013 including revaluation if applicable	5	271	89	N/A
Normal retirement age	60 years	60 years	60 years	65 years
Additional value of pension on early retirement	0	0	0	N/A
Pension value in the year from DB scheme (HMRC Method)	1	N/A	N/A	N/A
Pension value in the year from company contributions to DC scheme	N/A	N/A	N/A	37
Pension value in year from cash allowance	164	126	74	54
Total pension benefit accrued in 2013	165	126	74	91

SHARE INTERESTS AWARDED DURING THE FINANCIAL YEAR
Performance share plan

	Type of Award	Basis	Face value	Vesting period
Geoff Cooper	Performance shares	150% of salary	£978,288	Three years
John Carter	Performance shares	150% of salary	£749,990	Three years
Tony Buffin	Performance shares	150% of salary	£749,991	Three years

Measure	Weighting	Target detail	Vesting range
EPS Growth	40%	RPI+ 9.27% over the vesting period RPI+ 33.1% over the vesting period Pro-rata vesting between these points	30% Vests 100% Vests
Aggregate Cash Flow over three years up to 2016	40%	£664m - £734m ¹	No Vesting below lower target 30% vests at lower target Full vesting at upper target Pro-rata vesting between these points
Company TSR relative to FTSE 50-150 Index	20%	Upper half (top 50%) Upper quartile (top 25%) Pro-rata vesting between these points	30% Vests 100% Vests

¹ The aggregate cash flow target range for the 2013 PSP grant has been adjusted from £767m - £847m to £664m - £734m. This reflects the new corporate plan, and the significant investment in growth outlined therein, as detailed in the 'forward looking' section of the Chairman of the Remuneration Committee statement. All other plan terms and conditions remain unchanged.

Share matching plan

	Type of award	Basis	Face value
Geoff Cooper	Matching shares	up to 2:1 matching of shares purchased	£647,633
John Carter	Matching shares	up to 2:1 matching of shares purchased	£496,474

Measure	Weighting	Target detail	Matching range
Cash Return on Capital Employed (CROCE)	100%	7.51% - 8.51% ¹	0.6:1 matching at lower target 2:1 matching at upper target Pro-rata matching between these points

¹ The CROCE target range for the 2013 SMS grant has been adjusted from 8.64% - 9.64% to 7.51% - 8.51%. This reflects the new corporate plan, and the significant investment in growth outlined therein, as detailed in the 'forward looking' section of the Chairman of the Remuneration Committee statement. All other plan terms and conditions remain unchanged.

Deferred share bonus plan

During 2013 a quarter of the bonuses earned in 2012 were issued as deferred shares as follows:

	Type of award	Basis	Face value
Geoff Cooper	Shares	25% of 2012 bonus	£52,820
John Carter	Shares	25% of 2012 bonus	£33,748

Shares vest three years from grant, subject to normal leaver provisions.

Special share matching award

In June 2013, in connection with his appointment, Tony Buffin was granted an award to acquire 65,804 shares. Prior to the grant Tony Buffin pledged to acquire and hold shares to the value of £500,000 by investing his own funds. Half of the award will vest 12 months after grant and the remaining half 24 months after the date of grant. In both cases vesting is subject to the maintenance of the investment Tony Buffin has made as well as the fulfilment of specific functional objectives set by the CEO and assessed by the Remuneration Committee.

Sharesave scheme

John Carter also took up maximum opportunity under the all employee Sharesave (SAYE) plan.

PAYMENTS TO PAST DIRECTORS

Paul Hampden Smith stepped down as director in 28 February 2013, but continued to be paid while he supported the new Group Chief Financial Officer, Tony Buffin, up until his retirement on 30 September 2013. The full extent of his remuneration has been reported in the above Single Total Figure of Remuneration table.

PAYMENTS FOR LEAVING DIRECTORS

No payments for loss of office were made during 2013.

Discretion was exercised in relation to the vesting of Performance Share Plan grants made to Paul Hampden Smith in 2011 (56,328 shares, the amount to vest is subject to normal performance conditions and based on current forecasts between 30% - 40% may vest) and 2012 (54,157 shares, the amount vesting is subject to normal performance conditions and based on current forecasts between 30%-40% may vest). Full performance criteria will apply, however vesting will not be adjusted in relation to service for the plan years. In applying its discretion the Committee took into account not only that Paul Hampden Smith agreed to continue in employment whilst he ensured a smooth and complete handover to his successor when a commencement date had not been confirmed at the time, but also that he had given outstanding service to the Company over twenty years and had been part of the management team that had overseen an increase in EPS, from 21.4p in 1994 to 103.6p in 2013, through organic growth and acquisitions.

During the year the Company announced the retirement of Geoff Cooper as CEO of the Group and as a director of the Board from 6 March 2014, with the appointment of John Carter as his successor. Geoff Cooper will remain in the Company's employment until 6 March 2015 as a senior management adviser to the new management team. The transition arrangements are such that our normal policy for good leavers will apply to Geoff Cooper and as such no discretion was applied by the Committee. Full details will be formally reported in the 2014 remuneration report.

DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

Formal shareholding requirements (not voluntary guidelines) apply to executive directors and senior executives. Participation in long-term incentives may be scaled back or withheld if the requirements are not met or maintained. Executive directors are required to hold shares valued at two times salary within 5 years. Both Geoff Cooper and John Carter meet the requirement. Tony Buffin is in the first year of the five years allowed to build up the shareholding and currently meets approximately 60% of the requirement.

Directors' shareholding and share interests as at 31 December 2013 was as follows:

Executive director	Beneficial owner	Conditional shares granted under LTI Plans ^{1,2}	Unconditional shares granted under LTI Plans	Vested but unexercised options	Total Interests	Exercised during 2013
Geoff Cooper	81,206	429,462	-	465,461	976,129	19,862
John Carter	168,382	319,205	-	10,487	498,074	261,452
Tony Buffin	33,113	118,306	-	-	151,419	-

¹ Includes awards made under Deferred Share Bonus Plan, Performance Share Plan, Share Matching Scheme and Sharesave (SAYE).

² Vesting of shares subject to plan performance conditions.

Non-executive director	Shareholding
Ruth Anderson	1,231
John Coleman	2,669
Christopher Rogers	111
Andrew Simon	3,653
Robert Walker	84,646

HISTORIC CEO PAY

	2009	2010	2011	2012	2013
Single figure remuneration (£'000)	£1,412	£1,423	£1,938	£3,506	£2,993
Annual bonus payout (% of maximum)	100%	100%	75.9%	27.0%	62.9%
Vesting of share options (% of maximum)	0%	-	-	-	-
Vesting of Performance Share Plan (% of maximum)	-	0%	0%	80.0%	60.7%
Vesting of Share Matching Scheme (% of maximum)	0%	0%	51%	100%	100%

UNAUDITED INFORMATION

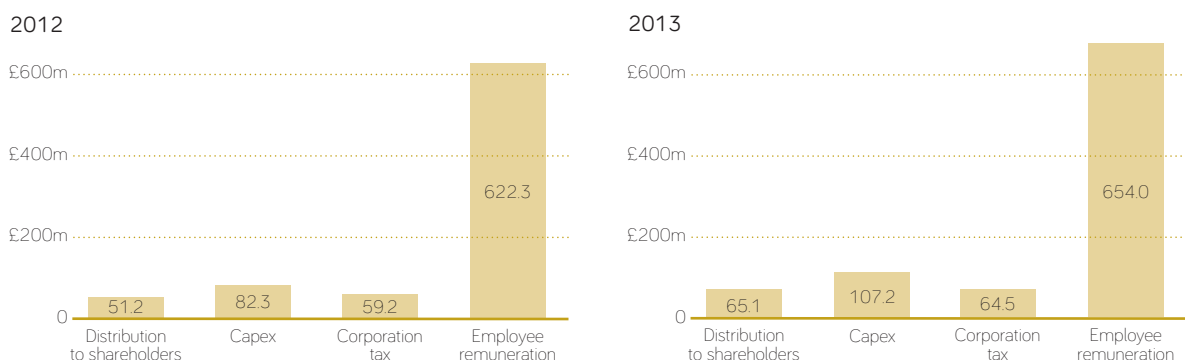
CHANGE IN REMUNERATION OF DIRECTOR UNDERTAKING THE ROLE OF CEO

	Percentage change in salary earned (2013 full year compared to 2012 full year)	Percentage change in bonus opportunity earned (2013 full year forecast compared to 2012 full year)	Percentage change in taxable benefits received (2013 full year compared to 2012 full year)
CEO	0.8%	35.9%	0%
Comparative employee group*	1.3%	17.9%	4.6%**

* Comparative group is all colleagues within the Travis Perkins Merchandising Division. This division is the largest division within the Group, covers roles at all levels of the organisation, and has wide geographic coverage within the UK and consequently provides a broad and diverse basis for comparison. Comparative group data is provided on a per capita basis. **Average based on 'like-for-like' comparison (i.e. colleagues employed and in receipt of taxable benefits in both periods).

For all employees in the comparative group the increase was 1.1%.

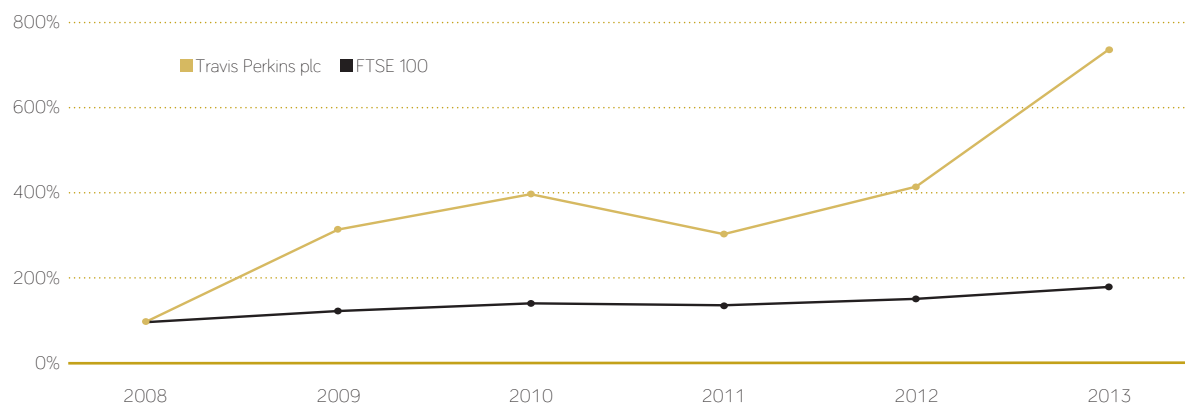
RELATIVE IMPORTANCE OF SPEND ON PAY



Capital expenditure is shown, for comparison, as an indicator of investment by the Company in future growth. It includes funds invested in the purchase of property, plant and equipment. Corporation tax is included as an indicator of the wider societal contribution facilitated by the Company's operations and is the actual amount of corporation tax paid in the relevant reporting periods.

PERFORMANCE GRAPH AND TABLE

For comparative purposes the FTSE 100 index has been selected as this is the index of which the Company is a member.



STATEMENT OF IMPLEMENTATION OF THE REMUNERATION POLICY IN 2014

In 2014 the Company will implement the remuneration policy outlined above in the future policy table using the following measures, weightings and targets:

Plan	Individual maximum opportunity in 2014	Measures and weighting	Target
Deferred Share Bonus Plan	CEO - 180% CFO - 150%	<ul style="list-style-type: none"> • EPS 50% • LAROCE 30% • Business strategy 20% 	<p>Targets are determined in line with the Annual Operating Plan for 2014.</p> <p>Thresholds for EPS and LAROCE are set at 95% of AOP.</p> <p>Performance below threshold results in zero bonus. Bonus earned rises from 0% to 100% of maximum bonus opportunity for levels of performance between threshold and maximum targets (105% of AOP).</p> <p>For achievement of AOP for these measures 50% of bonus potential can be earned¹.</p>
Performance Share Plan	CEO - 150% CFO - 150%	<ul style="list-style-type: none"> • EPS Growth - 40% • Aggregate Cash-flow - 40% • Relative TSR - 20% 	<p>EPS - threshold of 3% p.a. in addition to RPI over 3 years with full vesting at 10% plus RPI.</p> <p>The Aggregate Cash-flow range is £802m - £887m</p> <p>Relative TSR - relative position in FTSE 50 - 150</p> <ul style="list-style-type: none"> • Threshold is median relative position • Maximum is upper quartile relative position <p>For each target performance below threshold levels results in zero vesting. At threshold the amount of the award vesting rises from 30% to 100% of maximum bonus opportunity for levels of performance between threshold and maximum targets.</p>
Share Matching Scheme	2:1 matching of amount invested by the executive from their own resources. The amount invested being limited to 50% of post tax annual salary.	Performance target is Cash Return on Capital Employed ('CROCE')	<p>CROCE range is 8.37% - 9.37%.</p> <p>Performance below threshold levels results in zero vesting. At threshold the amount of the award vesting rises from 30% to 100% of maximum bonus opportunity for levels of performance between threshold and maximum targets.</p>

¹ Specific targets are commercially sensitive, and disclosure of such may provide an unfair advantage to the Company's competitors. However targets, and the corresponding level of vesting or bonus earned, will be disclosed retrospectively, in the relevant reporting period.

In relation to salaries and fees:

Salary / fee adjustment

Executive directors	<p>Following wide consultation with shareholders John Carter's salary was increased to £660,000 p.a. with effect from 1 January 2014 on his appointment to the role of CEO (2013 - £507,500 p.a., post deferred salary increase effective 1 July 2013).</p> <p>Tony Buffin's salary was increased to £510,000 p.a. with effect from 1 January 2014 (2013 - £500,000 p.a.) in line with the general 2% increase awarded to colleagues.</p>
Non-executive directors	<p>Non-executive directors' fees were reviewed in 2013, having last been reviewed in 2010. Following shareholder consultation fees were increased to:</p> <ul style="list-style-type: none"> • Chairman - £270,000 p.a. (2013: £200,000 p.a.) • Non-executive director basic fee - £55,000 p.a. (2013: £50,000 p.a.) • Chairs of Audit and Remuneration Committees - £12,000 p.a. (2013: £10,000 p.a.) • Senior Independent Director - £10,000 p.a. (2013: £7,000 p.a.) • Chair of Health & Safety Committee - £4,000 p.a. (2013: £4,000 p.a.)

CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION.

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

In 2013 the Remuneration Committee met four times. The Committee discussed amongst other items the following matters:

Month	Key issues considered
February	Bonuses: <ul style="list-style-type: none"> • Review of achievement against 2012 targets • Revised Deferred Share Bonus Plan LTIP Awards: <ul style="list-style-type: none"> • Review of performance conditions and grants for 2013 • Review of awards vesting in 2013 Review of executive shareholding requirement
June	Deferred salary and fee review Leaving arrangements for retiring CEO Appointment compensation for CEO
October	Company pay review 2014 Initial review of 2013 remuneration report format Adjustment of 2013 LTIP awards following significant investment changes in the new corporate plan
December	Initial review of Executive Committee performance against strategic objectives Approach to 2013 remuneration report Discussion on targets for 2014 plans Extension of the new annual bonus plan to other senior managers

During the year the Committee comprised Andrew Simon (Chairman), Chris Bunker, John Coleman, Philip Jansen, and Robert Walker, all of whom are independent non-executive directors. PWC LLP was appointed by the Committee to provide it with advice during the year on executive remuneration. PWC were selected on the basis of their track record of providing robust, salient and independent advice in matters pertaining to executive remuneration. PWC is a member of the Remuneration Consultants Group and abides by its code. Fees are determined on a time and materials basis at prevailing market rates (£14,569 in 2013).

PWC provide additional services to the Company in relation to remuneration including support in developing and implementing remuneration proposals, compensation benchmarking and other tax and consulting services.

In addition Geoff Cooper (CEO), Tony Buffin (Chief Financial Officer), Andrew Pike (Company Secretary), Carol Kavanagh (Group Human Resources Director), Stella Girvin (Deputy Company Secretary) and Paul Nelson (Group Head of Reward) have assisted the Committee in its work, but never in respect of their own remuneration.

SHAREHOLDER VOTING

At the last AGM the following resolutions in relation to remuneration were put by the Company:

Resolution	Votes for	% For	Votes against	% Against	Votes withheld	% Withheld
Approval of the Annual Remuneration Report	132,598,424	77.1%	35,232,528	20.5%	4,130,032	2.4%
To approve the replacement Deferred Share Bonus Plan and to authorise directors to make modifications to the Plan	151,206,378	88.0%	20,702,242	12.0%	52,363	0.0%

Approved by the Board and signed on its behalf by:

Andrew Simon
 Chairman, Remuneration Committee
 25 February 2014

NOMINATIONS COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Dear Fellow Shareholder

In introducing my report for the financial year ending 2013, I thought it would be worthwhile highlighting a couple of points.

Firstly, successfully managing Chief Executive succession is probably the most important task facing any nominations committee or board of directors. At Travis Perkins, we have sought to manage this issue meticulously over the past two years. Our overriding objective has been to mitigate any investor uncertainty surrounding this important decision. To achieve this, we have:

- Agreed the Company's long term strategy and the corresponding need for internal or external succession
- Debated and agreed the balance of skills required between CEO and CFO
- Announced the appointment of Tony Buffin as CFO, following Paul Hampden Smith's decision to retire
- Established a comprehensive development programme for John Carter, involving each non-executive, and external facilitation
- Announced Geoff Cooper's retirement in July 2013 to allow for orderly succession
- Enabled John to announce his senior executive team in September 2013, and finally
- Held a Capital Markets day presentation of future Group strategy in December 2013

Throughout these two years, we have sought to keep our investors fully informed of the process, both to seek feedback and allay any concerns.

Secondly, and as we look ahead, the key task of the Nominations Committee for 2014 will be to plan for the rotation of two non-executives, John Coleman in 2014 and Andrew Simon in 2015. Both have been key members of a Board that has served the Company so well.

In seeking to plan for their succession, we are very clear about the skills and experience required, operating as we do in fast moving, highly competitive trading and retailing businesses. We believe our Board is best served by individuals who have demonstrated a track record of success in leading such businesses, either as CEOs or CFOs.

Managing this succession process will be a key challenge over the next two years and we plan, as before, to keep our shareholders fully informed of the process.

ROLE

The Committee's principal responsibility is to ensure that the Board comprises individuals with the most appropriate balance of experience, skills and knowledge to help, develop and support the Company strategy. In order to achieve this, the Committee requires procedures to be in place that enable the nomination, selection and succession of the most capable directors and senior executives.

The Committee is also responsible for considering, and making recommendations to the Board on succession planning for directors and other senior executives; in this sense the Nominations Committee provides a broader role.

The Nominations Committee comprises all the

non-executive directors and is chaired by me other than when it is dealing with matters in relation to me or the chairmanship of the Company. The Chief Executive, Chief Financial Officer and Human Resources Director are invited to attend when appropriate.

ELECTION OF DIRECTORS

A rigorous selection process precedes the appointment of all directors by the Board, and their recommendation by the Nominations Committee.

The performance of each director, the Board and each sub-committee is reviewed annually as part of the board evaluation process and I am pleased to confirm that the Board recommends the election and re-election of all directors who are standing for election and re-election at our 2014 AGM.

ACTIVITIES IN 2013

The Committee operates under formal terms of reference and met four times during the year. The principal matters discussed at the meetings were:

- Succession planning for the Board and senior executives
- The management changes following the decisions by Paul Hampden Smith to retire and leave the business in 2013 and Geoff Cooper to step down as Group Chief Executive and retire on his 60th birthday, 6 March 2014
- The search process and the appointment of Group Chief Executive Officer
- Considering and making recommendations to the Board for the appointment of two new directors and for changes to the membership of the Committees
- The 'on-boarding' process for Tony Buffin, on his commencement as Group Chief Financial Officer
- Examining the operations of the Committee and reviewing its terms of reference

BOARD SUCCESSION

As mentioned in my introductory note (above), the two key tasks facing the Committee during 2013 were to successfully manage the succession process, and the appointment of a new non-executive director, following the resignation and retirement of Philip Jansen and Chris Bunker, respectively. In both cases, and after considering alternatives, the Committee appointed Russell Reynolds as external independent search consultants. I confirm that Russell Reynolds have no other relationship with the Company and have signed up to the voluntary code of conduct covering board appointments, following the Davis Review.

John Carter, as Deputy Chief Executive, was the leading internal candidate to succeed Geoff Cooper as Group Chief Executive. After considering the needs of the Company's five year strategy, extensive external benchmarking and a structured development programme specifically designed for John Carter, the Committee decided to recommend John's appointment as Group Chief Executive in July 2013.

John Carter's appointment as Group Chief Executive was announced in July 2013. In order to assist with the smooth transition following his retirement and stepping down as a director on 6 March 2014, Geoff Cooper agreed to continue as an advisor to John Carter on Toolstation Europe for a further 12 month period.

The Committee also reviewed and approved changes to John Carter's future senior management team that were announced internally in September 2013.

As mentioned above, the search for a new non executive director was also conducted by Russell Reynolds. The brief was to attract a proven, successful candidate with broad experience as a CFO and, if possible, as a general manager. We were delighted to announce the appointment of Christopher Rogers, previously CFO of Whitbread PLC and currently Managing Director of Costa Coffee, in July 2013.

Finally, and as a result of Chris Bunker stepping down from the Board after nine years service, the Nominations Committee made the following appointments:

- John Coleman as Senior Independent director with effect from January 2013
- Ruth Anderson as Chair of the Audit Committee with effect from July 2013
- Christopher Rogers as a member of the Audit Committee with effect from September 2013

The individuals involved did not participate in discussions about their appointments.

To support our new executives in getting to know the business quickly we launched a new Executive On-Boarding framework aimed at accelerating performance in role.

2014 OBJECTIVES

As previously outlined, the Committee's focus in 2014 will be on succession planning in relation to non-executive directors who are due to step down from the Board as a result of their length of service.

BOARDROOM DIVERSITY

It is our firm belief that having executives and non-executives on the Board that are diverse in age, experience, nationality or gender, provides us with different perspectives. This does not just make good commercial and business sense, but it is good for our colleagues and our customers as well.

In addition, we have a clear preference for non-executives of whatever background, who have demonstrated success as CFOs or CEOs.

As a result, our job specifications, search processes and selection criteria are focused on appointing candidates that not only meet the criteria for the role, but who could also offer different perspectives. Therefore, diversity, including gender diversity, was actively considered during the year, and this will continue to be reflected in future activities.

We are committed to appointing the best people and ensuring all employees are able to develop their careers within the Group and therefore do not believe it is appropriate to set targets in this area.

At our most senior director / manager level we have one female board director (13%). We currently have 18% of women on our operating executive. Further details of our workforce diversity are set out in the Equal Opportunities, Human Rights and Diversity section of the Corporate Responsibility Statement on pages 44 and 45.

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

Robert Walker

Chairman

25 February 2014

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

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CORPORATE GOVERNANCE

The Directors present their annual report and audited accounts for the year ended 31 December 2013. The Corporate Governance statement on pages 59 to 63 forms part of the Directors' report.

BUSINESS REVIEW

A review of the Group's position, developments and future prospects can be found in the Strategic report on pages 5 to 55. Whilst the Group operates predominately in the UK it does have a few branches in the Isle of Man, Northern Ireland and the Republic of Ireland.

GREENHOUSE GAS EMISSIONS REPORTING

Details of our green house gas emissions can be found in the Environmental Report on pages 50 to 51.

RESULTS AND DIVIDENDS

The Group results for the year ended 31 December 2013 and dividends for the year ending 31 December 2013 are set out on page 92. If approved, the final dividend will be paid on 30 May 2014 to those shareholders on the register at the close of business on 2 May 2014.

BALANCE SHEET AND POST BALANCE SHEET EVENTS

The balance sheet on pages 94 and 95 shows the Group's financial position. No significant events have occurred since the balance sheet date.

PRINCIPAL RISKS AND UNCERTAINTIES

A review of the Group's principal risks and uncertainties is on pages 39 to 41.

FINANCIAL RISK MANAGEMENT

Details of the Group's approach to capital management and the alleviation of risk through the use of financial instruments are given in the Financial Review on pages 28 to 30. Specific quantitative information on borrowings and financial instruments is given in notes 23 and 24 on pages 121 to 127 of the annual financial statements.

DIRECTORS AND THEIR INTERESTS

In accordance with the Company's Articles of Association, Christopher Rogers will be standing for election by shareholders at the Annual General Meeting, having been appointed to the Board since the last Annual General Meeting. The Board believes that Christopher Rogers strong general management and financial background coupled with his experience in a number of operational roles will greatly benefit the Company, complement the skills of the other Board members, and make him an ideal choice as a non-executive director.

The UK Corporate Governance Code ('the Code') requires that all directors of FTSE 350 companies are subject to re-election at the Company's Annual General Meeting each year and therefore executive directors, John Carter and Tony Buffin, and non-executive directors Robert

Walker, John Coleman, Andrew Simon and Ruth Anderson will all seek re-election at the Annual General Meeting. Chris Bunker will not seek re-election because as explained on page 14 he retired from the Board on 30 September 2013. Likewise Geoff Cooper will not seek re-election because, as explained on page 13, after 9 years as Chief Executive Officer, Geoff Cooper retired as a director on 31 December 2013. However he will remain as a part time senior management adviser, with a particular brief to assist with the further development of the Group's successful Toolstation business, for a period of 12 months from his retirement.

The names of the Directors at 31 December 2013, together with their biographical details are set out on pages 56 and 57. All of these Directors held office throughout the year, except Christopher Rogers who was appointed with effect from 1 September 2013. The executive directors have rolling 12 month notice periods in their contracts. The non-executive directors do not have service contracts. In the light of the formal evaluation of their performances as a result of the process described on pages 60 and 61 Robert Walker, Chairman, confirms on behalf of the Board that all directors continue to be effective in, and committed to, their roles.

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

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

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

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

The disclosable interests of Directors at 31 December 2013, including holdings, if any, of spouses and of children aged under 18, were as detailed in the Directors' Remuneration Report on page 79.

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2013, the Company had been notified of the following interests amounting to 3% or more of the voting rights in the issued ordinary share capital of the Company (as at this date no other such notification from any other shareholder had been received by the Company):

	Number	%
Sprucegrove Investment Management	13,740,380	5.57%
BlackRock Inc	12,660,084	5.13%
Scottish Widows Investment Partnership	11,149,896	4.52%
UBS	10,447,348	4.23%
AXA Group	9,192,393	3.72%
Pzena Investment Management	7,967,518	3.23%
Legal & General Investment Management	7,862,297	3.19%

As at 25 February 2014, the Company had been notified of the following interests amounting to 3% or more of the voting rights in the issued ordinary share capital of the Company (as at this date no other such notification from any other shareholder had been received by the Company):

	Number	%
Sprucegrove Investment Management	13,734,600	5.56%
Scottish Widows Investment Partnership	10,412,245	4.22%
Axa Framlington Asset Management	8,845,432	3.44%
Legal & General Investment Management	7,844,251	3.18%

CLOSE COMPANY STATUS

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

EMPLOYEES

Statements on employee matters are contained in the Corporate Responsibility Statement on pages 42 to 45.

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

The Company is committed to equality of opportunity and recognises the benefit of diversity within its workforce. Its approach to the matter of diversity on company boards is set out in the Nominations Committee report on page 84 and in the Corporate Responsibility Statement on pages 44 and 45. The Company has an equal opportunities policy aimed at ensuring that employment decisions are based on ability and potential regardless of gender, race, colour, ethnic origin or sexual orientation, age or disability. In particular, applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the person concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled

persons should, as far as possible, be identical to that of other employees.

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

POLITICAL DONATIONS

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

AUDITOR

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

STATEMENT ON DISCLOSURE OF INFORMATION TO THE AUDITOR

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

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

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

SHARE CAPITAL AND CHANGE OF CONTROL

As at 31 December 2013 the Company had an allotted and fully paid share capital of 246,786,289 ordinary shares of 10 pence each, with an aggregate nominal value of £24,678,628.90 (including shares owned by the employee share ownership trust). The ordinary shares are listed on the London Stock Exchange. All the shares rank pari passu. The rights and obligations attaching to the shares are set out in the Company's Articles of Association. Fully paid shares in the Company are freely transferable. There are no persons that hold securities carrying special rights with regard to the control of the Company. Details of the structure of the Company's share capital and changes in the share capital during the year are also included in note 20 to the annual financial statements.

As at 31 December 2013 the Travis Perkins Employee Share Ownership Trust owned 3,459,161 shares in the Company (1.40% of issued share capital) for use in connection with the Company's share schemes. Any voting or other similar decisions relating to those shares would be taken by the Trustees, who may take account of any recommendation of the Company.

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

The rules governing the appointment and replacement of

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

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

There are no agreements providing for compensation for directors or employees on change of control. As set out in the Directors' Remuneration Report on page 75, 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.

By order of the Board,

Deborah Grimason

Company Secretary and General Counsel
25 February 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

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

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

hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

DECLARATION

The Directors consider that the Annual Report and Accounts, when taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

John Carter
Chief Executive Officer
25 February 2014

Tony Buffin
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAVIS PERKINS PLC

FOR THE YEAR ENDED 31 DECEMBER 2013

OPINION ON FINANCIAL STATEMENTS OF TRAVIS PERKINS PLC

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's and the Parent company's profit for the year then ended
- Have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union
- Have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

The financial statements comprise the Group and Parent Company Income Statements, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements, and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

SEPARATE OPINION IN RELATION TO IFRSS AS ISSUED BY THE IASB

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

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

GOING CONCERN

As required by the Listing Rules we have reviewed the directors' statement contained within the Corporate Governance Statement, that the Group is a going concern. We confirm that:

- We have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- We have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk

How the scope of our audit responded to the risk

Carrying value of goodwill and intangible assets

Management are required to undertake an annual impairment review, which incorporates judgments based on assumptions of future cash flows, including assumptions around revenue growth, margins and forecast cash flows, the selection of appropriate discount rates and the assessment of the Group's cash-generating units.

We challenged Management's assumptions used in the impairment model for goodwill and intangible assets, including specifically the determination of cash-generating units, the forecast cash flow projections for each cash-generating unit and the discount rates, particularly with respect to the Consumer operating segment. In making this critical assessment of the cash flow projections we assessed historical forecasting accuracy and compared forecast profit margins to historical margins and benchmarked the discount rate and growth rates employed to available market data. We critically assessed Management's position as to whether or not a reasonably possible change to key assumptions could result in an impairment. In doing so we considered the sensitivity of the asset valuations to adverse outturn versus the forecasts, in particular adverse changes in the long term growth rate assumed and like-for-like sales. We also specifically challenged and considered the appropriateness of the disclosures set out in note 13 and note 14 to the accounts detailing the point at which the valuation of goodwill and intangibles would equal their carrying amounts.

Risk

How the scope of our audit responded to the risk

Accounting for recognition of supplier rebate income

The Group has entered into certain supplier rebate arrangements, which include provisions that vary the amount of rebate due to the Group in line with volumes purchased or other parameters over periods that are not necessarily coterminous with the Group's financial year. These arrangements are complex and therefore management judgement is necessary in relation to recognition of the associated income.

We tested the operating effectiveness of the controls in the supplier rebate cycle in both 2012 and 2013. A key focus of our work was on the controls to ensure new agreements entered into during the year are appropriately captured by Management's reporting systems. We circularised a sample of suppliers to confirm rebate terms and balances, verified post year-end cash receipts to assess recoverability and validity of the amount recognised as receivable at year end. We also reviewed and challenged Management's calculations to estimate the impact of rebate agreements on purchases of items held in stock at year end.

Inventory valuation

Inventory valuation, including recognition at cost after appropriate adjustment for supplier rebates, and allowances to recognise inventories at the lower of cost and net realisable value.

We performed substantive audit testing over the valuation of inventory balances, including attendance at inventory counts. We critically assessed and challenged the adjustments made to gross inventory balances, including adjustments for stock handling costs, supplier rebates and slow moving/obsolete stock to determine that the provisions recorded were appropriate.

Provisions for liabilities

The Group incurs certain liabilities in the normal course of business where assessment of the related provision requires the exercise of judgement, including in respect of self-insurance and property leases.

We assessed the Group's provisions for self-insurance in light of evidence from the Group's insurance advisors and critically assessed the appropriateness of the assumptions by the Group's property specialists applied in determining the level of property provisions recognised in the financial statements. We assessed and challenged the assumptions around the length for which properties are expected to remain vacant, the judgments around sub-letting, and the cost assumptions applied throughout the onerous periods.

Income taxes

The Group is required to consider the extent to which the impact of uncertain tax positions should be recognised within the current and deferred taxation charge for the year and related current and deferred taxation assets and liabilities in the financial statements.

We challenged Management's determination of the Group's accounting for income taxes, using our taxation specialists to assess the judgements made, including the level of provision maintained for any uncertain tax positions, in light of evidence that included correspondence with the relevant tax authorities.

The Audit Committee's consideration of these risks is set out on pages 65 and 66.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £22 million, which is below 7.5% of pre-tax profit.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.3 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. The senior statutory auditor was involved in all decisions including the risk assessment and approach to group-wide controls testing. Based on that assessment, we focused our group audit scope primarily on the Group's four principal divisions. These principal divisions are the Group's four operating segments and represent 99% of the Group's net assets, the Group's revenue and the Group's profit before tax. Our statutory audits were executed at levels of materiality applicable to each individual entity, which were much lower than group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate governance statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- Materially inconsistent with the information in the audited financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- Otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately

discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

Colin Hudson FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25 February 2014

Income statements

FOR THE YEAR ENDED 31 DECEMBER 2013

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THE GROUP

	Notes	2013			2012		
		Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items *(Restated) £m	Exceptional items £m	Total *(Restated) £m
Revenue	4	5,148.7	-	5,148.7	4,844.9	-	4,844.9
Operating profit before amortisation	5	347.6	-	347.6	325.7	(8.7)	317.0
Amortisation of intangible assets		(17.9)	-	(17.9)	(17.4)	-	(17.4)
Operating profit	5a	329.7	-	329.7	308.3	(8.7)	299.6
Exceptional investment income	5d	-	9.4	9.4	-	39.5	39.5
Finance income	9	3.7	-	3.7	2.7	-	2.7
Finance costs	9	(30.2)	-	(30.2)	(42.6)	-	(42.6)
Profit before tax		303.2	9.4	312.6	268.4	30.8	299.2
Tax	10a	(68.0)	20.1	(47.9)	(66.0)	15.5	(50.5)
Profit for the year		235.2	29.5	264.7	202.4	46.3	248.7
Attributable to:							
Owners of the Company		235.1	29.5	264.6	202.4	46.3	248.7
Non-controlling interests		0.1	-	0.1	-	-	-
		235.2	29.5	264.7	202.4	46.3	248.7
Earnings per ordinary share							
Basic	11a			109.9p			104.3p
Diluted	11b			105.7p			100.6p
Total dividend declared							
per ordinary share	12			31.0p			25.0p

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

* Where on the following pages it refers to a restatement, that is in respect of the movement in the pension liability recognised due to minimum funding requirements (note 28) and / or, as in the case of the income statement and statement of comprehensive income, is due to the adoption of the new International Financial Reporting Standard IAS 19 (revised 2011) (note 5e).

Income statements continued

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	THE COMPANY	
		2013 £m	2012 £m
Revenue	4	129.0	82.1
Operating profit	5a	102.9	62.3
Exceptional investment income	5d	9.4	37.4
Finance income	9	4.0	3.7
Finance costs	9	(45.2)	(50.8)
Profit before tax		71.1	52.6
Tax	10a	14.1	13.2
Profit for the year		85.2	65.8

All results relate to continuing operations. Details of exceptional items are given in note 5d.

Statements of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	THE GROUP		THE COMPANY	
		2013 £m	2012 *(Restated) £m	2013 £m	2012 £m
Profit for the year		264.7	248.7	85.2	65.8
Items that will not be reclassified subsequently to profit and loss					
Actuarial gains / (losses) on defined benefit pension schemes	28g	34.0	(22.1)	-	-
Deferred tax rate change on actuarial movement	10b	(11.5)	(7.1)	-	-
Income tax relating to items not reclassified	10b	(7.0)	5.1	-	-
		15.5	(24.1)	-	-
Items that may be reclassified subsequently to profit and loss					
Cash flow hedges:					
Losses arising during the year		(5.0)	(8.5)	(5.0)	(8.5)
Reclassification adjustments for losses included in profit		6.1	8.8	6.1	8.8
Movement on cash flow hedge cancellation payment		0.8	4.1	0.8	4.1
Income tax relating to items that may be reclassified	10b	(0.3)	(0.9)	(0.3)	(0.9)
		1.6	3.5	1.6	3.5
Other comprehensive income for the year net of tax		17.1	(20.6)	1.6	3.5
Total comprehensive income for the year		281.8	228.1	86.8	69.3

Balance sheets

AS AT 31 DECEMBER 2013

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Assets	Notes	THE GROUP		THE COMPANY	
		2013 £m	2012 (Restated) £m	2013 £m	2012 £m
NON-CURRENT ASSETS					
Goodwill	13	1,813.9	1,807.5	-	-
Other intangible assets	14	409.8	424.8	-	-
Property, plant and equipment	15	609.9	578.4	0.1	0.2
Derivative financial instruments	24	9.3	12.8	9.3	12.8
Investment property	16	0.4	0.4	-	-
Interest in associates	17	7.3	6.7	7.7	6.2
Investment in subsidiaries	17	-	-	3,588.8	3,572.9
Available-for-sale investments	17	2.7	2.4	-	-
Deferred tax asset	26	-	-	18.2	14.2
Total non-current assets		2,853.3	2,833.0	3,624.1	3,606.3
CURRENT ASSETS					
Inventories		687.7	637.1	-	-
Trade and other receivables	18	822.9	733.7	133.1	180.7
Derivative financial instruments	24	-	12.7	-	12.7
Cash and cash equivalents	19	79.8	139.1	7.3	74.0
Total current assets		1,590.4	1,522.6	140.4	267.4
Total assets		4,443.7	4,355.6	3,764.5	3,873.7

Equity and liabilities	Notes	THE GROUP		THE COMPANY	
		2013 £m	2012 (Restated) £m	2013 £m	2012 £m
CAPITAL AND RESERVES					
Issued capital	20	24.7	24.5	24.7	24.5
Share premium account	22	498.0	487.2	496.9	486.1
Merger reserve	22	326.5	326.5	326.5	326.5
Revaluation reserve	22	18.4	20.1	-	-
Hedging reserve	22	-	(1.6)	-	(1.6)
Own shares	22	(40.6)	(62.4)	(40.6)	(62.4)
Other reserves	22	(1.7)	-	-	-
Accumulated profits	22	1,689.9	1,461.3	214.3	204.0
Total equity		2,515.2	2,255.6	1,021.8	977.1
NON-CURRENT LIABILITIES					
Interest bearing loans and borrowings	23	421.6	195.2	363.9	134.9
Derivative financial instruments	24	4.5	4.9	4.5	4.9
Retirement benefit obligations	28	71.4	125.9	-	-
Long-term provisions	25	20.7	20.0	-	-
Long-term other payables	27	1.9	47.0	1.9	47.0
Amounts due to subsidiaries		-	-	2,308.0	2,243.4
Deferred tax liabilities	26	61.3	69.1	-	-
Total non-current liabilities		581.4	462.1	2,678.3	2,430.2
CURRENT LIABILITIES					
Interest bearing loans and borrowings	23	5.8	396.1	3.2	444.9
Trade and other payables	27	1,218.1	1,107.6	59.4	18.9
Derivative financial instruments	24	1.8	2.6	1.8	2.6
Tax liabilities		73.2	74.8	-	-
Short-term provisions	25	48.2	56.8	-	-
Total current liabilities		1,347.1	1,637.9	64.4	466.4
Total liabilities		1,928.5	2,100.0	2,742.7	2,896.6
Total equity and liabilities		4,443.7	4,355.6	3,764.5	3,873.7

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 25 February 2014 and signed on its behalf by:

John Carter
Chief Executive Officer

Tony Buffin
Chief Financial Officer

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2013

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THE GROUP

	Issued share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Hedging reserve £m	Own shares £m	Other £m	Accumulated profits £m	Total equity £m
Previously reported at 1 January 2012	24.4	480.8	326.5	20.8	(5.1)	(75.2)	-	1,335.6	2,107.8
Prior period restatement (note 5e)	-	-	-	-	-	-	-	(58.4)	(58.4)
At 1 January 2012 (restated)	24.4	480.8	326.5	20.8	(5.1)	(75.2)	-	1,277.2	2,049.4
Profit for the year (restated)	-	-	-	-	-	-	-	248.7	248.7
Other comprehensive income for the period net of tax (restated)	-	-	-	-	3.5	-	-	(24.1)	(20.6)
Total comprehensive income for the year (restated)	-	-	-	-	3.5	-	-	224.6	228.1
Dividends	-	-	-	-	-	-	-	(51.2)	(51.2)
Issue of share capital	0.1	6.4	-	-	-	12.8	-	(10.4)	8.9
Realisation of revaluation reserve in respect of property disposals	-	-	-	(1.4)	-	-	-	1.4	-
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	-	-	(0.2)	-	-	-	0.2	-
Deferred tax rate change	-	-	-	0.9	-	-	-	-	0.9
Tax on share-based payments (note 10c)	-	-	-	-	-	-	-	4.3	4.3
Credit for equity-settled share based payments	-	-	-	-	-	-	-	15.2	15.2
At 31 December 2012 (restated)	24.5	487.2	326.5	20.1	(1.6)	(62.4)	-	1,461.3	2,255.6
Profit for the year	-	-	-	-	-	-	0.1	264.6	264.7
Other comprehensive income for the period net of tax	-	-	-	-	1.6	-	-	15.5	17.1
Total comprehensive income for the year	-	-	-	-	1.6	-	0.1	280.1	281.8
Dividends	-	-	-	-	-	-	-	(65.1)	(65.1)
Issue of share capital	0.2	10.8	-	-	-	21.8	-	(18.9)	13.9
Realisation of revaluation reserve in respect of property disposals	-	-	-	(2.8)	-	-	-	2.8	-
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	-	-	(0.2)	-	-	-	0.2	-
Deferred tax rate change	-	-	-	1.3	-	-	-	-	1.3
Tax on share-based payments (note 10c)	-	-	-	-	-	-	-	15.7	15.7
Foreign exchange	-	-	-	-	-	-	-	0.1	0.1
Fair value of put option (note 29)	-	-	-	-	-	-	(1.8)	-	(1.8)
Credit for equity-settled share based payments	-	-	-	-	-	-	-	13.7	13.7
At 31 December 2013	24.7	498.0	326.5	18.4	-	(40.6)	(1.7)	1,689.9	2,515.2

Statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2013

THE COMPANY

	Issued share capital £m	Share premium account £m	Merger reserve £m	Hedging reserve £m	Own shares £m	Accumulated profits £m	Total equity £m
At 1 January 2012	24.4	479.7	326.5	(5.1)	(75.2)	192.5	942.8
Profit for the year	-	-	-	-	-	65.8	65.8
Other comprehensive income for the period net of tax	-	-	-	3.5	-	-	3.5
Total comprehensive income for the year	-	-	-	3.5	-	65.8	69.3
Dividends	-	-	-	-	-	(51.2)	(51.2)
Issue of share capital	0.1	6.4	-	-	12.8	(10.4)	8.9
Tax on share-based payments (note 10)	-	-	-	-	-	3.0	3.0
Credit for equity-settled share-based payments	-	-	-	-	-	4.3	4.3
At 31 December 2012	24.5	486.1	326.5	(1.6)	(62.4)	204.0	977.1
Profit for the year	-	-	-	-	-	85.2	85.2
Other comprehensive income for the period net of tax	-	-	-	1.6	-	-	1.6
Total comprehensive income for the year	-	-	-	1.6	-	85.2	86.8
Dividends	-	-	-	-	-	(65.1)	(65.1)
Issue of share capital	0.2	10.8	-	-	21.8	(18.9)	13.9
Tax on share-based payments (note 10)	-	-	-	-	-	5.3	5.3
Credit for equity-settled share-based payments	-	-	-	-	-	3.8	3.8
At 31 December 2013	24.7	496.9	326.5	-	(40.6)	214.3	1,021.8

Cash flow statements

FOR THE YEAR ENDED 31 DECEMBER 2013

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	THE GROUP		THE COMPANY	
	2013 £m	2012 (Restated) £m	2013 £m	2012 £m
Operating profit before amortisation and exceptional items	347.6	325.7	102.9	62.3
Adjustments for:				
Depreciation of property, plant and equipment	71.3	69.4	0.1	-
Other non cash movements	13.7	16.1	3.8	4.3
Losses of associate	2.5	0.3	-	-
Gain on disposal of property, plant and equipment	(18.1)	(17.1)	-	-
Operating cash flows before movements in working capital	417.0	394.4	106.8	66.6
Increase in inventories	(48.5)	(19.2)	-	-
(Increase) / decrease in receivables	(83.6)	5.1	41.6	81.8
Increase / (decrease) in payables	61.5	(25.0)	63.8	682.8
Payments on exceptional items	(4.6)	(4.7)	-	-
Pension payments in excess of the charge to profits	(22.6)	(23.0)	-	-
Cash generated from operations	319.2	327.6	212.2	831.2
Interest paid	(21.0)	(27.4)	(21.9)	(41.2)
Income taxes paid	(59.2)	(64.5)	-	-
Net cash from operating activities	239.0	235.7	190.3	790.0
Cash flows from investing activities				
Interest received	0.5	0.1	-	0.1
Proceeds on disposal of property, plant and equipment	16.9	32.6	s-	-
Purchases of property, plant and equipment	(107.2)	(82.3)	(0.1)	-
Interest in associate	(2.9)	(2.9)	(1.3)	(2.2)
Investments in subsidiaries	-	-	(13.2)	(600.6)
Acquisition of businesses net of cash acquired (note 29)	(9.3)	(24.5)	-	-
Net cash used in investing activities	(102.0)	(77.0)	(14.6)	(602.7)
Financing activities				
Net proceeds from the issue of share capital	13.9	8.9	13.9	8.9
Net movement in finance lease liabilities	(2.1)	5.7	-	-
Decrease in loans and liabilities to pension scheme	(143.0)	(61.6)	(190.6)	(70.0)
Dividends paid	(65.1)	(51.2)	(65.1)	(51.2)
Net cash from financing activities	(196.3)	(98.2)	(241.8)	(112.3)
Net (decrease) / increase in cash and cash equivalents	(59.3)	60.5	(66.1)	75.0
Cash and cash equivalents at beginning of year	139.1	78.6	73.4	(1.6)
Cash and cash equivalents at end of year (note 19)	79.8	139.1	7.3	73.4

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1. General information

Overview

Travis Perkins plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 149. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 6 to 55.

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 ('IASB'). 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 over the investee
- Is exposed or has rights to a variable return from the involvement with the investee
- Has the ability to use its power to affect its returns

As such, the results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

In the current financial year, the Group has adopted IAS 19 (as revised in June 2011) retrospectively and in accordance with the transitional provisions. As the Group has always recognised actuarial gains and losses immediately there is no effect on the prior year defined benefit obligation and balance sheet disclosure arising from this change. IAS 19 revised requires interest cost and return on scheme assets calculated under the previous version of IAS 19 to be replaced with a net interest amount calculated by applying a discount rate to the net defined liability or asset. The impact of this revision is shown in note 5e.

The following new and revised Standards and interpretations have been adopted in the current year. Their adoption has not had any significant impacts on the amounts reported in these financial statements although disclosures have been amended to reflect new requirements:

- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurements

At the date of the approval 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 9 Financial Instruments
- IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities
- IFRS 7 (amended) Disclosures – Offsetting Financial Assets and Financial Liabilities
- IAS 36 (amendments) Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 (amendments) Novation of Derivatives and Continuation of Hedge Accounting
- Improvements to IFRSs – minor amendments

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.

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

The Directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully.

Detailed considerations of going concern, risks and uncertainties are provided in the Corporate Governance Report and in the Strategic Report on pages 61 and 62 and pages 39 to 41 respectively.

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

2. Significant accounting policies

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

Revenue recognition

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

Exceptional items

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

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

Business combinations and goodwill

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment

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

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

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

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

Investments in associates

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

Intangible assets

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

Investment properties

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

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

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Assets are depreciated to their estimated residual value on a straight-line basis over their estimated useful lives as follows:

- Buildings – 50 years or if lower, the estimated useful life of the building or the life of the lease
- Plant and equipment – 4 to 10 years
- Freehold land is not depreciated

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

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

revalued prior to the adoption of IFRS is transferred directly to accumulated profits.

Leases

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

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

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

Impairment of tangible and intangible assets

The carrying amounts of the Group's tangible and intangible assets with a definite useful life 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. The recoverable amount of an asset is the greater of its fair value less disposal cost and its value in use (the present value of the future cash flows that the asset is expected to generate). In determining value in use the present value of future cash flows is discounted using a pre tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset concerned.

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. When the reasons for a write down no longer exist except in the case of goodwill the write down is reversed in the income statement up to the net book value that the relevant asset would have had if it had not been written down and if it had been depreciated.

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

Inventories

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

Financial instruments

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

Trade receivables

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

Impairment of financial assets

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

Bank and other borrowings

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

Trade payables

Trade payables are measured at amortised cost.

Foreign currencies

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

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

Financial assets and financial liabilities

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

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

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

Financial assets and financial liabilities at FVTPL

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

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

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

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

Loans and receivables

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

Other financial liabilities

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

Derecognition of financial assets and financial liabilities

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

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. This is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other

than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. Re-measurement comprising actuarial gains and losses, the effects of asset ceilings and minimum funding payments and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income. Re-measurement recorded in the statement of comprehensive income is not recycled. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Net interest expense or income is recognised within finance costs.

Where the Group is committed to pay additional contributions under a minimum funding arrangement and it has no unconditional right to receive any surplus in a winding up of the scheme, the pension obligation recognised in the financial statements is the higher of the IAS 19 (revised 2011) obligation or the net present value of future minimum funding payments, discounted using the IAS 19 (revised 2011) discount rate, to which the Group is unconditionally committed.

Employee share incentive plans

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.

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

Provisions

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

Equity instruments and own shares

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

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

Dividends

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

3. Critical judgements and key sources of estimation and uncertainty

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

Income taxes

The Group is subject to the income tax laws of the United Kingdom. These laws are complex and subject to different interpretations by taxpayers and tax authorities. When establishing income tax provisions, the Directors make a number of judgements and interpretations about the application and interaction of these laws. Changes in these tax laws or in their interpretation could affect the Group's effective tax rate and the results of operations in a given period. Accordingly, potentially significant tax benefits will not be recognised until there is sufficient certainty that they will be accepted by HMRC.

Cash Generating Units

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

Goodwill and other intangible assets

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

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

Pension assumptions

The Group has chosen to adopt assumptions that the Directors believe are generally in line with comparable companies. If the future return on equities, applied to the pension scheme liabilities, is lower than anticipated, or if the difference between actual inflation and the actual increase in pensionable salaries is greater than that assumed, or if long term interest rates were lower than assumed, or if the average life

expectancy of pensioners increases, then the pension deficit would be greater than currently stated in the balance sheet. Where the pension obligation is included in the balance sheet at the net present value of the minimum funding payments then the impact on the balance sheet of changes in these assumptions is reduced.

Property leases

The Group is party to a number of leases on properties that are no longer required for trading. Whilst every effort is made to profitably sub-let these properties, it is not always possible. Where a lease is onerous to the Group, a provision is established for the difference between amounts contractually payable to the property owner and to local authorities and amounts expected to be received from the tenant (if any) for the period up until the point it is judged that the lease will no longer be onerous. The Directors believe that their estimates, which are based upon the current state of the UK property market, are appropriate. However, it is possible that it will take longer (or in some cases less time) to dispose of leases than they anticipate. As a result, the provisions may be mis-stated,

but in the opinion of the Directors, this is unlikely to be material.

Insurance provisions

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

4. Revenue

	THE GROUP		THE COMPANY	
	2013	2012 (Restated)	2013	2012
	£m	£m	£m	£m
Sale of goods	5,148.7	4,844.9	-	-
Management charges	-	-	8.0	7.9
Dividends from subsidiaries	-	-	121.0	74.2
	5,148.7	4,844.9	129.0	82.1
Other operating income	4.9	4.3	-	-
Finance income	3.7	2.7	4.0	3.7
	5,157.3	4,851.9	133.0	85.8

Like-for-like sales are a measure of underlying sales performance for two successive periods. Branches contribute to like-for-like sales once they have been trading for more than 12 months. Revenue included in like-for-like is for the equivalent times in both years being compared. When branches close, revenue is excluded from the prior year figures for the months equivalent to the post closure period in the current year.

5. Profit

a. Operating profit

	THE GROUP		THE COMPANY	
	2013	2012 (Restated)	2013	2012
	£m	£m	£m	£m
Revenue	5,148.7	4,844.9	129.0	82.1
Cost of sales	(3,616.6)	(3,381.1)	-	-
Gross profit	1,532.1	1,463.8	129.0	82.1
Selling and distribution costs	(941.5)	(907.8)	-	-
Administrative expenses	(280.7)	(275.4)	(26.1)	(19.8)
Profit on disposal of properties	17.4	15.0	-	-
Other operating income	4.9	4.3	-	-
Share of results of associate	(2.5)	(0.3)	-	-
Operating profit	329.7	299.6	102.9	62.3
Add back exceptional items	-	8.7	-	-
Add back amortisation of intangible assets	17.9	17.4	-	-
Adjusted operating profit	347.6	325.7	102.9	62.3

5. Profit continued

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

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Movement of provisions against inventories	(3.0)	(0.4)	-	-
Cost of inventories recognised as an expense	3,619.6	3,381.5	-	-
Pension costs included in cost of sales	0.5	0.5	-	-
Pension costs in administration expenses	6.7	4.1	0.3	0.4
Pension costs in selling and distribution costs	14.9	12.6	-	-
Depreciation of property, plant and equipment	71.3	69.4	-	-
Staff costs	631.8	605.1	12.1	11.5
Gain on disposal of property, plant and equipment	(18.1)	(17.1)	-	-
Rental income	(5.0)	(4.2)	-	-
Hire of vehicles, plant and machinery	35.8	34.0	-	-
Other leasing charges – property	184.1	175.6	-	-
Amortisation of intangible assets	17.9	17.4	-	-
Auditor's remuneration for audit services	0.5	0.4	0.1	0.1

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

	THE GROUP	
	2013 £000	2012 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	107	106
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	335	325
Fees paid to the Company's auditor for other services:		
Audit related assurance services	94	73
Other services relating to taxation – advisory	94	56
	630	560

Audit related assurance services includes £21,328 (2012: £18,000) which was paid to the auditor by the Travis Perkins Pension and Dependents Benefit Scheme.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 64 to 67, and includes an explanation of how auditor objectivity and independence is safeguarded when the auditor provides non-audit services.

b. Adjusted operating margin

	General Merchandising		Specialist Merchandising		Consumer		Plumbing and Heating		Unallocated		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	1,578.4	1,456.7	660.3	603.6	1,179.8	1,152.5	1,730.2	1,632.1	-	-	5,148.7	4,844.9
Segment result	176.4	167.3	30.2	31.3	58.0	65.8	80.8	45.8	(15.7)	(10.6)	329.7	299.6
Amortisation of intangible assets	-	-	-	-	4.9	4.9	13.0	12.5	-	-	17.9	17.4
Exceptional items	-	-	-	0.2	-	(6.0)	-	14.5	-	-	-	8.7
Adjusted segment result	176.4	167.3	30.2	31.5	62.9	64.7	93.8	72.8	(15.7)	(10.6)	347.6	325.7
Adjusted operating margin	11.2%	11.5%	4.6%	5.2%	5.3%	5.6%	5.4%	4.5%	-	-	6.8%	6.7%

Segmental information including the definition of segment result is shown in note 6.

c. Adjusted profit before and after tax

	THE GROUP	
	2013 £m	2012 £m (Restated)
Profit before tax	312.6	299.2
Exceptional items	(9.4)	(30.8)
Amortisation of intangible assets	17.9	17.4
Adjusted profit before tax	321.1	285.8

5. Profit continued

	THE GROUP	
	2013 £m	2012 £m (Restated)
Profit after tax	264.7	248.7
Exceptional items	(9.4)	(30.8)
Amortisation of intangible assets	17.9	17.4
Tax on exceptional items and amortisation	(3.6)	(6.1)
Income effect of reduction in corporation tax rate on deferred tax	(20.1)	(13.3)
Adjusted profit after tax	249.5	215.9
d. Exceptional items		
	2013 £m	2012 £m
BSS integration costs	-	(14.7)
Onerous lease provision release	-	6.0
Toolstation investment fair value adjustment	-	35.3
Toolstation consideration fair value adjustment	9.4	4.2
	9.4	30.8

In accordance with IAS 39 the contingent consideration payable in respect of Toolstation has been reassessed at 31 December 2013 and as a result the discounted amount previously recognised of £47.0m (2011: £51.2m) has been reduced to £37.6m (2012: £47.0m) with the difference of £9.4m (2012: £4.2m) being credited to income statement as exceptional investment income.

The Group incurred £14.7m of exceptional operating charges in 2012 as a result of the programme to integrate BSS colleagues, systems and processes into the Group.

In 2012, the Group released £6.0m through operating profit as an exceptional item for onerous lease provisions that were no longer required because properties had been sublet.

In 2012, the Group recognised £35.3m of exceptional fair value gains in investment income when the requirements of IFRS 3 (2008) Business Combinations were applied to the investments held in Toolstation. This acquisition resulted in the Group's existing 30% associate interest being re-measured to its fair value at the acquisition date. The exceptional item recognised by the Group was £2.1m higher than the Company due to the revaluation of the intra-group loan.

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

e. Prior period restatement

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit schemes, by replacing the combined interest cost on liabilities and expected return on plan assets with a net interest charge on the net defined benefit liability. Prior year comparatives have been restated with an increase in the net finance cost of £13.2m in the year ended 31 December 2012. Administration expenses for the schemes, totalling £0.9m, have been deducted from operating profit for the year ended 31 December 2012 and actuarial losses in the statement of other comprehensive income have been reduced by £14.1m for the same period. The combined net deficit of the schemes at 31 December is unaffected. There is no impact on cash flows.

Following recent guidance from the FRRP regarding the treatment of a schedule of contributions in relation to a minimum funding requirement under IFRIC 14, the Group has reconsidered the appropriate accounting treatment for its pension fund obligations. In respect of the Travis Perkins defined benefit pension scheme the pension obligation in the balance sheet has been restated at 1 January 2012 and 31 December 2012 with consequent adjustments to deferred tax. For the BSS scheme, no restatement is required however the 31 December 2013 closing balance sheet position is impacted. Details of the liabilities arising in respect of minimum funding requirements are set out in note 28.

Further details of the impact of the prior period restatements are given in the tables below. The impact of IAS 19 (revised 2011) is restricted to the income statement and statement of comprehensive income. The impact of the reinterpretation of IFRIC 14 affects the balance sheet, statement of comprehensive income and statement of changes in equity.

i. Impact on income statement

	Year ended 31 December 2012		
	As previously stated £m	Prior period adjustment £m	As restated £m
Revenue	4,844.9	-	4,844.9
Adjusted operating profit	326.6	(0.9)	325.7
Exceptional items and amortisation	(26.1)	-	(26.1)
Operating profit	300.5	(0.9)	299.6
Exceptional investment income	39.5	-	39.5
Finance income	13.8	(11.1)	2.7
Finance costs	(40.5)	(2.1)	(42.6)
Profit before tax	313.3	(14.1)	299.2
Tax	(53.7)	3.2	(50.5)
Profit after tax	259.6	(10.9)	248.7

5. Profit continued

ii. Impact on adjusted profit before tax

	Year ended 31 December 2012		
	As previously stated £m	Prior period adjustment £m	As restated £m
Profit before tax	313.3	(14.1)	299.2
Exceptional items and amortisation	(13.4)	-	(13.4)
Adjusted profit before tax	299.9	(14.1)	285.8

iii. Impact on adjusted profit after tax

	As previously stated £m	Prior period adjustment £m	As restated £m
Profit after tax	259.6	(10.9)	248.7
Exceptional items and amortisation	(32.8)	-	(32.8)
Adjusted profit after tax	226.8	(10.9)	215.9

iv. Impact on statement of comprehensive income

	Year ended 31 December 2012		
	As previously stated £m	Prior period adjustment £m	As restated £m
Profit after tax	259.6	(10.9)	248.7
Items that will not be reclassified subsequently to profit and loss			
Actuarial losses on defined benefit pension schemes	(45.8)	23.7	(22.1)
Deferred tax rate change	(5.5)	(1.6)	(7.1)
Income taxes relating to items not reclassified	10.4	(5.3)	5.1
	(40.9)	16.8	(24.1)
Items that may be reclassified subsequently to profit and loss	3.5	-	3.5
Total comprehensive income	222.2	5.9	228.1

v. Impact on earnings per share

	Year ended 31 December 2012		
	As previously stated	Prior period adjustment	As restated
Basic	108.9p	(4.6)p	104.3p
Adjusted basic	95.1p	(4.5)p	90.6p
Diluted	105.0p	(4.4)p	approx

vi. Impact on group balance sheet

	Year ended 31 December 2012		
	As previously stated £m	Prior period adjustment £m	As restated £m
Deferred tax liability	85.0	(15.9)	69.1
Retirement benefit obligation	59.1	66.8	125.9
Other liabilities	1,905.0	-	1,905.0
Total liabilities	2,049.1	50.9	2,100.0
Accumulated profits	1,513.8	(52.5)	1,461.3
Other capital and reserves	794.3	-	794.3
Total equity and liabilities	4,357.2	(1.6)	4,355.6

	Year ended 31 December 2011		
	As previously stated £m	Prior period adjustment £m	As restated £m
Deferred tax liability	97.4	(19.6)	77.8
Retirement benefit obligation	65.0	58.7	123.7
Other liabilities	1,921.0	-	1,921.0
Total liabilities	2,083.4	39.1	2,122.5
Accumulated profits	1,335.6	(58.4)	1,277.2
Other capital and reserves	772.2	-	772.2
Total equity and liabilities	4,191.2	(19.3)	4,171.9

As required by IFRS 8 the operating segments are identified on the basis of internal reports about components of the Group that are regularly

6. Business and geographical segments

reviewed by the Chief Executive to assess their performance. All four divisions sell building materials to a wide range of customers, none of which are dominant, and operate almost exclusively in the United Kingdom and consequently no geographical information is presented.

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

Inter-segment sales are eliminated.

During 2013 and 2012 there were no impairment losses or reversals of impairment losses recognised in profit or loss or in equity in any of the reportable segments.

	2013						
	General Merchandising £m	Specialist Merchandising £m	Consumer £m	Plumbing and Heating £m	Unallocated £m	Eliminations £m	Consolidated £m
Revenue	1,578.4	660.3	1,179.8	1,730.2	-	-	5,148.7
Result							
Segment result	176.4	30.2	58.0	80.8	(15.7)	-	329.7
Exceptional investment income	-	-	9.4	-	-	-	9.4
Finance income	-	-	-	-	3.7	-	3.7
Finance costs	-	-	-	-	(30.2)	-	(30.2)
Profit before taxation	176.4	30.2	67.4	80.8	(42.2)	-	312.6
Taxation	-	-	-	-	(47.9)	-	(47.9)
Profit for the year	176.4	30.2	67.4	80.8	(90.1)	-	264.7
Segment assets	2,246.5	497.2	1,696.5	1,218.0	96.7	(1,311.2)	4,443.7
Segment liabilities	(724.3)	(14.8)	(413.4)	(239.7)	(1,847.5)	1,311.2	(1,928.5)
Consolidated net assets	1,522.2	482.4	1,283.1	978.3	(1,750.8)	-	2,515.2
Capital expenditure	83.8	6.8	12.7	8.2	-	-	111.5
Amortisation	-	-	4.9	13.0	-	-	17.9
Depreciation	35.1	9.1	17.4	9.7	-	-	71.3

	2012 (Restated)						
	General Merchandising £m	Specialist Merchandising £m	Consumer £m	Plumbing and Heating £m	Unallocated (Restated) £m	Eliminations £m	Consolidated (Restated) £m
Revenue	1,456.7	603.6	1,152.5	1,632.1	-	-	4,844.9
Result							
Segment result	167.3	31.3	65.8	45.8	(10.6)	-	299.6
Exceptional investment income	-	-	39.5	-	-	-	39.5
Finance income	-	-	-	-	2.7	-	2.7
Finance costs	-	-	-	-	(42.6)	-	(42.6)
Profit before taxation	167.3	31.3	105.3	45.8	(50.5)	-	299.2
Taxation	-	-	-	-	(50.5)	-	(50.5)
Profit for the year	167.3	31.3	105.3	45.8	(101.0)	-	248.7
Segment assets	2,121.7	469.7	1,653.4	1,166.6	177.7	(1,233.5)	4,355.6
Segment liabilities	(659.7)	(13.7)	(415.5)	(232.4)	(2,012.2)	1,233.5	(2,100.0)
Consolidated net assets	1,462.0	456.0	1,237.9	934.2	(1,834.5)	-	2,255.6
Exceptional items	-	0.2	(6.0)	14.5	-	-	8.7
Capital expenditure	44.2	11.5	17.8	11.0	-	-	84.5
Amortisation	-	-	4.9	12.5	-	-	17.4
Depreciation	33.6	8.3	17.8	9.7	-	-	69.4

6. Business and geographical segments continued

Unallocated segment assets and liabilities comprise the following:

	2013	2012 (Restated)
	£m	£m
Assets		
Interest in associates	7.3	6.7
Financial instruments	9.3	25.5
Cash and cash equivalents	79.8	139.1
Unallocated corporate assets	0.3	6.4
	96.7	177.7
Liabilities		
Financial instruments	(6.3)	(7.5)
Tax liabilities	(73.2)	(74.8)
Deferred tax liabilities	(61.2)	(69.1)
Retirement benefit obligations	(71.4)	(125.9)
Interest bearing loans, borrowings and loan notes	(427.4)	(591.3)
Intra-group creditors	(1,186.6)	(1,124.2)
Unallocated corporate liabilities	(21.4)	(19.4)
	(1,847.5)	(2,012.2)

7. Staff costs

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

	THE GROUP		THE COMPANY	
	2013 No.	2012 No.	2013 No.	2012 No.
Sales	15,747	15,865	-	-
Distribution	3,350	3,042	-	-
Administration	2,840	2,725	46	50
	21,937	21,632	46	50

b. Aggregate remuneration

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Wages and salaries	565.2	541.5	7.6	6.5
Share-based payments (note 8)	13.7	15.2	3.8	4.3
Social security costs	52.9	48.4	0.7	0.7
Other pension costs (note 28b)	22.1	17.2	0.3	0.4
	653.9	622.3	12.4	11.9

8. Share-based payments

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

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

	2013			2012		
	Executive options	SAYE	Nil price options	Executive options	SAYE	Nil price options
Share price at grant date (pence)	1,463	1,648	1,373	912	1,114	1,062
Option exercise price (pence)	1,453	1,274	-	806	818	-
Volatility (%)	32.3%	36.3%	33.0%	53.0%	38.4%	40.9%
Option life (years)	3.0	3.5	3.0	3.0	3.3	3.0
Risk-free interest rate (%)	0.6%	1.0%	0.5%	1.0%	0.4%	0.5%
Expected dividends as a dividend yield (%)	2.2%	2.0%	2.3%	1.7%	2.3%	2.3%

8. Share-based payments continued

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

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

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

SAYE options were granted on 27 September 2013. The estimated fair value of the shares under option at that date was £8.0m for the Group and £0.1m for the Company.

Shares were granted under the share-matching scheme on 14 March 2013 and 17 June 2013. The estimated fair value of the shares under option at those dates was £5.2m for the Group and £3.0m for the Company.

Shares were granted under the performance share plan on 11 March 2013, 19 April 2013, 23 August 2013 and 18 October 2013. The estimated fair value of the shares under option at those dates was £8.6m for the Group and £3.2m for the Company.

Shares were granted under the deferred share bonus plan on 2 April 2013. The estimated fair value of the shares at that date was £0.6m for the Group and £0.2m for the Company.

The Group charged £13.7m (2012: £15.2m) and the Company charged £3.8m (2012: £4.3m) to the income statement in respect of equity-settled share-based payment transactions.

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

	THE GROUP					
	2013			2012		
	Weighted average exercise price p	Number of options No.	Number of nil price options No.	Weighted average exercise price p	Number of options No.	Number of nil price options No.
Outstanding at the beginning of the year	695	7,718	5,699	636	8,050	4,875
Forfeited during the year	763	(503)	(598)	598	(536)	(92)
Exercised during the year	600	(2,366)	(1,434)	552	(1,379)	(500)
Granted during the year	1,287	1,373	1,104	839	1,583	1,416
Outstanding at the end of the year	856	6,222	4,771	695	7,718	5,699
Exercisable at the end of the year	794	662	1,193	792	1,227	1,540

Share options were exercised on a regular basis throughout the year. The weighted average share price for options exercised during the year was 1,606 pence (2012: 1,037 pence).

Details of the options outstanding at 31 December 2013 were as follows:

	THE GROUP					
	2013			2012		
	Executive options	SAYE	Nil price options	Executive options	SAYE	Nil price options
Range of exercise prices (pence)	201-1,745	442-1,274	-	201-1,611	442-1,114	-
Weighted average exercise price (pence)	963	837	-	880	651	-
Number of shares (thousands)	893	5,329	4,771	1,499	6,220	5,699
Weighted average expected remaining life (years)	0.9	2.0	0.9	0.7	2.1	0.9
Weighted average contractual remaining life (years)	5.1	2.5	7.5	4.9	2.6	7.7

If all 0.9 million outstanding executive options vest and then are exercised on the date of vesting, or in the case of SAYE all 5.3 million shares are acquired on the first possible day, 6.2 million of shares will be issued for a consideration of £53.2 million in the years ending 31 December:

	2014		2015		2016		2017		2018	
	No. m	Value £m	No. m	Value £m	No. m	Value £m	No. m	Value £m	No. m	Value £m
Options	0.7	5.9	0.1	1.3	0.1	1.4	-	-	-	-
SAYE	2.1	13.3	1.2	9.9	1.5	15.6	0.2	1.7	0.3	4.1

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

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

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

8. Share-based payments continued

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

	THE COMPANY					
	2013			2012		
	Weighted average exercise price p	Number of options No.	Number of nil price options No.	Weighted average exercise price p	Number of options No.	Number of nil price options No.
In thousands of options						
Outstanding at the beginning of the year	756	300	2,837	606	111	2,197
Forfeited during the year	630	(8)	(200)	746	(96)	-
Exercised during the year	695	(126)	(796)	372	(44)	(15)
Transferred from other group companies	-	-	-	746	317	80
Granted during the year	795	20	489	918	12	575
Outstanding at the end of the year	873	186	2,331	756	300	2,837
Exercisable at the end of the year	790	125	727	784	219	126

Details of the options outstanding at 31 December 2013 were as follows:

	THE COMPANY					
	2013			2012		
	Executive options	SAYE	Nil price options	Executive options	SAYE	Nil price options
Range of exercise prices (pence)	201-1,745	442-1,274	-	201-1,611	442-1,114	-
Weighted average exercise price (pence)	880	841	-	806	548	-
Number of shares (thousands)	152	34	2,331	242	58	2,837
Weighted average expected remaining life (years)	0.4	1.9	0.8	0.3	1.5	0.7
Weighted average contractual remaining life (years)	3.7	2.4	7.4	4.0	2.0	7.5

9. Net finance costs

	THE GROUP	
	2013	2012 (Restated)
	£m	£m
Interest on bank loans and overdrafts*	(19.4)	(24.7)
Interest on obligations under finance leases	(1.3)	(1.1)
Unwinding of discounts – property provisions	(1.5)	(2.5)
Unwinding of discounts – SPV loan	(2.5)	(2.5)
Amortisation of cancellation payment for swaps accounted for as cash flow hedges	(0.8)	(4.1)
Other interest	(1.8)	(1.7)
Other finance costs – pension scheme	(2.1)	(2.1)
Net loss on re-measurement of derivatives at fair value	(0.8)	(3.9)
Finance costs	(30.2)	(42.6)
Amortisation of cancellation receipt for swap accounted for as fair value hedge	1.0	1.0
Net gain on re-measurement of derivatives at fair value	1.9	1.3
Interest receivable	0.8	0.4
Finance income	3.7	2.7
Net finance costs	(26.5)	(39.9)

*Includes £1.5m (2012: £1.2m) of amortised bank finance charges.

	THE GROUP	
	2013	2012 (Restated)
	£m	£m
Interest on bank loans and overdrafts	(19.4)	(24.7)
Amortised bank finance charges	1.5	1.2
Other interest	(1.8)	(1.7)
Interest receivable	0.8	0.4
Interest for covenant purposes	(18.9)	(24.8)
Adjusted interest cover for covenant purposes	18.3x	13.1x

9. Net finance costs continued

Adjusted interest cover is calculated by dividing adjusted operating profit of £347.6m (2012: £325.7m) less £1.0m (2012: £1.5m) of specifically excluded IFRS adjustments, by the interest for covenant purposes.

	THE GROUP	
	2013	2012 (Restated)
	£m	£m
Interest on bank loans and overdrafts	(19.4)	(24.7)
Interest on obligations under finance leases	(1.3)	(1.1)
Unwinding of discounts SPV loan	(2.5)	(2.5)
Loan note interest (included in other interest)	(0.2)	(0.2)
Interest for fixed charge ratio purposes	(23.4)	(28.5)

The unwinding of the discounts charge arises principally from the property provisions created in 2008 and the liability to the pension scheme associated with the SPV (note 28).

	THE COMPANY	
	2013	2012
	£m	£m
Interest on bank loans and overdrafts	(19.4)	(25.5)
Interest payable to group companies	(22.4)	(15.6)
Amortisation of cancellation payment for swaps accounted for as cash flow hedges	(0.8)	(4.1)
Other interest	(1.8)	(1.7)
Net loss on re-measurement of derivatives at fair value	(0.8)	(3.9)
Finance costs	(45.2)	(50.8)
Amortisation of cancellation receipt for swap accounted for as fair value hedge	1.0	1.0
Net gain on re-measurement of derivatives at fair value	1.9	1.3
Interest receivable from group companies	0.8	1.0
Interest receivable	0.3	0.4
Finance income	4.0	3.7
Net finance costs	(41.2)	(47.1)

10. Tax

a. Tax charge in income statement

	THE GROUP						THE COMPANY	
	2013 Pre-exceptional items	2013 Exceptional items	2013 Total	2012 Pre-exceptional items (Restated)	2012 Exceptional items	2012 Total (Restated)	2013	2012
	£m	£m	£m	£m	£m	£m	£m	£m
Current tax								
UK corporation tax								
– current year	68.9	-	68.9	68.0	(2.2)	65.8	(15.4)	(13.5)
– prior year	(1.0)	-	(1.0)	(1.1)	-	(1.1)	0.3	2.5
Total current tax	67.9	-	67.9	66.9	(2.2)	64.7	(15.1)	(11.0)
Deferred tax								
– current year	1.1	(20.1)	(19.0)	(1.6)	(13.3)	(14.9)	1.0	(2.3)
– prior year	(1.0)	-	(1.0)	0.7	-	0.7	-	0.1
Total deferred tax	0.1	(20.1)	(20.0)	(0.9)	(13.3)	(14.2)	1.0	(2.2)
Total tax charge	68.0	(20.1)	47.9	66.0	(15.5)	50.5	(14.1)	(13.2)

10. 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			
	2013		2012 (Restated)	
	£m	%	£m	%
Profit before tax	312.6		299.2	
Tax at the UK corporation tax rate	72.8	23.3	73.3	24.5
Tax effect of expenses / credits that are not deductible / taxable in determining taxable profit	1.4	0.4	1.1	0.4
Depreciation of non-qualifying property	2.1	0.7	2.8	0.9
Exceptional valuation gain not taxable	-	-	(8.6)	(2.7)
Exceptional fair value movement not taxable	(2.2)	(0.7)	(1.0)	(0.3)
Deferred tax rate change	(20.1)	(6.4)	(13.3)	(4.4)
Property sales	(4.0)	(1.3)	(3.6)	(1.2)
Prior period adjustment	(2.1)	(0.7)	(0.2)	(0.1)
Tax expense and effective tax rate for the year	47.9	15.3	50.5	17.1

The tax rate for the year of 23.25% is a blended rate of 24% up to 1 April 2013 and 23% thereafter. The tax charge for 2013 includes an exceptional credit of £20.1m arising from the reduction in the rate of UK corporation tax from 23% to 21% on 1 April 2014 and a further reduction of 1% to 20% from 1 April 2015.

b. Tax charge in statement of comprehensive income

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

	THE GROUP		THE COMPANY	
	2013	2012 (Restated)	2013	2012
	£m	£m	£m	£m
Deferred tax				
Items that may be reclassified				
Cash flow hedge movement	(0.3)	(0.9)	(0.3)	(0.9)
Items that may not be reclassified				
Deferred tax rate change on actuarial movement	(11.5)	(7.1)	-	-
Actuarial movement	(7.0)	5.1	-	-
	(18.8)	(2.9)	(0.3)	(0.9)

c. Tax credited directly to equity

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

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
	£m	£m	£m	£m
Current tax				
Excess tax deductions related to share-based payments on exercised options	10.4	1.4	-	-
Deferred tax				
Rate change on revaluation reserve	1.3	0.9	-	-
Share-based payments	5.3	2.9	5.3	3.0
	17.0	5.2	5.3	3.0

10. Tax continued

	THE COMPANY			
	2013		2012	
	£m	%	£m	%
Profit before tax	71.1		52.6	
Intercompany dividends	(121.0)		(74.2)	
Loss before tax and dividends received	(49.9)		(21.6)	
Tax at the UK corporation tax rate	(11.6)	23.3	(5.3)	24.5
Tax effect of expenses / credits that are not deductible / taxable in determining taxable profit	(1.5)	3.0	(1.7)	7.9
Prior period adjustment	0.3	(0.6)	2.6	(12.0)
Deferred tax rate change	0.9	(1.8)	0.4	(1.9)
Exceptional valuation gain not taxable	-	-	(8.2)	38.0
Exceptional fair value movement not taxable	(2.2)	4.4	(1.0)	4.6
Tax credit and effective tax rate for the year	(14.1)	28.3	(13.2)	61.1

11. Earnings per share

a. Basic and diluted earnings per share

	2013 £m	2012 (Restated) £m
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	264.6	248.7
	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	240,829,833	238,388,160
Dilutive effect of share options on potential ordinary shares	9,428,138	8,809,106
Weighted average number of ordinary shares for the purposes of diluted earnings per share	250,257,971	247,197,266

16,833 (2012: 692,839) share options had an exercise price in excess of the average market value of the shares during the year. As a result, these share options were excluded from the calculation of diluted earnings per share.

b. Adjusted earnings per share

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

	2013 £m	2012 (Restated) £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	264.6	248.7
Exceptional items	(9.4)	(30.8)
Amortisation of intangible assets	17.9	17.4
Tax on amortisation of intangible assets	(3.6)	(3.9)
Tax on exceptional items	-	(2.2)
Effect of reduction in corporation tax rate on deferred tax	(20.1)	(13.3)
Adjusted earnings	249.4	215.9
Adjusted earnings per share	103.6p	90.6p
Adjusted diluted earnings per share	99.7p	87.3p

12. Dividends

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

	2013 £m	2012 £m
Final dividend for the year ended 31 December 2012 of 17.0p (2011: 13.5p) per ordinary share	40.9	32.1
Interim dividend for the year ended 31 December 2013 of 10.0p (2012: 8.0p) per ordinary share	24.2	19.1
Total dividend recognised during the year	65.1	51.2

12. Dividends continued

The Company is proposing a final dividend of 21.0p in respect of the year ended 31 December 2013.

Adjusted dividend cover of 3.3x (2012: 3.6x) is calculated by dividing adjusted earnings per share (note 11) of 103.6p (2012 (restated): 90.6p) by the total dividend for the year of 31.0p (2012: 25.0p).

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

The dividends declared for 2013 at 31 December 2013 and for 2012 at 31 December 2012 were as follows:

	2013 Pence	2012 Pence
Interim paid	10.0	8.0
Final proposed	21.0	17.0
Total dividend for the year	31.0	25.0

The anticipated cash payment in respect of the proposed final dividend is £51.1m (2012: £40.7m).

13. Goodwill

	THE GROUP				Total £m
	General Merchanting £m	Specialist Merchanting £m	Consumer £m	Plumbing and Heating £m	
Cost					
At 1 January 2012	465.6	145.1	728.3	367.2	1,706.2
Recognised on acquisitions during the year	0.6	-	100.7	-	101.3
At 1 January 2013	466.2	145.1	829.0	367.2	1,807.5
Recognised on acquisitions during the year	0.2	-	0.5	5.7	6.4
At 31 December 2013	466.4	145.1	829.5	372.9	1,813.9

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

Cash Generating Units

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

CGU Grouping

	2013			2012		
	Intangibles (Note 14) £m	Goodwill £m	Total £m	Intangibles (Note 14) £m	Goodwill £m	Total £m
Specialist Merchanting						
CCF	-	43.6	43.6	-	43.6	43.6
Keyline	-	101.5	101.5	-	101.5	101.5
Generalist Merchanting						
Travis Perkins	-	466.4	466.4	-	466.2	466.2
Consumer						
Tile Giant	-	24.6	24.6	-	24.6	24.6
Toolstation	-	103.4	103.4	-	102.9	102.9
Wickes	162.5	701.5	864.0	162.5	701.5	864.0
Plumbing and Heating						
PTS	40.9	133.7	174.6	40.9	133.7	174.6
BSS Industrial	49.3	27.8	77.1	49.3	27.8	77.1
City Plumbing Supplies	-	175.4	175.4	-	175.4	175.4
Plumbnation	-	1.7	1.7	-	-	-
Solfex	-	4.0	4.0	-	-	-
F & P	8.5	30.3	38.8	8.5	30.3	38.8
Other	3.9	-	3.9	3.9	-	3.9
	265.1	1,813.9	2,079.0	265.1	1,807.5	2,072.6

13. Goodwill continued

Measuring Recoverable Amounts

The Group tests goodwill and other non-monetary assets with indefinite useful lives for impairment annually or more frequently if there are indications that impairment may have occurred. The recoverable amounts of the goodwill and other non-monetary assets with indefinite useful lives are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and like-for-like market volume changes which impact sales and therefore cash flow projections. Management estimates pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the CGU groupings that are not reflected in the cash flow projections.

At the beginning and end of the financial year the recoverable amount of goodwill and intangible assets with indefinite useful lives in all segments was in excess of their book value. In the absence of a binding agreement to sell the assets and active reference market on which fair value can be determined the recoverable amount of the goodwill and intangible assets with indefinite useful lives was determined according to value in use. The Directors' calculations have shown that no impairments have occurred. The key variables applied to the value in use calculations were:

- Cash flow forecasts, which were derived from the most recent board approved five-year strategic plans
- The sales market volume assumptions underlying the cash flow forecasts are the Directors' estimates of likely future changes based on historic performance (excluding future investment and enhancements) and the current outlook for both the UK economy and the UK building materials industry. This is viewed as the key operating assumption because the state of the building materials market determines the Directors' approach to margin and cost maintenance
- A risk adjusted pre-tax discount rate is calculated by reference to the weighted average cost of capital ('WACC') of the Group. For 2013, the discount rate was 9.7% (2012: 8.8%), which is not significantly different for any individual CGU or CGU grouping. That is because each CGU operates in the same market, selling the same product types therefore the risk profiles are not dissimilar
- For 2013, cash flows beyond the five-year plan (2019 and beyond) have been determined using a growth rate of 2.1%, which is the average long-term forecast GDP growth outlined in the Economic and Fiscal Outlook report produced by the Office for Budget Responsibility in December 2013. The Directors believe this is the most appropriate indicator of long-term growth rates that is available (2012 growth rate: 2.1%)

Sensitivity of results to changes in assumptions

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

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

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

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

31 December 2013

CGU grouping	Headroom	Like-for-like market volume (Average % per annum)		Discount rate %		Long term growth rate	
		Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity
Tile Giant	£20m	0.7%	(1.3)%	9.7%	14.9%	2.1%	(6.5)%
Wickes	£194m	1.8%	0.7%	9.7%	11.2%	2.1%	(0.1)%
PTS	£37m	0.8%	(0.1)%	9.7%	11.2%	2.1%	(0.1)%
F & P	£32m	0.8%	(1.9)%	9.7%	15.2%	2.1%	(7.4)%

31 December 2012

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

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

14. Other intangible assets

	THE GROUP			Total £m
	Brand £m	Computer software £m	Customer relationships £m	
Cost or valuation				
At 1 January 2012	268.7	8.4	132.5	409.6
Recognised on acquisition	29.5	8.7	15.1	53.3
At 31 December 2012	298.2	17.1	147.6	462.9
Recognised on acquisition (note 29)	2.9	-	-	2.9
At 31 December 2013	301.1	17.1	147.6	465.8
Amortisation				
At 1 January 2012	0.3	8.1	12.3	20.7
Charged to operating profit in the year	1.8	0.9	14.7	17.4
At 31 December 2012	2.1	9.0	27.0	38.1
Charged to operating profit in the year	2.0	0.9	15.0	17.9
At 31 December 2013	4.1	9.9	42.0	56.0
Net book value				
At 31 December 2013	297.0	7.2	105.6	409.8
At 31 December 2012	296.1	8.1	120.6	424.8
			2013 £m	2012 £m
Cost of brands with an indefinite useful life (note 13)			265.1	265.1
Cost of brands being amortised			36.0	33.1
			301.1	298.2

Where a brand, which is a leading brand in its sector and has significant growth prospects, has not been established for a significant period of time, the Directors do not have sufficient evidence to support a contention that it will have an indefinite useful life. Accordingly for Toolstation, Plumbnation, Solfex and certain product related brands the Directors have decided it is appropriate to amortise their cost over their estimated useful lives. The useful lives of those brands being amortised ranges from 10 to 20 years while the remaining lives range from 7 to 17 years.

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

Acquired customer relationships are amortised over their estimated useful lives, which range from 5 to 15 years. The remaining lives of amortised customer relationships range from 2 to 12 years.

The Company has no intangible assets.

15. Property, plant and equipment

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant and equipment £m	Total £m	Plant and equipment £m
Cost or valuation						
At 1 January 2012	301.2	28.1	134.5	486.8	950.6	0.7
Additions	10.0	-	9.0	65.5	84.5	-
Additions from acquired businesses	-	-	4.5	3.2	7.7	-
Reclassifications	0.9	(0.9)	-	-	-	-
Disposals	(3.5)	-	(3.0)	(44.1)	(50.6)	-
At 1 January 2013	308.6	27.2	145.0	511.4	992.2	0.7
Additions	32.3	1.0	9.3	68.9	111.5	0.1
Additions from acquired businesses	0.3	-	-	0.1	0.4	-
Disposals	(6.5)	-	(7.1)	(31.6)	(45.2)	(0.1)
At 31 December 2013	334.7	28.2	147.2	548.8	1,058.9	0.7
Accumulated depreciation						
At 1 January 2012	38.9	5.4	48.7	295.0	388.0	0.5
Charged this year	4.6	0.6	11.4	52.8	69.4	-
Disposals	(0.4)	-	(1.3)	(41.9)	(43.6)	-
At 1 January 2013	43.1	6.0	58.8	305.9	413.8	0.5
Charged this year	5.2	0.5	11.6	54.0	71.3	0.1
Disposals	(0.9)	-	(6.4)	(28.8)	(36.1)	-
At 31 December 2013	47.4	6.5	64.0	331.1	449.0	0.6
Net book value						
At 31 December 2013	287.3	21.7	83.2	217.7	609.9	0.1
At 31 December 2012	265.5	21.2	86.2	205.5	578.4	0.2

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

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant and equipment £m	Total £m	Total £m
At valuation	59.9	6.1	1.9	-	67.9	-
At cost	274.8	22.1	145.3	548.8	991.0	0.7
	334.7	28.2	147.2	548.8	1,058.9	0.7

Those freehold and leasehold properties included at valuation in the consolidated balance sheet were revalued at their open market value on an existing use basis. The valuations were performed as at 31 December 1999 by an independent professional valuer, Lambert Smith Hampton, Consultant Surveyors and Valuers.

Included within freehold property is land with a value of £133.8m (2012: £117.7m) which is not depreciated. No assets are pledged as security for the Group's liabilities.

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

	THE GROUP				THE COMPANY
	Long leases £m	Short leases £m	Plant and equipment £m	Total £m	Total £m
2013	0.8	8.3	6.1	15.2	-
2012	0.8	9.4	7.0	17.2	-

15. Property, plant and equipment continued

Comparable amounts determined according to the historical cost convention:

	THE GROUP					THE COMPANY
	Freehold £m	Long leases £m	Short leases £m	Plant and equipment £m	Total £m	Total £m
Cost	332.8	26.8	155.8	548.7	1,064.1	0.7
Accumulated depreciation	(63.9)	(7.6)	(70.0)	(331.0)	(472.5)	(0.6)
Net book value						
At 31 December 2013	268.9	19.2	85.8	217.7	591.6	0.1
At 31 December 2012	244.9	18.6	88.8	205.5	557.8	0.2

16. Investment property

	THE GROUP	
	2013 £m	2012 £m
Cost		
At 1 January	0.5	0.5
Accumulated depreciation		
At 31 December	(0.1)	(0.1)
Net book value		
At 31 December	0.4	0.4

Investment property rental income totalled nil (2012: £nil).

No external valuation has been performed and therefore, the Directors have estimated that the fair value of investment property equates to its carrying value.

The Company has no investment property.

17. Investments

a. Interest in associates

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Equity investment	0.6	1.5	0.6	0.7
Loan facility	9.1	5.3	6.7	5.3
Interest on loan facility	0.4	0.2	0.4	0.2
Share of losses	(2.8)	(0.3)	-	-
	7.3	6.7	7.7	6.2

Travis Perkins plc holds a 49% investment in The Mosaic Tile Company Limited and a 25% investment in Rinus Roofing Limited.

b. Investment in subsidiaries

	THE COMPANY	
	2013 £m	2012 £m
At 1 January	3,589.9	2,889.8
Additions	15.9	702.3
Adjustment to consideration on acquisition of Tile Giant	-	(2.2)
At 31 December	3,605.8	3,589.9
Provision for impairment	(17.0)	(17.0)
Net book value at 31 December	3,588.8	3,572.9

17. Investments continued

The principal operating subsidiaries of the Group at 31 December 2013 are as follows:

Subsidiary

Travis Perkins Trading Company Limited*	(Builders merchants)
Keyline Builders Merchants Limited*	(Builders merchants)
Wickes Building Supplies Limited	(DIY retailers)
City Plumbing Supplies Holdings Limited	(Plumbers merchants)
CCF Limited*	(Ceiling & dry lining distribution)
Travis Perkins (Properties) Limited*	(Property management company)
Benchmark Kitchens and Joinery Limited	(Specialist distribution)
Solfex Energy Systems Limited*	(Distributor of renewables technology)
Tile Giant Limited	(Ceramic tile merchants)
Travis Perkins P & H Partner Limited	(Sole corporate partner in Plumbing and Heating Merchants)
Toolstation Limited	(DIY retailers)
PTS Group Limited	(Plumbing and Heating Merchants)

*Direct subsidiary of Travis Perkins plc

The registered office for all the subsidiaries listed above is Lodge Way House, Harlestone Road, Northampton, NN5 7UG except for Keyline Builders Merchants Limited, for which the registered office is Suite S3, 8 Strathkelvin Place, Kirkintilloch, Glasgow, G66 1XT, Toolstation Limited for which the registered office address is 16 -18 Whiteladies Road, Clifton, Bristol, B58 2LG and Solfex Energy Systems Limited for which the registered office is Units 3 - 5 Charnley Fold Industrial Estate, Off School Lane, Bamber Bridge, Preston, Lancashire, PR5 6PS. The Directors have applied s409 to s410 of the Companies Act 2006 and therefore list only significant subsidiary companies.

All subsidiaries, with the exception of Plumbnation Limited which is 51% owned, are 100% owned. Each company is registered and incorporated in the United Kingdom and represented in England and Wales, other than Keyline Builders Merchants Limited and eight dormant companies, which are registered and incorporated in Scotland, City Investments Limited, which is registered and incorporated in Jersey and two dormant companies registered and incorporated in Northern Ireland.

c. Available-for-sale investments

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Fair value investment	2.7	2.4	-	-

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 to its fair value.

18. Trade and other receivables

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Trade receivables	619.1	578.3	-	-
Allowance for doubtful debts	(33.9)	(48.3)	-	-
	585.2	530.0	-	-
Amounts owed by subsidiaries	-	-	133.1	174.6
Other receivables, prepayments and accrued income	237.7	203.7	-	6.1
Trade and other receivables	822.9	733.7	133.1	180.7

The Group's trade and other receivables at the balance sheet date comprise principally of amounts receivable from the sale of goods, together with amounts due in respect of rebates and sundry prepayments. The Directors consider the only class of asset containing significant credit risk is trade receivables. The average credit term taken for sales of goods is 55 days (2012: 59 days). The allowance for doubtful debts is estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Directors consider the carrying amount of trade and other receivables approximates their fair values. The business has provided fully for all receivables outstanding for more than 90 days beyond agreed terms. Trade receivables not receivable for up to 90 days are specifically provided for based on estimated irrecoverable amounts. No interest is charged on the trade receivable from the date of the invoice until the date the invoice is classified as overdue according to the trading terms agreed between the Group and the customer. Thereafter, the Group retains the right to charge interest at between 2% to 4% per annum above the clearing bank base rate on the outstanding balance.

18. Trade and other receivables continued

Movement in the allowance for doubtful debts

	THE GROUP	
	2013 £m	2012 £m
At 1 January	48.3	54.5
Amounts written off during the year	(26.0)	(21.7)
Increase in allowance recognised in the income statement	11.6	15.5
At 31 December	33.9	48.3

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

Included in the Group's trade receivable balance are debtors unprovided against with a carrying amount of £62.3m (2012: £57.4m) which are past due at the reporting date for which the Group has not identified a significant change in credit quality and as such, the Group considers that the amounts are still recoverable and therefore there is no allowance for doubtful debts. Except for some instances of personal guarantees the Group does not hold any collateral over these balances.

Ageing of past due but not impaired receivables

	THE GROUP	
	2013 £m	2012 £m
Days overdue		
0 – 30 days	44.2	44.5
31 – 60 days	10.7	8.6
61 – 90 days	7.4	4.3
	62.3	57.4

Included in the allowance for doubtful debts are specific trade receivables with a balance of £11.9m (2012: £27.2m) which have been placed into liquidation. The impairment represents the difference between the carrying amount of the specific trade receivable and the amount it is anticipated will be recovered.

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

19. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash deposits with an original maturity of three months or less held by the Group and Company, net of overdrafts. The carrying amount of these assets approximates their fair value.

20. Share capital

	THE GROUP AND THE COMPANY	
	Issued and fully paid	
	No.	£m
Ordinary shares of 10p		
At 1 January 2012	243,816,533	24.4
Allotted under share option schemes	1,036,524	0.1
At 1 January 2013	244,853,057	24.5
Allotted under share option schemes	1,933,232	0.2
At 31 December 2013	246,786,289	24.7

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

21. Own shares

	THE GROUP AND THE COMPANY	
	2013 No.	2012 No.
At 1 January	5,313,791	6,305,367
Re-issued during the year	(1,854,630)	(991,576)
At 31 December	3,459,161	5,313,791
Allocated to grants of executive options	166,069	289,142
Not allocated to grants of executive options	3,293,092	5,024,649
	3,459,161	5,313,791

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

22. Reserves

Details of all movements in reserves for both the Group and Company are shown in their respective Statements of changes in equity. A description of the nature and purpose of each reserve is given below.

- The merger reserve represents the premium on equity instruments issued as consideration for the acquisition of BSS
- The revaluation reserve represents the revaluation surplus that arises from property revaluations in 1999 and prior years
- The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (net of tax) related to hedged transactions that have yet to occur
- The own shares reserve represents the cost of shares purchased in the market and held by the Employee Share Ownership Trust to satisfy options under the Group's share option schemes
- The other reserve represents anticipated gross outflow on potential exercise of the put option held over the non-controlled 49% shareholding in Plumbation

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

23. Borrowings

A summary of the Group objectives, policies procedures and strategies with regard to financial instruments and capital management can be found in the Finance review within the Strategic Report on pages 27 to 30. At 31 December 2013 all borrowings were denominated in sterling except for the unsecured senior notes.

a. Summary

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Unsecured senior notes	128.7	261.1	128.7	261.1
Liability to pension scheme (note 28)	36.5	36.9	-	-
Bank loans (note 23c)*	240.0	264.4	240.0	315.0
Bank overdraft*	-	-	-	0.7
Finance leases (note 23d)	23.8	25.9	-	-
Loan notes (note 23e)	3.2	3.3	3.2	3.3
Finance charges netted off bank debt*	(4.8)	(0.3)	(4.8)	(0.3)
	427.4	591.3	367.1	579.8
Current liabilities	5.8	396.1	3.2	444.9
Non-current liabilities	421.6	195.2	363.9	134.9
	427.4	591.3	367.1	579.8

*These balances together total the amounts shown as bank loans in note 23b.

23. Borrowings continued

b. Analysis of borrowings

	THE GROUP			
	Bank loans and overdrafts		Other borrowings	
	2013 £m	2012 £m	2013 £m	2012 £m
Borrowings repayable				
On demand or within one year	-	264.1	5.8	132.0
More than one year, but not more than two years	50.0	-	4.7	2.7
More than two years, but not more than five years	185.2	-	135.9	144.9
More than five years	-	-	45.8	47.6
	235.2	264.1	192.2	327.2

	THE COMPANY			
	Bank loans and overdrafts		Other borrowings	
	2013 £m	2012 £m	2013 £m	2012 £m
Borrowings repayable				
On demand or within one year	-	315.4	3.2	129.5
More than one year, but not more than two years	50.0	-	-	-
More than two years, but not more than five years	185.2	-	128.7	134.9
	235.2	315.4	131.9	264.4

c. Facilities

At 31 December 2013, the following bank facilities were available:

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
	Drawn facilities			
5 year committed revolving credit facility	190.0	264.4	190.0	315.0
15 month committed facility	50.0	-	50.0	-
Unsecured senior notes	128.7	261.1	128.7	261.1
Bank overdrafts	-	-	-	0.7
	368.7	525.5	368.7	576.8
Undrawn facilities				
5 year committed revolving credit facility	360.0	475.0	360.0	475.0
Bank overdrafts	40.0	40.0	40.0	39.3
	400.0	515.0	400.0	514.3

The 5 year revolving credit facility and 5 year term loan both matured on 4 April 2013. On 14 December 2011, the Group signed a new £550m forward start banking agreement with a syndicate of banks, which commenced on 4 April 2013 and runs until December 2016. \$200m of the unsecured loan notes were repaid on 28 January 2013 with the remaining \$200m falling due on 26 January 2016. On the 23 December 2013, the Company entered into a £50m bilateral facility with a syndicate bank, which matures in March 2015.

The disclosures in note 23c do not include finance leases, loan notes, liability to pension scheme, 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	
	2013 £m	2012 £m	2013 £m	2012 £m
Amounts payable under finance leases:				
Within one year	3.6	3.8	2.6	2.5
In the second to fifth years inclusive	14.9	16.5	11.8	12.7
After five years	16.9	19.0	9.4	10.7
	35.4	39.3	23.8	25.9
Less: future finance charges	(11.6)	(13.4)	-	-
Present value of lease obligations	23.8	25.9	23.8	25.9
Less: Amount due for settlement within one year (shown under current liabilities)			(2.6)	(2.5)
Amount due for settlement after one year			21.2	23.4

23. Borrowings continued

Excluding 999-year leases, the average loan term for these properties is 49 years and the average borrowing rate has been determined at the inception of the lease to be 9.0%. Interest rates are fixed at the contract date. All lease obligations, which are denominated in Sterling, are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

e. Loan notes

Included in borrowings due within one year is £3.2m (2012: £3.3m) of loan notes issued as consideration for the acquisition of Broomby's Limited in 1999. They are redeemable at the option of the holder on 30 June and 31 December each year until the final redemption date of 30 June 2015.

f. Interest

The weighted average interest rates paid were as follows:

	2013 %	2012 %
Unsecured senior notes	5.8	5.8
Bank loans and overdraft	2.6	2.2
Other borrowings	6.0	6.0

Bank revolving credit facilities outstanding at the year end of £550m (2012: £739m) and bank loans of £50m (2012: £50m) were arranged at variable interest rates. The \$200m unsecured Travis Perkins senior notes were issued at fixed rates of interest and \$90m is swapped into variable rates. This exposes the Group to fair value interest rate risk. As detailed in note 24, to manage the risk the Group enters into interest rate derivatives arrangements, which for 2013, fixed interest rates on an average of £110m of borrowing. For the year to 31 December 2013, this had the effect of increasing 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. All assets and liabilities except for loan notes reprice within six months.

	THE GROUP			
	2013		2012	
	Effective interest rate	£m	Effective interest rate	£m
Unsecured senior notes	5.9%	128.7	5.8%	261.1
Unsecured variable rate bank facilities	2.0%	240.0	2.3%	264.4
Loan notes	6.0%	3.2	6.0%	3.3
		371.9		528.8

	THE COMPANY			
	2013		2012	
	Effective interest rate	£m	Effective interest rate	£m
Unsecured senior notes	5.9%	128.7	5.8%	261.1
Unsecured variable rate bank facilities	2.0%	240.0	2.3%	315.0
Loan notes	6.0%	3.2	6.0%	3.3
Bank overdraft	-	-	2.3%	0.7
		371.9		580.1

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

g. Fair values

For both the Group and the Company the fair values of financial assets and liabilities have been calculated by discounting expected cash flows at prevailing rates at 31 December. There were no significant differences between book and fair values on this basis and therefore no further information is disclosed.

Details of the fair values of derivatives are given in note 24.

h. Guarantees and security

There are cross guarantees on the overdrafts between group companies.

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

- £50m term loan
- £550m revolving credit facility
- \$200m unsecured senior notes
- Interest rate and currency derivatives, (note 24).

The Group companies have entered into other guarantee and counter-indemnity arrangements in respect of guarantees issued in favour of Group companies by the clearing banks amounting to approximately £20m (2012: £16m).

24. Financial instruments

a. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

b. The carrying value of categories of financial instruments

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Financial assets				
Derivative instruments in designated hedge accounting relationships	9.3	25.5	9.3	25.5
Loans and receivables (including cash and cash equivalents)	821.1	804.7	133.1	180.7
Available-for-sale	2.7	2.4	-	-
	833.1	832.6	142.4	206.2
Financial liabilities				
Designated as fair value through profit and loss (FVTPL)	42.1	49.6	42.1	49.6
Derivative instruments in designated hedge accounting relationships	4.8	4.9	4.8	4.9
Borrowings (note 23a)	427.4	591.3	367.1	579.8
Trade and other payables at amortised cost (note 27)	962.7	888.7	20.7	18.9
	1,437.0	1,534.5	434.7	653.2

Loans and receivables exclude prepayments of £81.6m (2012: £68.1m). Trade and other payables exclude taxation and social security and accruals and deferred income totalling £216.7m (2012: £218.9m). Deferred consideration payable totalling £38.7m included in trade and other payables is included in financial liabilities designated as fair value through profit and loss. 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. The Group has considered the impact of credit risk on its financial instruments and because the counterparties are banks with a high credit rating considers its impact to be immaterial.

c. Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There were no transfers between levels during the year.

Included in assets

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Level 2				
Cross currency interest rate swaps designated and effective as hedging instruments carried at fair value	9.3	25.5	9.3	25.5
Current assets	-	12.7	-	12.7
Non-current assets	9.3	12.8	9.3	12.8
	9.3	25.5	9.3	25.5

24. Financial instruments continued

Included in liabilities

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Level 2				
Foreign currency forward contracts at fair value through profit and loss	1.5	0.7	1.5	0.7
Foreign currency forward contracts designated and effective as hedging instruments carried at fair value	4.5	3.7	4.5	3.7
Interest rate swaps at fair value through profit and loss	-	1.9	-	1.9
Interest rate swaps designated and effective as cash hedging instruments	0.3	1.2	0.3	1.2
Level 3				
Deferred consideration at fair value through profit and loss	40.6	47.0	40.6	47.0
	46.9	54.5	46.9	54.5
Current liabilities	40.5	2.6	40.5	2.6
Non-current liabilities	6.4	51.9	6.4	51.9
	46.9	54.5	46.9	54.5

d. Interest risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

Interest rate swap contracts

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on either a fixed rate basis or is subject to movements within pre-defined limits. To achieve its desired interest rate profile the Group uses interest rate swap contracts.

Contracts with notional values of £50m are designated as cash flow hedges with fixed interest payments at an average rate of 1.71% for periods up until May 2014 and have floating interest receipts equal to 1 month LIBOR. During the period the cash flow hedges were 100% effective in hedging the exposure to interest rate movements.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

At 31 December 2013 the fair value of interest rate derivatives, all of which terminate before one year from the balance sheet date, to which the Group and the Company were parties was estimated at £(0.3)m (2012: £(3.1)m). This amount is based on market values of equivalent instruments at the balance sheet date. Interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. A credit of £1.9m (2012: £1.3m) in respect of the fair value movement on interest rate swaps with a call option has been taken to the income statement through net finance charges, as the Group has not applied hedge accounting. The non-amortising interest rate swap with a call option matured on 3 October 2013.

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

Cash flow hedges – outstanding receive floating pay fixed contracts

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2013 %	2012 %	2013 £m	2012 £m	2013 £m	2012 £m
Under 1 year	1.71	-	50.0	-	(0.3)	-
1 to 2 years	-	1.71	-	125.0	-	(1.2)
			50.0	125.0	(0.3)	(1.2)

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is 1 month LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis. All current interest rate swap contracts, which exchange floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest rate payments on the loan occur simultaneously and the amount deferred in equity is recognised in the income statement over the period that the floating rate interest payments on debt affect profit or loss.

24. Financial instruments continued

e. Cross currency swaps and currency forward contracts

In order to eliminate the currency risk associated with the \$200m unsecured senior notes the Group and Company has two cross currency swaps of £23m and £29m to fix the exchange rate at £1 equal to \$1.73 for the entire lives of \$90m of the unsecured loan notes.

The forward options fixed the notional amount receivable and payable in respect of the unsecured senior notes to £52m as well as fixing the exchange rate applicable to future coupon payments. The two currency swaps convert the borrowing rates on US\$50m and US\$40m of debt from 5.89% to a variable rate based on six month LIBOR plus basis point increment of 86.5 and 86.7 respectively. The currency swaps settle on a half-yearly basis. The Group will settle the difference between the fixed and floating interest on a gross basis.

Currency swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates. During the period, the hedge was 100% effective in hedging the fair value exposure to interest movements and as a result, the carrying amount of the loan was adjusted by £3.5m (2012: £14.4m), which was included in the income statement at the same time that the fair value of the interest rate swap was also included in the income statement.

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

Fair value hedges – outstanding receive fixed pay floating contracts

	Average contract floating interest rate		Notional principal amount		Fair value	
	2013 %	2012 %	2013 £m	2012 £m	2013 £m	2012 £m
Less than 1 year	-	1.9%	-	115.6	-	12.7
2 to 5 years	1.4%	1.9%	52.0	52.0	9.3	12.8
			52.0	167.6	9.3	25.5

The Group and the Company have three currency forward contracts with a notional value of \$30m each and one with a notional value of £20m to hedge \$110m of unsecured senior notes. These contracts have a maturity date of January 2016. At 31 December 2013 the fair value of these forward contracts was estimated at £(4.5) m (2012: £(3.7) m). These contracts are designated cash flow hedges.

The Group acquires goods for sale from overseas, which when not denominated in sterling are paid for principally in US dollars. The Group has entered into forward foreign exchange contracts (all of which are less than one year in duration) to buy US dollars to hedge the exchange risk arising from these anticipated future purchases. At the balance sheet date the total notional value of contracts to which the Group was committed was US\$83.0m (2012: US\$120.3m). The fair value of these derivatives is £(1.5)m (2012: £(0.7) m). These contracts are not designated cash flow hedges and accordingly the fair value movement has been reflected in the income statement.

During 2010 the Group and Company novated one cross currency interest rate swap with a notional value of \$110m and a sterling equivalent of £63m for total proceeds of £13.7m in the Group and £16.3m in the Company. The proceeds are being amortised to the income statement over the remaining life of the unsecured senior notes with the total credit to income statement being £1.0m (2012: £1.0m).

f. Liquidity analysis

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

	2013				
	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
Gross settled					
Interest rate swaps – receipts	1.8	3.2	55.9	-	60.9
Interest rate swaps – payments	(0.4)	(0.8)	(52.4)	-	(53.6)
	1.4	2.4	3.5	-	7.3
Foreign exchange forward contracts	(51.8)	-	-	-	(51.8)
Total gross settled	(50.4)	2.4	3.5	-	(44.5)
Net settled					
Interest rate swaps	(0.2)	-	-	-	(0.2)
Total derivative financial instruments	(50.6)	2.4	3.5	-	(44.7)
Borrowings	(10.3)	(57.1)	(313.9)	(36.5)	(417.8)
Deferred consideration	(38.7)	-	(2.4)	-	(41.1)
Other financial liabilities (note 27)	(962.7)	-	-	-	(962.7)
Finance leases (note 23d)	(3.6)	(6.4)	(8.5)	(16.9)	(35.4)
Total financial instruments	(1,065.9)	(61.1)	(321.3)	(53.4)	(1,501.7)

24. Financial instruments continued

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

g. Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1.0% increase or decrease is used when reporting interest rate risk internally to key management personnel. If interest rates had been 1.0% higher / lower and all other variables were held constant, the Group's:

- Profit before taxation for the year ended 31 December 2013 would have decreased / increased by £2.5m (2012: increased / decreased by £1.7m) including £nil (2012: £0.3m) of movement on interest rate swaps with options
- Net equity would have decreased / increased by £0.1m (2012: increased / decreased by £0.6m) mainly because of the changes in the fair value of interest rate derivatives

25. Provisions

	THE GROUP			Total £m
	Property £m	Insurance £m	Other £m	
At 31 December 2012	50.7	35.5	2.9	89.1
Additional provision charged to income statement	3.1	0.4	-	3.5
Exceptional provision released in the year	(6.0)	-	-	(6.0)
Utilisation of provision	(7.7)	(4.4)	(0.2)	(12.3)
Unwinding of discount	2.5	-	-	2.5
At 31 December 2012	42.6	31.5	2.7	76.8
Additional provision (released) / charged to income statement	(0.4)	2.6	-	2.2
Utilisation of provision	(7.1)	(4.2)	(0.2)	(11.5)
Unwinding of discount	1.4	-	-	1.4
At 31 December 2013	36.5	29.9	2.5	68.9
Included in current liabilities	15.8	29.9	2.5	48.2
Included in non-current liabilities	20.7	-	-	20.7
	36.5	29.9	2.5	68.9

The Group has a number of vacant and partly sub-let leasehold properties. Where necessary provision has been made for the residual lease commitments after taking into account existing and anticipated sub-tenant arrangements.

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

It is Group policy to substantially self insure itself against claims arising in respect of damage to assets, or due to employers or public liability claims. The nature of insurance claims means they may take some time to be settled. The insurance claims provision represents management's best estimate, based upon external advice of the value of outstanding insurance claims where the final settlement date is uncertain.

25. Provisions continued

The following table details the Group's liquidity analysis of its provisions. The table has been drawn up based on the undiscounted net cash outflows.

	0-1 year £m	1-2 years £m	2-5 years £m	5+ years £m	Total £m
2013					
Property	16.5	2.9	8.1	25.9	53.4
Insurance	29.9	-	-	-	29.9
Other	2.5	-	-	-	2.5
	48.9	2.9	8.1	25.9	85.8
2012					
Property	22.3	4.7	9.4	14.5	50.9
Insurance	31.5	-	-	-	31.5
Other	2.7	-	-	-	2.7
	56.5	4.7	9.4	14.5	85.1

The Company has no provisions.

26. Deferred tax

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

(Asset) / liability	THE GROUP			
	At 1 Jan 2013 (Restated) £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2013 £m
	Capital allowances	5.7	(2.7)	-
Trading losses	(4.5)	2.7	-	(1.8)
Revaluation on property	10.2	-	(1.3)	8.9
Share-based payments	(13.3)	1.0	(5.3)	(17.6)
Provisions	(10.2)	1.5	-	(8.7)
Derivatives	(0.3)	-	0.3	-
Business combinations	12.2	(2.5)	-	9.7
Brand	98.2	(16.4)	-	81.8
Pension scheme liability	(28.9)	(3.6)	18.5	(14.0)
Deferred tax	69.1	(20.0)	12.2	61.3

(Asset) / liability	THE GROUP				
	At 1 Jan 2012 (Restated) £m	Acquired in year	Recognised in income (Restated) £m	Recognised in equity (Restated) £m	At 31 Dec 2012 (Restated) £m
	Capital allowances	6.2	(0.3)	(0.2)	-
Trading losses	-	(6.6)	2.1	-	(4.5)
Revaluation	11.1	-	-	(0.9)	10.2
Share-based payments	(8.1)	-	(2.3)	(2.9)	(13.3)
Provisions	(11.4)	-	1.2	-	(10.2)
Derivatives	(1.2)	-	-	0.9	(0.3)
Business combinations	14.4	-	(2.2)	-	12.2
Brand	97.8	13.3	(12.9)	-	98.2
Pension scheme liability	(31.0)	-	0.1	2.0	(28.9)
Deferred tax	77.8	6.4	(14.2)	(0.9)	69.1

At the balance sheet date the Group had unused capital losses of £47.4m (2012: £47.4m) available for offset against future capital profits. No deferred tax asset has been recognised because it is improbable that future taxable profits will be available against which the Group can utilise the losses.

Other than disclosed above, no deferred tax assets and liabilities have been offset.

26. Deferred tax continued

	THE COMPANY			
	At 1 Jan 2013 £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2013 £m
Share-based payments	(13.4)	1.0	(5.3)	(17.7)
Derivatives	(0.3)	-	0.3	-
Other timing differences	(0.5)	-	-	(0.5)
	(14.2)	1.0	(5.0)	(18.2)

	THE COMPANY			
	At 1 Jan 2012 £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2012 £m
Share-based payments	(8.1)	(2.3)	(3.0)	(13.4)
Derivatives	(1.2)	-	0.9	(0.3)
Other timing differences	(0.6)	0.1	-	(0.5)
	(9.9)	(2.2)	(2.1)	(14.2)

27. Other financial liabilities

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Trade payables	781.2	737.9	-	-
Other taxation and social security	78.7	76.0	-	-
Deferred consideration payable	38.7	-	38.7	-
Other payables	181.5	150.8	20.7	18.9
Accruals and deferred income	138.0	142.9	-	-
Trade and other payables	1,218.1	1,107.6	59.4	18.9

The Group

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. 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.

Deferred consideration payable of £1.9m (2012: £47.0m) is included in long-term other payables.

The Company

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Deferred consideration payable of £1.9m (2012: £47.0m) is included in long-term other payables.

28. Pension arrangements

Restatements

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit schemes, by replacing the combined interest cost on liabilities and expected return on plan assets with a net interest charge on the net defined benefit liability. Prior year comparatives have been restated as set out in note 5e.

Following recent guidance from the FRRP regarding the treatment of a schedule of contributions in relation to a minimum funding requirement under IFRIC 14, the Group has reconsidered the appropriate accounting treatment for its pension funding obligations.

The Group is party to deficit repair schedules in respect of both the Travis Perkins Pension and Dependants Benefit Scheme ('the TP scheme') and the BSS Pension Benefit Scheme ('BSS scheme'). Under the terms of the agreement with the Trustees of the TP scheme dated 16 June 2010 and amended in December 2012 and August 2013, the Group is committed to a series of annual payments to make good a historic shortfall as assessed on an actuarial basis.

The restated Group balance sheets at 1 January 2012 and 31 December 2012 reflect the present value of payments due under the schedule as at those dates. The agreement provides for the suspension of the payment in the event that the scheme is 100% funded on an actuarial basis, and the funding position is monitored on a quarterly basis. At 31 December 2012 the scheme was 91% funded on an actuarial basis but had reached 99% funded at 31 December 2013.

28. Pension arrangements continued

The liability reported as at 31 December 2013 of £5.6m is the net present value of payments due as at that date, which are required before the scheme becomes fully funded and payments are suspended. The liabilities reported as at 31 December 2012 and 1 January 2012 do not assume suspension on the basis that the actuarial shortfall at those dates exceeded the total payments due under the schedules.

During the year, the Group agreed a revised schedule of deficit repair contributions with the Trustees of the BSS scheme. The net present value of the payments due under this arrangement exceed the IAS19 liability by £25.0m as at 31 December 2013 and an additional liability for this amount has been recorded.

Full details of both restatements is provided in note 5e.

Defined benefit schemes

The Group operates three final salary schemes being the TP scheme, the BSS scheme and the BSS Ireland defined benefit scheme. All defined benefit schemes are closed to new members. The TP scheme is for the majority of members a 1/60th scheme. Employees are entitled to start drawing a pension, based on their membership of the scheme, on their normal retirement date. If employees choose to retire early and draw their pension, then the amount they receive is scaled down accordingly.

The TP scheme is funded by contributions from Group companies and employees. Contributions are paid to the Trustees on the basis of advice from an independent professionally qualified actuary who carries out a valuation of the scheme every three years.

A full actuarial valuation of the TP scheme was carried out on 30 September 2011. The IAS 19 valuation has been based upon the results of the 30 September 2011 valuation, and then updated to 31 December 2013 by a qualified actuary. The present values of the defined obligations, the related current service costs and the past service costs for the scheme were measured using the projected unit method.

Following the acquisition of The BSS Group plc the Group, operated three additional defined benefit pension schemes ('the BSS schemes') based on final pensionable salary. On 6 April 2012 the defined benefit section of the Tricom Retirement and Death Benefits scheme was transferred to the TP scheme. The BSS Ireland scheme is immaterial.

The assets of the BSS schemes are held separately from those of the Group in funds under the control of the schemes' trustees. The most recent actuarial valuations of the BSS schemes' assets and the present value of the defined benefit obligations were carried out at 1 June 2012 for the UK and the Irish schemes. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the projected unit method with a control period equal to the future working lifetime of the active members.

In June 2010, an agreement was reached with the trustees of the TP scheme to fund £34.7m of the deficit using a group controlled special purpose vehicle. The pension scheme will be entitled to receive the income of the SPV for a period of up to 20 years, subject to funding levels. This income is backed by the security of 16 Travis Perkins freehold properties.

As the SPV is consolidated into the Travis Perkins plc group accounts advantage has been taken of Regulation 7 of The Partnership (Accounts) Regulations 2008 and accounts for the SPV will neither be audited or filed.

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

	At 31 December 2013	At 31 December 2012
Rate of increase in pensionable salaries	2.65%	2.25%
Rate of increase of pensions in payment	2.50%	2.5%
Discount rate	4.70%	4.6%
Inflation assumption	3.40%	3.0%

In respect of longevity, the valuation adopts the SN1A year of birth tables with improvements in life expectancy to continue in the medium term, with base year appropriate to the member's date of birth. This results in the following life expectancies at illustrative ages:

Weighted average life expectancy for mortality tables used to determine pension liability at 31 December 2013:

	Male Years	Female Years
Member age 65 (current life expectancy) - TP Scheme	22.1	24.2
Member age 45 (life expectancy on reaching age 65) - TP Scheme	23.9	26.2
Member age 65 (current life expectancy) - BSS Schemes	22.4	25.2
Member age 45 (life expectancy on reaching age 65) - BSS Schemes	24.4	27.1

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

	TP Scheme £m	BSS Schemes £m	2013 Group £m	2012 Group (Restated) £m
Current and past service costs charged				
to operating profit in the income statement	(7.7)	(2.6)	(10.3)	(10.0)
Administration expenses	(0.8)	-	(0.8)	(0.9)
Net interest income / (expense)	0.4	(2.5)	(2.1)	(2.1)
Total pension charge	(8.1)	(5.1)	(13.2)	(13.0)

The total charge to the profit and loss account disclosed in note 7 of £22.1m (2012: £17.2m) comprises defined benefit scheme current and past service costs of £10.3m (2012: £10.0m) and £11.8m (2012: £7.2m) of contributions made to the defined contribution schemes.

The Directors have agreed with the Schemes' Actuaries and the Trustees to pay total contributions, including the amounts in excess of ongoing contributions required to repay the deficit, of £23m to the TP scheme and £13m to the BSS schemes in 2014.

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

In 2014, the excess of funding over the on-going service contributions will be £25m in total for the Group.

28. Pension arrangements continued

c. The amount included in the balance sheet arising from the Group's obligations in respect of all of its defined benefit schemes and the movements during the year

	2013			2012 (Restated)		
	TP Scheme £m	BSS Schemes £m	Group £m	TP Scheme £m	BSS Schemes £m	Group £m
Fair value of plan assets	821.1	206.1	1,027.2	738.0	171.8	909.8
Present value of defined benefit obligations	(780.0)	(246.9)	(1,026.9)	(736.4)	(230.9)	(967.3)
Actuarial surplus / (deficit)	41.1	(40.8)	0.3	1.6	(59.1)	(57.5)
Restriction an asset recognised	(41.1)	-	(41.1)	(1.6)	-	(1.6)
Additional liability recognised for minimum funding requirements	(5.6)	(25.0)	(30.6)	(66.8)	-	(66.8)
Total pension liability	(5.6)	(65.8)	(71.4)	(66.8)	(59.1)	(125.9)
Deferred tax asset			14.0			28.9
Net liability at 31 December			(57.4)			(97.0)

	2013			2012 (Restated)		
	TP Scheme £m	BSS Schemes £m	Group £m	TP Scheme £m	BSS Schemes £m	Group £m
At 1 January actuarial asset / (deficit)	1.6	(59.1)	(57.5)	19.3	(65.0)	(45.7)
Additional liability recognised for minimum funding requirements	(68.4)	-	(68.4)	(78.0)	-	(78.0)
Service costs charged to the income statement	(7.7)	(2.6)	(10.3)	(58.7)	(65.0)	(123.7)
Administration expenses	(0.8)	-	(0.8)	(7.2)	(2.8)	(10.0)
Net interest income / (expense)	0.4	(2.5)	(2.1)	(0.9)	-	(0.9)
Transfer of liability	-	-	-	1.2	(3.3)	(2.1)
Contributions from sponsoring companies	-	-	-	(1.4)	1.4	-
Return on plan assets (excluding amounts included in net interest)	22.7	11.0	33.7	26.9	6.0	32.9
Return on plan assets (excluding amounts included in net interest)	46.3	21.7	68.0	32.2	10.5	42.7
Actuarial losses arising from changes in financial assumptions	(21.4)	(9.3)	(30.7)	(47.0)	(5.9)	(52.9)
Actuarial losses arising from experience adjustments	-	-	-	(21.5)	-	(21.5)
Reduction / (increase) in minimum funding requirement liability	21.7	(25.0)	(3.3)	9.6	-	9.6
At 31 December actuarial deficit	(5.6)	(65.8)	(71.4)	(66.8)	(59.1)	(125.9)

d. Major categories and fair value of plan assets

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

	At 31 December 2013		At 31 December 2012	
	TP Scheme £m	BSS Schemes £m	TP Scheme £m	BSS Schemes £m
Level 1				
Domestic equities	200.8	13.1	165.6	61.3
Overseas equities	235.7	114.8	193.9	92.4
Fixed interest government bonds	32.0	-	41.9	-
Index linked government bonds	38.5	-	38.3	-
Corporate bonds	108.0	15.3	106.0	15.8
Diversified growth fund	120.2	61.4	79.9	-
Liability driven investment	7.1	-	-	-
Level 3				
Property	32.3	-	59.8	2.3
SPV asset	36.1	-	42.0	-
Cash and other	10.4	1.5	10.6	-
	821.1	206.1	738.0	171.8

28. Pension arrangements continued

Actual return on scheme assets

	2013		2012	
	£m		£m	
TP Scheme	80.3	9.8%	64.7	8.8%
BSS Schemes	29.7	14.4%	17.4	10.1%

e. Movements in the fair value of scheme assets in the current period

	2013			2012 (Restated)		
	TP Scheme £m	BSS Schemes £m	Group £m	TP Scheme £m	BSS Schemes £m	Group £m
At 1 January	738.0	171.8	909.8	652.2	166.4	818.6
Interest on scheme assets	34.0	8.0	42.0	32.5	6.9	39.4
Return on scheme assets not included above	46.3	21.7	68.0	32.2	10.5	42.7
Administration expenses	(0.8)	-	(0.8)	(0.9)	-	(0.9)
Transfer of assets	-	-	-	12.5	(12.5)	-
Contributions from sponsoring companies	22.7	11.0	33.7	26.9	6.0	32.9
Contributions from members	5.0	0.1	5.1	5.0	0.1	5.1
Foreign exchange	-	-	-	-	(0.1)	(0.1)
Benefits paid	(24.1)	(6.5)	(30.6)	(22.4)	(5.5)	(27.9)
At 31 December	821.1	206.1	1,027.2	738.0	171.8	909.8

f. Movements in the present value of defined benefit obligations in the current period

	2013			2012 (Restated)		
	TP Scheme £m	BSS Schemes £m	Group £m	TP Scheme £m	BSS Schemes £m	Group £m
At 1 January	(736.4)	(230.9)	(967.3)	(632.9)	(231.4)	(864.3)
Service cost	(7.7)	(2.6)	(10.3)	(7.2)	(2.8)	(10.0)
Interest cost	(33.6)	(10.5)	(44.1)	(31.3)	(10.2)	(41.5)
Transfer of liability	-	-	-	(13.9)	13.9	-
Contributions from members	(5.0)	(0.1)	(5.1)	(5.0)	(0.1)	(5.1)
Actuarial losses	(21.4)	(9.3)	(30.7)	(68.5)	(5.9)	(74.4)
Foreign exchange	-	-	-	-	0.1	0.1
Benefits paid	24.1	6.5	30.6	22.4	5.5	27.9
At 31 December	(780.0)	(246.9)	(1,026.9)	(736.4)	(230.9)	(967.3)

g. Amounts recognised in the statement of other comprehensive income are as follows

	2013			2012 (Restated)		
	TP Scheme £m	BSS Schemes £m	Group £m	TP Scheme £m	BSS Schemes £m	Group £m
Return on plan assets (excluding amounts included in net interest)	46.3	21.7	68.0	32.2	10.5	42.7
Actuarial losses arising from changes in financial assumptions	(21.4)	(9.3)	(30.7)	(47.0)	(5.9)	(52.9)
Actuarial losses arising from experience adjustments	-	-	-	(21.5)	-	(21.5)
Movements on restrictions in asset recognised	(39.5)	-	(39.5)	17.7	-	17.7
Reduction / (increase) in minimum funding requirement liability	61.2	(25.0)	36.2	(8.1)	-	(8.1)
Re-measurement of net defined pension liability	46.6	(12.6)	34.0	(26.7)	4.6	(22.1)

28. Pension arrangements continued

h. Sensitivities

The estimated effects of changing the key assumptions (discount rate, inflation and life expectancy) on the IAS19 (revised 2011) balance sheet position as at 31 December 2013.

Assumption		TP Scheme £m	BSS Schemes £m
Discount rate	Increase of 0.1%	15.7	4.5
	Decrease of 0.1%	(16.3)	(4.7)
Inflation	Increase of 0.1%	(8.5)	(4.1)
	Decrease of 0.1%	10.1	3.9
Longevity	Increase of 1 year	(17.6)	(7.0)
	Decrease of 1 year	17.8	7.0

Defined contribution schemes

The Group operates five defined contribution schemes for all qualifying employees. The pension cost, which represents contributions payable by the Group, amounted to £12.0m (2012: £7.2m).

29. Acquisition of businesses

On the 30 January 2013 the Group acquired 88.2% of the issued share capital of Solfex Energy Systems Limited ('Solfex'). Solfex is a specialist distributor of renewables technology. The Group acquired the remaining 11.8% on 31 July 2013.

On the 24 July 2013 the Group acquired 51.0% of the issued share capital of Plumbnation Limited ('Plumbnation'). Plumbnation is an online heating products distribution business. The Group has options to acquire the remaining 49.0% during the period until October 2016 and consequently a financial liability of the expected value of the put option of £1.8m has been recognised. The call option currently has no fair value. Plumbnation will prepare its financial statements to a 30 June year end.

The Group paid £0.3m for further immaterial acquisitions during the year and made fair value adjustments on prior year acquisitions resulting in further additions to goodwill of £0.7m.

All acquisitions were accounted for using the purchase method of accounting. Provisional fair values ascribed to identifiable assets as at the date of acquisition are shown in the table below:

	Fair value acquired
Property, plant and equipment	0.4
Identifiable intangible assets	2.9
Inventories	1.8
Trade and other receivables	1.6
Cash at bank	4.0
Trade and other payables	(2.7)
	8.0
Goodwill – addition during the period	6.4
	14.4
Satisfied by:	
Cash paid	13.3
Contingent consideration	1.1
	14.4

Contingent consideration payable in 2014 and 2015 is calculated by reference to a multiple of EBITDA which is dependent upon future performance and expansion of the Solfex business over the period to December 2015. After taking into account the requirements of the purchase and sale agreement the total cash payment is expected to be £1.3m.

International Financial Reporting Standard (IFRS) 3 (2008) requires the consideration transferred in a business combination to be measured at fair value and therefore the future cash consideration has been discounted by £0.2m. If the actual consideration paid in the earn out years differs from the current estimate of £1.1m, then IFRS 3 (2008) will require the difference to pass through the income statement. Given any such difference will not relate to trading, we anticipate it will be shown as an exceptional item.

In addition, it is currently expected that, dependent on future profits, a further £2.1m will be paid to the previous majority shareholders of the businesses who are still employed by the Group. As required by IFRS 3 (2008), this will be treated as remuneration and charged to the income statement as it is earned.

Total revenue and operating profit for the businesses acquired for the period from acquisition, total £19.8m and £0.8m respectively. If the acquisitions had been completed on the first day of the financial year, group revenues would have been £5,159.0m and the Group's operating profit before amortisation would have been £347.9m.

Goodwill recognised consists of the benefits from forecast growth and the assembled workforce. None of the goodwill recognised is expected to be deductible for income tax purposes. Acquisition costs charged in administration expenses in the period to 31 December 2013 amounted to £0.4m. The fair value of the acquired receivables is £1.6m and all acquired receivables are expected to be collected in full.

30. Operating lease arrangements

The Group leases a number of trading properties under operating leases. The leases, at inception, are typically 25 years in duration, although some have lessee only break clauses of between 10 and 15 years. Lease payments are reviewed every five years and increases applied in line with market rates. The Group also leases certain items of plant and equipment. The Company has no operating lease arrangements.

a. The Group as lessee

	2013 £m	2012 £m
Minimum lease payments under operating leases recognised in income for the year	195.6	189.0

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2013 £m	2012 £m
Within one year	172.0	181.0
In the second to fifth years inclusive	600.7	619.2
After five years	1,042.5	1,085.2
	1,815.2	1,885.4

b. The Group as lessor

The Group sublets a number of ex-trading properties to third parties. Property rental income earned during the year in respect of these properties was £4.5m (2012: £4.2m).

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

	2013 £m	2012 £m
Within one year	5.1	4.1
In the second to fifth years inclusive	18.1	14.2
After five years	23.7	21.1
	46.9	39.4

31. Capital commitments

	THE GROUP		THE COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Contracted for but not provided in the accounts	34.0	12.2	-	-

32. Related party transactions

The Group has a related party relationship with its subsidiaries, its Directors and with its pension schemes (note 28). Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed below. In addition the remuneration, and the details of interests in the share capital of the Company, of the Directors, are provided in the audited part of the remuneration report on pages 77 to 82.

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.

	2013 £m	2012 £m
Short term employee benefits	9.2	7.9
Share-based payments	3.4	4.4
	12.6	12.3

The Company undertakes the following transactions with its active subsidiaries:

- Providing day-to-day funding from its UK banking facilities
- Paying interest to members of the Group totalling £22.4m (2012: £15.6m)
- Levying an annual management charge to cover services provided to members of the Group of £8.0m (2012: £7.9m)
- Receiving annual dividends totalling £121.0m (2012: £74.2m)

Details of balances outstanding with subsidiary companies are shown in note 18 and in the Balance Sheet on page 95.

Other than the payment of remuneration there have been no related party transactions with directors.

The Group advanced a total of £2.9m (2012: £2.9m) to all the Group's associate companies in 2013. Operating transactions with the associates during the year were not significant.

33. Analysis of changes in net debt

	THE GROUP					Total £m
	Cash and cash equivalents £m	Finance leases £m	Term loan and revolving credit facility and loan notes £m	Unsecured senior US\$ loan notes £m	Liability to pension scheme £m	
At 1 January 2012	(78.6)	20.3	325.0	279.3	37.2	583.2
Cash flow	(60.5)	5.7	(58.8)	-	(2.8)	(116.4)
Exchange movement	-	-	-	(2.7)	-	(2.7)
Fair value movement	-	-	-	(14.4)	-	(14.4)
Finance charges amortised	-	-	1.2	-	-	1.2
Amortisation of swap cancellation receipt	-	-	-	(1.1)	-	(1.1)
Lease surrendered	-	(0.1)	-	-	-	(0.1)
Discount unwind on liability to pension scheme	-	-	-	-	2.5	2.5
At 1 January 2013	(139.1)	25.9	267.4	261.1	36.9	452.2
Cash flow	59.3	(2.1)	(24.5)	(115.6)	(2.9)	(85.8)
Exchange movement	-	-	-	(1.7)	-	(1.7)
Fair value movement	-	-	-	(14.1)	-	(14.1)
Finance charges movement	-	-	(4.5)	-	-	(4.5)
Amortisation of swap cancellation receipt	-	-	-	(1.0)	-	(1.0)
Discount unwind on liability to pension scheme	-	-	-	-	2.5	2.5
31 December 2013	(79.8)	23.8	238.4	128.7	36.5	347.6

Balances at 31 December comprise:

	THE GROUP	
	2013 £m	2012 £m
Cash and cash equivalents	79.8	139.1
Non-current interest bearing loans and borrowings	(421.6)	(195.2)
Current interest bearing loans and borrowings	(5.8)	(396.1)
Net debt	(347.6)	(452.2)

34. Lease adjusted gearing

	THE GROUP	
	2013 £m	2012 (Restated) £m
Reported net debt	347.6	452.2
Property operating lease rentals x8	1,474.4	1,404.8
Lease adjusted net debt	1,822.0	1,857.0
Property operating lease rentals x8	1,474.4	1,404.8
Total equity	2,515.2	2,255.6
Lease adjusted equity	3,989.6	3,660.4
Gearing	45.7%	50.7%

35. Free cash flow

	THE GROUP	
	2013 £m	2012 £m
Net debt at 1 January	(452.2)	(583.2)
Net debt at 31 December	(347.6)	(452.2)
Decrease in net debt	104.6	131.0
Dividends paid	65.1	51.2
Net cash outflow for expansion capital expenditure	63.2	27.9
Net cash outflow for acquisitions	9.3	24.5
Amortisation of swap cancellation receipt	(1.0)	(1.1)
Discount unwind on liability to pension scheme	2.5	2.5
Cash impact of exceptional items	4.6	4.7
Interest in associate	2.9	2.9
Shares issued and sale of own shares	(13.9)	(8.9)
Decrease in fair value of debt and exchange	(15.8)	(17.1)
Movement in finance charges netted off bank debt	(4.5)	1.2
Special pension contributions	22.6	23.0
Free cash flow	239.6	241.8

36 Leverage ratios

Adjusted ratio of net debt to earnings before interest, tax and depreciation ('EBITDA') is derived as follows:

	THE GROUP	
	2013 £m	2012 (Restated) £m
Profit before tax	312.6	299.2
Net finance costs	26.5	39.9
Depreciation and amortisation	89.2	86.8
EBITDA	428.3	425.9
Exceptional operating items	-	8.7
Exceptional investment income	(9.4)	(39.5)
Adjusted EBITDA	418.9	395.1
IFRS adjustments required for covenant calculations	(2.6)	(2.6)
Adjusted EBITDA under covenant calculations	416.3	392.5
Net debt under covenant calculations	292.8	374.5
Adjusted net debt to EBITDA under covenant calculations	0.70x	0.95x

Adjusted ratio of net debt to earnings before interest, tax, depreciation and operating lease rentals ('EBITDAR') is derived as follows:

	THE GROUP	
	2013 £m	2012 (Restated) £m
Adjusted EBITDA	418.9	395.1
Property operating lease rentals	184.3	175.6
Adjusted EBITDAR	603.2	570.7
Reported net debt	347.6	452.2
Property operating lease rentals x8	1,474.4	1,404.8
Lease adjusted net debt	1,822.0	1,857.0
Lease adjusted net debt to adjusted EBITDAR	3.0x	3.3x

36 Leverage ratios continued

Fixed charge cover is derived as follows:

	THE GROUP	
	2013	2012 (Restated)
	£m	£m
Adjusted EBITDAR	603.2	570.7
Property operating lease rentals	184.3	175.6
Interest for fixed charge calculation (note 9)	23.4	28.5
	207.7	204.1
Fixed charge cover	2.9x	2.8x

37. Return on capital ratios

Group return on capital employed is calculated as follows:

	THE GROUP	
	2013	2012 (Restated)
	£m	£m
Operating profit	329.7	299.6
Amortisation of intangible assets	17.9	17.4
Exceptional items	-	8.7
Adjusted operating profit	347.6	325.7
Opening net assets	2,255.6	2,049.4
Net pension deficit	97.0	92.7
Goodwill written off	92.7	92.7
Net borrowings	452.2	583.2
Exchange adjustment	(19.5)	(36.6)
Opening capital employed	2,878.0	2,781.4
Closing net assets	2,515.2	2,255.6
Net pension deficit	57.4	97.0
Goodwill written off	92.7	92.7
Net borrowings	347.6	452.2
Exchange adjustment	(3.7)	(19.5)
Closing capital employed	3,009.2	2,878.0
Average capital employed	2,943.6	2,829.7
Adjusted pre-tax return on capital	11.8%	11.5%

Group lease adjusted return on capital employed is calculated as follows:

Adjusted operating profit	347.6	325.7
50% of property operating lease rentals	92.2	87.8
Lease adjusted operating profit	439.8	413.5
Average capital employed	2,943.8	2,829.7
Property operating lease rentals x8	1,474.4	1,404.8
Lease adjusted capital employed	4,418.2	4,234.5
Lease adjusted return on capital employed	10.0%	9.8%

Five year record

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Consolidated income statement

	2013 £m	2012 (Restated) £m	2011 £m	2010 £m	2009 £m
Revenue	5,148.7	4,844.9	4,779.1	3,152.8	2,930.9
Operating profit before amortisation and exceptional items	347.6	325.7	313.2	239.0	224.6
Amortisation	(17.9)	(17.4)	(12.9)	(0.2)	-
Exceptional items	-	(8.7)	(9.8)	(19.0)	32.7
Operating profit	329.7	299.6	290.5	219.8	257.3
Exceptional investment income	9.4	39.5	-	-	-
Net finance costs	(26.5)	(39.9)	(20.9)	(23.0)	(44.6)
Profit before tax	312.6	299.2	269.6	196.8	212.7
Income tax expense	(47.9)	(50.5)	(57.2)	(55.5)	(55.3)
Net profit	264.7	248.7	212.4	141.3	157.4
Adjusted return on capital	11.8%	11.5%	11.3%	12.2%	10.9%
Basic earnings per share	109.9p	104.3p	90.3p	69.6p	88.4p
Adjusted earnings per share	103.6p	90.6p	93.1p	77.2p	75.2p
Dividend declared per ordinary share (pence)	31.0p	25.0p	20.0p	15.0p	-
Number of branches at 31 December (Includes branches of associates)	1,939	1,896	1,868	1,813	1,238
Average number of employees	21,937	21,632	21,423	15,792	14,528

Consolidated cash flow statement

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Cash generated from operations	319.2	327.6	345.1	282.3	319.8
Net interest paid	(20.5)	(27.3)	(23.5)	(16.0)	(29.0)
Swap cancellation receipt / (payment)	-	-	-	13.7	(28.7)
Income taxes paid	(59.2)	(64.5)	(26.3)	(42.4)	(27.3)
Net purchases of investments, property and plant	(90.3)	(49.7)	(94.2)	(35.4)	(7.8)
Interest in associates	(2.9)	(2.9)	(2.3)	(12.5)	(12.9)
Disposal of businesses	-	-	26.9	-	-
Acquisition of businesses net of cash acquired	(9.3)	(24.5)	(9.9)	(294.9)	(1.0)
Proceeds from issuance of share capital	13.9	8.9	10.6	0.3	300.3
Dividends paid	(65.1)	(51.2)	(38.8)	(10.1)	-
Bank facility finance charges	-	-	(6.1)	-	-
Movement on finance lease liabilities	(2.1)	5.7	(1.6)	(1.3)	(1.5)
Repayment of unsecured loan notes	-	-	-	(0.6)	(0.1)
Liability to pension scheme	-	-	-	34.7	-
Decrease in bank loans	(143.0)	(61.6)	(152.2)	(214.1)	(160.0)
Net (decrease) / increase in cash and cash equivalents	(59.3)	60.5	27.7	(296.3)	351.8
Net debt at 1 January	(452.2)	(583.2)	(773.6)	(467.2)	(1,017.4)
Non cash adjustment	18.8	14.6	8.9	(3.1)	36.8
Cash flow from debt and debt acquired	145.1	55.9	153.8	(7.0)	161.6
Net debt at 31 December	(347.6)	(452.2)	(583.2)	(773.6)	(467.2)
Free cash flow	239.6	241.8	293.5	277.8	294.4

Consolidated balance sheet

	2013 £m	2012 (Restated) £m	2011 (Restated) £m	2010 £m	2009 £m
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	609.9	578.4	562.6	527.1	499.0
Goodwill and other intangible assets	2,223.7	2,232.3	2,095.1	2,109.7	1,515.3
Derivative financial instruments	9.3	12.8	40.3	57.0	44.7
Interest in associates	7.3	6.7	51.3	45.7	31.7
Retirement benefit assets	-	-	-	31.7	-
Investment property and other investments	3.1	2.8	1.9	1.9	4.8
Deferred tax asset	-	-	-	-	12.0
CURRENT ASSETS					
Inventories	687.7	637.1	596.0	571.4	312.7
Trade and other receivables	822.9	746.4	746.1	687.2	375.4
Assets held for resale	-	-	-	2.3	-
Cash and cash equivalents	79.8	139.1	78.6	62.9	347.2
Total assets	4,443.7	4,355.6	4,171.9	4,096.9	3,142.8
CAPITAL AND RESERVES					
Issued capital	24.7	24.5	24.4	24.2	20.9
Share premium account	498.0	487.2	480.8	471.5	471.2
Merger reserve	326.5	326.5	326.5	325.9	-
Own shares	(40.6)	(62.4)	(75.2)	(83.4)	(83.7)
Other reserves	16.7	18.5	15.7	14.4	9.2
Accumulated profits	1,689.9	1,461.3	1,277.2	1,199.2	1,042.8
Total equity	2,515.2	2,255.6	2,049.4	1,951.8	1,460.4
NON-CURRENT LIABILITIES					
Interest bearing loans and borrowings	421.6	195.2	598.2	760.9	739.1
Derivative financial instruments	4.5	4.9	5.9	4.2	6.1
Retirement benefit obligations	71.4	125.9	123.7	59.6	43.0
Long-term provisions and other payables	22.6	67.0	28.9	36.0	43.7
Deferred tax liabilities	61.3	69.1	77.8	110.5	62.8
CURRENT LIABILITIES					
Interest bearing loans and borrowings	5.8	396.1	63.6	75.6	75.3
Derivative financial instruments	1.8	2.6	-	2.5	-
Trade and other payables	1,218.1	1,107.6	1,088.3	1,004.5	638.7
Tax liabilities	73.2	74.8	75.9	36.5	28.1
Short-term provisions	48.2	56.8	60.2	54.8	45.6
Total liabilities	1,928.5	2,100.0	2,122.5	2,145.1	1,682.4
Total equity and liabilities	4,443.7	4,355.6	4,171.9	4,096.9	3,142.8

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fiftieth Annual General Meeting of Travis Perkins plc will be held at Northampton Rugby Football Club, Franklin's Gardens, Weedon Road, Northampton, NN5 5BG on Wednesday 28 May 2014 at 12.00 noon for the purposes set out below:

To consider and, if thought fit, to pass the following Resolutions, of which Resolutions 1 to 15 (inclusive) will be proposed as ordinary resolutions and Resolutions 16 to 18 (inclusive) will be proposed as special resolutions.

1. To receive the Company's Annual Report and Accounts and the Auditor's Report thereon for the financial year ended 31 December 2013.
2. To receive and approve the Remuneration Policy set out on pages 69 and 70 of the Directors' Remuneration Report contained within the Annual Report and Accounts for the financial year ended 31 December 2013.
3. To receive and approve the Directors' Remuneration Report (other than the Remuneration Policy referred to in Resolution 2 above) contained within the Annual Report and Accounts for the financial year ended 31 December 2013.
4. To declare a final dividend for the financial year ended 31 December 2013 of 21 pence per ordinary share, payable to shareholders on the register at the close of business on 2 May 2014.
5. To appoint Christopher Rogers as a non-executive director of the Company. Biographical details of Christopher Rogers appear on page 57.
6. To re-appoint John Coleman as a non-executive director of the Company. Biographical details of John Coleman appear on page 57.
7. To re-appoint Andrew Simon as a non-executive director of the Company. Biographical details of Andrew Simon appear on page 57.
8. To re-appoint Ruth Anderson as a non-executive director of the Company. Biographical details of Ruth Anderson appear on page 57.
9. To re-appoint Tony Buffin as a director of the Company. Biographical details of Tony Buffin appear on page 56.
10. To re-appoint John Carter as a director of the Company. Biographical details of John Carter appear on page 56.
11. To re-appoint Robert Walker as a director of the Company. Biographical details of Robert Walker appear on page 56.
12. To re-appoint Deloitte LLP, Chartered Accountants, as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
13. To authorise the Directors to fix the remuneration of Deloitte LLP.
14. That the rules of the Travis Perkins Share Matching Scheme 2014 (the 'Scheme') be approved and the Directors be authorised to:
 - a. make such modifications to the Scheme as they

may consider appropriate to take account of the requirements of best practice and for the implementation of the Scheme and to adopt the Scheme as so modified and to do all such other acts and things as they may consider appropriate to implement the Scheme; and

- b. establish further schemes based on the Scheme but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further schemes are treated as counting against the limits on individual or overall participation in the Scheme.
15. That, in substitution for all existing authorities, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company:
- a. up to an aggregate nominal amount of £8,229,844.90 (such amount to be reduced by the aggregate nominal amount allotted or granted under paragraph (b) of this Resolution 15 in excess of £8,229,845; and
 - b. comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to an aggregate nominal amount of £16,459,689.90 (such amount to be reduced by the aggregate nominal amount allotted or granted under paragraph (a) of this Resolution 15) in connection with an offer by way of a rights issue:
 - i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - ii. to holders of other equity securities as 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 2015) but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority expires and the Directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired. References in this Resolution 15 to the nominal amount of rights to subscribe for or to convert any security into shares (including where such rights are referred to as

- equity securities as defined in section 560(1) of the Companies Act 2006) are to the nominal amount of shares that may be allotted pursuant to the rights.
16. That, in substitution for all existing powers and subject to the passing of Resolution 15, the directors be generally empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash pursuant to the authority granted by Resolution 15 and/or pursuant to section 573 of the Companies Act 2006 to sell ordinary shares held by the Company as treasury shares for cash, in each case free of the restriction in section 561 of the Companies Act 2006, such power to be limited:
- a. to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of an allotment pursuant to the authority granted by paragraph (b) of Resolution 15, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):
 - i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - ii. to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
 - b. to the allotment of equity securities pursuant to the authority granted by paragraph (a) of Resolution 15 and/or sale of treasury shares for cash (in each case otherwise than in the circumstances set out in paragraph (a) of this Resolution.16) up to a nominal amount of £1,234,476.70 calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, ordinary shares 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 2015) but so that the Company may make offers and enter into agreements before the power expires which would, or might, require equity securities to be allotted after the power expires and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.
17. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.
18. That the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 10 pence each in the capital of the Company ('ordinary shares'), provided that:
- a. the maximum aggregate number of ordinary shares authorised to be purchased is 24,689,534 (representing approximately 10% of the issued share capital of the Company as at 25 February 2014);
 - 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 shall not exceed the higher of (i) 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 contracted to be purchased; and (ii) an amount equal to the higher of the price of an ordinary share quoted for the last independent trade and the highest current independent bid for an ordinary share on the trading venues where the purchase is carried out;
 - d. this authority (unless previously renewed, varied or revoked by the Company in general meeting) expires at the conclusion of the next Annual General Meeting of the Company or 30 June 2015, 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

Deborah Grimason

Company Secretary and General Counsel
Lodge Way House, Harlestone Road,
Northampton NN5 7UG
25 February 2014
Registered in England No. 824821

ANNUAL GENERAL MEETING – EXPLANATORY NOTES TO THE RESOLUTIONS

The Annual General Meeting of the Company will be held at Northampton Rugby Football Club, Franklin's Gardens, Weedon Road, Northampton, NN5 5BG on Wednesday 28 May 2014 at 12.00 noon. A buffet lunch will be available. In addition to the resolutions to approve the receipt of the Company's annual accounts, the declaration of a final dividend, the appointment and re-appointment of the Company's directors, the re-appointment of the Company's auditor and to give the directors authority to fix the auditor's remuneration, the following items are to be proposed at the forthcoming Annual General Meeting. The Board considers that all of the resolutions proposed are in the best interests of the company and of its shareholders as a whole and unanimously recommends that shareholders vote in favour of all resolutions put before the Annual General Meeting.

Resolutions 2 and 3: Directors' Remuneration Report (including the Remuneration Policy)

New requirements came into force on 1 October 2013 in relation to the content and approval of the Directors' Remuneration Report.

In accordance with the new requirements, the Directors' Remuneration Report (which is set out on pages 68 to 82) contains (i) the Remuneration Policy; (ii) the Annual Report on remuneration; and (iii) the annual statement by the Chairman of the Remuneration Committee.

Resolution 2 seeks shareholder approval for the Remuneration Policy, which can be found on pages 69 and 70. The Remuneration Policy sets out the Company's future policy on directors' remuneration and is subject to a binding shareholder vote by ordinary resolution at least every three years.

If Resolution 2 is approved, the Remuneration Policy will take effect from the end of the AGM, with the intention that it will remain in place for three years. If the Company wishes to change the Remuneration Policy within that three year period, it will submit a revised remuneration policy to shareholders for approval.

Once the Remuneration Policy is approved, all payments by the Company to current, prospective or former directors (in their capacity as directors) will be made in line with the Remuneration Policy or following specific approval by shareholder resolution.

Until the Remuneration Policy takes effect, payments will continue to be made to directors and former directors (in their capacity as directors) in line with existing contractual arrangements until that date.

Resolution 3 is an ordinary resolution which seeks shareholder approval for the Directors' Remuneration Report (other than the part containing the Remuneration Policy), which can be found on pages 68 to 82 and gives details of the implementation of the Company's current remuneration policy during the year ended 31 December 2013.

The vote upon this resolution is advisory. The vote is not specific to individual levels of remuneration and the directors' entitlement to remuneration is not conditional on it.

Resolution 14: Share Matching Scheme 2014

The Company's existing 2004 Share Matching Scheme will expire in April 2014. Consequently, the Remuneration Committee of the Board has undertaken a review of the Company's long-term incentive provision, in conjunction with its regular review of the Company's overall senior executive remuneration policy. The Remuneration Committee believes that the Share Matching Scheme encourages the Company's senior management to commit to building up a shareholding in the Company whilst being incentivised to deliver key financial targets over the longer term, thereby creating a genuinely strong alignment of interests between management and investors.

This resolution therefore seeks approval to renew the 2004 Share Matching Scheme once it expires. The new Share Matching Scheme will be renewed on the same terms as the 2004 Scheme but with certain amendments to reflect current corporate governance requirements (such as the introduction of clawback, where the Remuneration Committee may recover amounts paid out under the new Scheme in certain adverse circumstances) and to assist with the operation and administration of the new Share Matching Scheme.

It is intended that the first awards under the new Scheme will be made in 2015.

The main terms of the new Travis Perkins Share Matching Scheme 2014 are summarised in the Appendix to this Notice on pages 144 to 145.

Resolution 15: Renewal of authority to allot shares

Paragraph (a) of this resolution would give the directors the authority to allot ordinary shares up to an aggregate nominal amount equal to £8,229,844.90 (representing 82,298,449 ordinary shares of 10 pence each). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 25 February 2014, the latest practicable date prior to publication of this Notice.

In line with guidance issued by the Association of British Insurers (the 'ABI'), paragraph (b) of this resolution would give the directors authority to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £16,459,689.90 (representing 164,596,899 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 25 February 2014, the latest practicable date prior to publication of this Notice. The authorities sought under paragraphs (a) and (b) of this resolution will expire at the earlier of 30 June 2015 (the last date by which the Company must hold an Annual General Meeting in 2015) and the conclusion of the Annual General Meeting of the Company held in 2015. If this authority is exercised, the directors intend to follow ABI guidance issued from time to time, including as to the re-election of directors. It is now our practice to propose all directors for annual re-election at

each Annual General Meeting in accordance with the Code.

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

Resolution 16: Limited authority to allot shares for cash

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

Except as provided in the next paragraph, this authority would be limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £1,234,476.70 (representing 12,344,767 ordinary shares). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 25 February 2014, the latest practicable date prior to publication of this Notice. In respect of this aggregate nominal amount, the directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 7.5% should not take place without prior consultation with shareholders.

Allotments made under the authorisation in paragraph (b) of Resolution 15 would be limited to allotments by way of a rights issue only (subject to the right of the Board to impose necessary or appropriate limitations to deal with, for example, fractional entitlements and regulatory matters).

The authority will expire at the earlier of 30 June 2015 (the last date by which the Company must hold an Annual General Meeting in 2015) and the conclusion of the Annual General Meeting of the Company held in 2015. Any issue of shares for cash will, however, still be subject to the requirements of the UK Listing Authority.

Resolution 17: Notice of Meetings

The Companies Act 2006 requires that the notice period for general meetings of a company is 21 days unless certain requirements are satisfied, including that shareholders approve a shorter notice period, which cannot be less than 14 clear days. At the Annual General Meeting held in 2013, shareholders approved a notice period for general meetings (other than AGMs) of not less than 14 clear days effective until the Annual General Meeting to be held in 2014. This resolution is proposed to allow the Company to continue to call general meetings (other than Annual General Meetings) on 14 clear days' notice. The directors believe it is in the best interests of the shareholders of the Company to preserve the shorter notice period and accordingly are proposing this resolution, to be proposed as a special resolution to the meeting. The shorter notice period would not be used as a

matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. Examples of when it might be appropriate to call a general meeting at 14 clear days' notice include when emergency capital raising proposals or other price sensitive transactions are being put to shareholders for approval. The approval will be effective until the Company's Annual General Meeting in 2015, when it is expected that a similar resolution will be proposed. Under the Companies Act 2006 in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders.

Resolution 18: Authority to purchase own shares

The authority for the Company to purchase its own shares of 10 pence each granted at last year's Annual General Meeting will expire on the date of the forthcoming Annual General Meeting. The directors wish to renew this authority and a special resolution, which is set out in full in the Notice of Annual General Meeting on page 141, will be proposed at the forthcoming Annual General Meeting to give the Company the authority to purchase its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum of 24,689,534 (representing approximately 10% of the issued ordinary share capital of the Company as at 25 February 2014) and sets minimum and maximum prices. This authority will expire no later than 30 June 2015.

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 25 February 2014, there were options over 10,558,638 ordinary shares in the capital of the Company, which represent 4.28% of the Company's issued ordinary share capital (excluding any treasury shares). If the full authority to purchase own shares were to be used, and the shares cancelled, these outstanding options would represent approximately 4.75% of the Company's issued ordinary share capital (excluding any treasury shares) as at that date. As at 25 February 2014, the Company did not hold any treasury shares in the Company and no warrants over ordinary shares in the capital of the Company existed.

Directions to Northampton Rugby Football Club can be found on page 148.

APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

Summary of principal terms of the Travis Perkins Share Matching Scheme 2014 (the 'Scheme')

Operation

The remuneration committee of the board of directors of the Company (the 'Committee') will supervise the operation of the Scheme.

Eligibility

Any employee of the Company and its subsidiaries will be eligible to participate in the Scheme at the discretion of the Committee.

Grant of awards

The Committee may grant awards to acquire ordinary shares in the Company ('Shares') within six weeks following the Company's announcement of its results for any period. The Committee may also grant awards within six weeks of shareholder approval of the Scheme or at any other time when the Committee considers there are exceptional circumstances which justify the granting of awards. It is intended that the first awards under the Scheme will be made in 2015.

The Committee may grant awards as conditional shares, a nil (or nominal) cost option or as forfeitable shares. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

An award may not be granted more than three years after shareholder approval of the Scheme.

No payment is required for the grant of an award other than the investment of funds in Shares as described below. Awards are not transferable, except on death. Awards are not pensionable.

Investment Shares

An award will be made in conjunction with the investment of an individual's funds (from any source) in Shares ('Investment Shares'). The maximum amount which an individual may invest in Investment Shares in any financial year is 50% of their post-tax salary.

After the Investment Shares have been purchased, the Company will grant an award over a number of Shares which shall not exceed two times the number of Investment Shares grossed up for income tax at a rate of 45% or such other rate as the Committee may determine.

Once purchased, the participant may transfer the ownership of their Investment Shares to his/her spouse or civil partner ('spouse').

The Investment Shares will either be held by a nominee on behalf of the participant or his/her spouse or the participant will allow their holding of Investment Shares (including any Investment Shares held by his/her spouse) to be monitored by the Company.

Investment Shares will remain the property of the

participant (or his/her spouse) and will not be subject to forfeiture under the Scheme.

Performance conditions

The vesting of awards will be subject to performance conditions set by the Committee.

The first awards to be granted under the Scheme in 2015 will be based on the average cash return on capital employed ('CROCE') of the Company over a performance period of three financial years. The extent to which the 2015 awards will vest will be based on threshold and maximum performance levels determined in accordance with the Company's three year business plan and projections. If performance is below threshold, the award will lapse. At threshold performance, 30% of the award will vest. This increases to 100% vesting for maximum levels of performance, with straight-line vesting in between these points.

There will be no retesting of the performance condition and the awards will lapse to the extent that the performance condition is not met at the end of the performance period.

The Committee can set different performance conditions from those described above for future awards provided that, in the reasonable opinion of the Committee, the new targets are not materially more or less difficult to satisfy than the original conditions were considered to be at the date of grant of the awards.

The Committee may also vary the performance conditions applying to existing awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially more or less challenging than the original conditions would have been but for the event in question.

Vesting of awards

Awards normally vest three years after grant to the extent that the applicable performance conditions (see above) have been satisfied, the Investment Shares have been retained by the participant (or his / her spouse) and provided they are still employed in the Company's group. Awards in the form of options are then usually exercisable up until the tenth anniversary of grant unless they lapse earlier.

On the vesting of an award, the participant (or his/her spouse) will be able to sell or otherwise transfer his/her related Investment Shares, subject to any shareholding requirement which may apply to him/her.

If a participant transfers, charges or otherwise disposes of their Investment Shares before the vesting of the award associated with those Investment Shares, then that award will lapse pro-rata to the number of related Investment Shares so treated.

Dividend equivalents

The Committee may decide that participants will receive a payment (in cash and/or Shares) on or shortly following the

vesting or exercise of their awards, of an amount equivalent to the dividends that would have been paid on those Shares between the time when the awards were granted and the time when they vest. This amount may assume the reinvestment of dividends. Alternatively, the Committee may determine on or before grant that participants may have their awards increased as if dividends were paid on the Shares subject to their award and then reinvested in further Shares.

Leaving employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or be a director within the Company's group. However, if a participant ceases to be an employee or a director because of death, ill-health, injury, disability, retirement, redundancy, their employing company or the business for which they work being sold out of the Company's group or in other circumstances at the discretion of the Committee, then their award will vest.

Unless the Committee determines otherwise, the date on which, and the extent to which, an award will vest in these circumstances will depend upon two factors: (i) the extent to which the performance condition has been satisfied up to the end of the financial year in which the participant leaves; and (ii) the pro-rating of the award to reflect the reduced period of time between its grant and the date of cessation of the participants employment or office.

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all awards will vest early subject to: (i) the extent that the performance conditions have been satisfied at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

Clawback

The Committee may decide, before or within three years of vesting, that a participant's award will be subject to clawback where there has been a misstatement of the Company's financial results, an error in assessing any applicable performance condition or if the participant's employment is terminated for gross misconduct. The Committee may require the satisfaction of the clawback by way of a reduction in future bonuses, the vesting of any subsisting or future awards granted under the Scheme or under certain other share incentive plans and/or a requirement to make a cash payment.

Participants' rights

Awards of conditional shares and options will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their Shares. Holders of awards of forfeitable Shares will have shareholder rights from when the awards are made except they may be required to waive their rights to receive dividends.

Rights attaching to Shares

Any Shares allotted when an award vests or is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Committee may make such adjustment as it considers appropriate to the number of Shares subject to an award and/or the exercise price payable (if any).

In relation to Investment Shares, a participant will be treated on the same terms as any other shareholder and, in the event of a variation of the Company's share capital, the participant (or his/her spouse) may, if appropriate, increase the number of his/her Investment Shares by adding any further Shares acquired by virtue of his/her holding of Investment Shares. The number of Shares in any corresponding award may be adjusted accordingly.

Overall Scheme limits

The Scheme may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

- a. 10 per cent of the issued ordinary share capital of the Company under the Scheme and any other employee share scheme adopted by the Company; and
- b. 5 per cent of the issued ordinary share capital of the Company under the Scheme and any other executive share scheme adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits unless institutional investors decide that they need not count.

Alterations to the Scheme

The Committee may, at any time, amend the Scheme in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of Treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award.

Overseas schemes

The shareholder resolution to approve the Scheme will allow the Board to establish further schemes for overseas territories, any such scheme to be similar to the Scheme, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further schemes are treated as counting against the limits on individual and overall participation in the Scheme.

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

- 1 A form of proxy is enclosed and instructions for its use are shown on the form. The appointment of a proxy will not prevent a member from subsequently attending, voting and speaking at the Meeting in person, in which case any votes of the proxy will be superseded.
- 2 A member of the Company is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and vote at a general meeting of the Company. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attaching to different shares. A proxy need not be a member.
- 3 To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars or you may photocopy the form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- 4 The right to appoint a proxy under notes 1 and 2 above does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with section 146 of the Companies Act 2006 ('nominated persons'). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- 5 To be effective, the instrument appointing a proxy and any authority under which it is signed (or a notarially certified copy of such authority) for the Annual General Meeting to be held at Northampton Rugby Football Club, Franklin's Gardens, Weedon Road, Northampton, NN5 5BQ at 12.00 noon on Wednesday 28 May 2014 and any adjournment(s) thereof must be returned to Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by 12.00 noon on 26 May 2014. Alternatively you may submit your proxy form online by accessing the Share Portal at www.travisperkins-shares.com, logging in and selecting the 'Proxy Voting' link. If you have not previously registered for electronic communications, you will first be asked to register as a new user, for which you will require your investor code (which can be found on the enclosed proxy form, your share certificate or dividend tax voucher), family name and post code (if resident in the UK).
- 6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do by using the procedures described in the CREST Manual.
 CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.
 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments (12.00 noon on 26 May 2014). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
 CREST members and, where applicable, their CREST sponsors and voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at www.euroclear.com/CREST.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

In each case the proxy appointments must be received by the Company not less than 48 hours (excluding any part of a day that is not a working day) before the time appointed for holding the meeting or any adjournment thereof.

- 7 Only those members entered on the register of members of the Company as at 6.00 pm on 26 May 2014 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 8 Reference to the register means the issuer register of members and the Operator register of members maintained in accordance with Regulation 20 of the Uncertificated Securities Regulations 2001.
- 9 The following documents will be available for inspection at the Registered Office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice to the date of the meeting and at Northampton Rugby Football Club from 11.45am on the day of the meeting until the conclusion of the meeting.
 - Copies of contracts of service of directors and non-executive directors' letters of appointment with the Company, or with any of its subsidiary companies.
 - The register of directors' interests kept by the Company.
 - A copy of the Company's Articles of Association.
 - A statement giving particulars of directors' relevant transactions.
 - A copy of the draft rules of the Travis Perkins Share Matching Scheme 2014. Copies will also be available for inspection at the offices of New Bridge Street (a trading name of Aon Hewitt Limited), 10 Devonshire Square, London, EC2M 4YP during usual business hours on any weekday (Saturdays and English public holidays excepted) from the date of this Notice until the conclusion of the meeting.
- 10 At 25 February 2014 (being the latest practicable date before publication of this notice) the issued share capital of the Company consisted of 246,895,349 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 25 February 2014 was 246,895,349.
- 11 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member.
- 12 Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
- 13 Shareholders and their proxies will have the opportunity to ask questions at the Meeting. When invited by the Chairman, if you wish to ask a question, please wait for a Company representative to bring you a microphone. It would be helpful if you could state your name before you ask your question. Questions may not be answered at the Meeting if they are deemed not to be in the interests of the Company, or the good order of the Meeting, would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information, or if the answer has already been given on a website. The Chairman may also nominate a Company representative to answer a specific question after the Meeting or refer the response to the Company's website.
- 14 A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found in the Investor Centre at www.travisperkinsplc.co.uk.

DIRECTIONS TO NORTHAMPTON RUGBY FOOTBALL CLUB

The Travis Perkins Annual General Meeting is to be held in The Captains Lounge and The Rodber Suite, Northampton Rugby Football Club, Franklin's Gardens, Weedon Road, Northampton NN5 5BG.

Parking is directly outside in the VIP Car Park (follow VIP Car Park signs off Weedon Road).



DIRECTIONS

From the south (via the M1)

Exit off motorway at junction 15A and follow the signs towards Sixfields. At roundabout with TGI Fridays on the right and a BP petrol station on the left carry straight on up the hill. At Cineworld roundabout turn right towards the Town Centre. Go straight over the next two roundabouts (Sainsbury's is on the left before the first roundabout and Wickes on the right after the second roundabout) and set of traffic lights. Continue on that road (Weedon Road). The entrance to the Saints is on the right immediately after Beacon Bingo. Follow signs for VIP car park off Weedon Road.

From the north (via the M1)

Exit off motorway at junction 16 and follow the A45 to Northampton. At Cineworld roundabout continue straight on and follow directions from the South.

From the east (Peterborough, Cambridge, Wellingborough)

Follow A45 to M1 junction 15. Head north to junction 15A then follow directions from the South.

From Welford, Market Harborough

Aim towards the Kingsthorpe area of Northampton. Turn right at the major set of traffic lights (the Cock Hotel is on the corner), signposted Sixfields. Continue on this road until you get to Cineworld roundabout (approximately 3 miles). Turn left at the Cineworld roundabout then continue as from the South.

From the railway station

Turn right out of the station. Continue past Thomas A Becket pub, Church and Co. factory and bus station. At fork in road bear left and Franklin's Gardens is on your left. 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:

Google maps (www.google.co.uk/maps)

The AA (www.theaa.com)

The RAC (www.rac.co.uk)

For further details about the venue:

www.northampton saints.co.uk

OTHER SHAREHOLDER INFORMATION

SHAREHOLDER ENQUIRIES

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

Travis Perkins plc
Lodge Way House, Lodge Way, Harlestone Road,
Northampton NN5 7UG
Telephone 01604 752424
Email cosec@travisperkins.co.uk

or to the Company's registrars:

Capita Asset Services
The Registry, 34 Beckenham Road, Beckenham, Kent,
BR3 4TU. Telephone 0871 664 0300
(calls cost 10p per minute plus network extras; lines are
open 8.30am to 5.30pm, Monday – Friday)
Email shareholderenquiries@capita.co.uk

FINANCIAL DIARY

Ex-dividend date	30 April 2014
Record date	2 May 2014
Annual General Meeting	28 May 2014
Payment of final dividend	30 May 2014
Announcement of 2014 interim results	30 July 2014
Interim Management Statement	17 October 2014
Announcement of 2014 annual results	26 February 2015

ANNUAL GENERAL MEETING – CATERING ARRANGEMENTS

It has always been the Company's custom to provide a light luncheon for shareholders following the AGM, and a buffet luncheon will be available.

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.cccftd.co.uk*
www.4tradeproducts.co.uk
www.benchmarkkitchens.co.uk
www.birchwoodpricetools.com
www.bssindustrial.co.uk
www.buytiles.co.uk
www.cityheatingspares.co.uk
www.cityplumbing.co.uk*
www.connectionsaml.co.uk
www.defenderpower.com
www.dhsspares.co.uk
www.fponlineordering.co.uk
www.fpwholesale.co.uk
www.fressshbathrooms.co.uk
www.havelockcontrols.co.uk
http://hire.travisperkins.co.uk/hire*
www.iflo.co.uk
www.insulationgiant.co.uk
www.keyline.co.uk*

<http://hire.keyline.co.uk/hire/>*
www.mispares.com
www.pro-heat.co.uk
www.ptsonlineordering.co.uk
www.ptsplumbing.co.uk
www.ptsrenewables.co.uk
www.scruffs.com
www.sektorinteriors.co.uk
www.selfbuildgroup.co.uk
www.southern-darwent.co.uk
www.sustainablebuildingsolutions.co.uk
www.tilegiant.co.uk*
www.tilehq.co.uk
www.tilemagic.co.uk
www.timberdirect.co.uk
www.toolstation.co.uk*
www.tpcareers.co.uk
www.tpmanagementservices.co.uk
www.trademate.co.uk*
www.travisperkins.co.uk*
www.travisperkinsplc.com (investor relations site)
www.vanvasult.co.uk
www.wickes.co.uk*
www.wickescareers.co.uk
www.wickeskitchens.co.uk

*These sites allow credit account holders to order on-line through Trademate, with the exception of the Wickes, Tile Giant and ToolStation sites which allow on-line ordering by secure card transaction.

Most of the sites provide information about branch locations and allow access to prices and the product range available. Customers are also able to construct their own price quotation that includes any special price arrangements that have been negotiated with the Group.

ELECTRONIC COMMUNICATION

In accordance with the Companies Act 2006 and the Company's Articles of Association, the Company is allowed to use its website to publish statutory documents and communications to shareholders, such as the Annual Report and Accounts and the Notice of the AGM. You can therefore view or download a copy of the Annual Report and Accounts and the Notice of the AGM by going to our website at www.travisperkinsplc.com (see section called 'Investor Centre'). If you received a hard copy of this report in the post then you will not have consented to this method of publication. Should you now wish to consent to this method of publication, you should contact Capita Asset Services, Freepost RLYX-GZTU-KRRG, SAS, The Registry, 34 Beckenham Road, Beckenham, BR3 9ZA.

By reducing the number of communications sent by post, it will not only result in cost savings to the Company but also reduce the impact that the unnecessary printing and distribution of reports has on the environment. Please

note that if you consent to website publication, you will continue to be notified each time that the Company places a statutory communication on the website. This notification will be sent to you by post. However, you may also choose to receive notifications by e-mail and we would encourage you to do so. If you wish to receive these notifications by e-mail, you should register at www.travisperkins-shares.com, and follow the instructions (see Registrar's On-Line Service below).

Please telephone Capita Asset Services on 0871 664 0300 (within the UK), calls cost 10p per minute plus network extras; lines are open 9.00am to 5.30pm, Monday – Friday or +44 20 8639 3399 (Non-UK) if you have any queries.

Notes

1. Before consenting to receive documents and communications via the website, shareholders should ensure that they have a computer with internet access and the Adobe Acrobat reader facility. The Adobe Acrobat reader software may be obtained via the website free of charge.
2. If you elect to receive notifications of the publication of the documents and communications on the website electronically, it will be your responsibility to notify our registrars, Capita, of any subsequent change in your e-mail address or other contact details.
3. If you are not resident in the United Kingdom, it is your responsibility to ensure that you may validly receive documents and communications electronically (either generally or in relation to any particular document or communication) without the Company being required to comply with any governmental or regulatory procedures or any similar formalities. The Company may deny electronic access to documents and communications relating to certain corporate actions in respect of those shareholders who it believes are resident in jurisdictions where it is advised that to provide such access would or may be a breach of any legal or regulatory requirements.
4. The Company's obligation to provide shareholder documents to you is satisfied when it transmits an electronic message. The Company is not responsible for any failure in transmission for reasons beyond its control any more than it is for postal failures. In the event of the Company becoming aware that an electronic communication to you has not been successfully transmitted, a further two attempts will be made. If the transmission is still unsuccessful, a hard copy of the relevant notification will be posted to your registered address.
5. Your registration to receive electronic communications and your relevant contact address details will stand until such time as the Company receives alternative instructions from you by e-mail or in writing.
6. The Company takes all reasonable precautions to ensure no computer viruses are present in any electronic communication it transmits, but the Company shall not be responsible for any loss or damage arising from the opening or use of any e-mail or attachments sent by the Company or on its behalf. The Company recommends that shareholders subject all messages to computer virus checking procedures. Any electronic communication received by or on behalf of the Company, including the lodgement of an electronic proxy form that is found to contain any computer virus will not be accepted.

7. The Company reserves the right, irrespective of your election, to revert to sending hard copy documentation by post whenever it considers it necessary or desirable to do so.

CAPITA ASSET SERVICES

The Company's registrars, Capita Asset Services ('Capita'), provide a number of services that, as a shareholder, might be useful to you:

Registrar's on-line service

By logging onto www.travisperkins-shares.com ('the Share Portal') and following the prompts, shareholders can view and amend various details on their account. Please note that you will need to register to use this service for which purpose you will require your unique investor code (IVC), which can be found on your share certificate, proxy card or dividend tax voucher.

Dividend re-investment Plan ('DRIP')

This is a scheme which allows you to use your dividends to buy further shares in Travis Perkins. For any shareholders who wish to re-invest dividend payments in the Company, a facility is provided by Capita IRG Trustees Ltd in conjunction with Capita Asset Services. Under this facility, cash dividends are used to purchase additional shares. Shares are bought on the dividend payment date at the then current market price. Any cash left over which is insufficient to purchase a whole share will be carried forward and held without interest, in a Client Money bank account.

You can sign up for this service on the Share Portal (by clicking on 'reinvest dividends' and following the on screen instructions). Any shareholder requiring further information should contact Capita on 0871 664 0381 (Calls cost 10p per minute plus any network extras from within the UK); lines are open from 9.00 am to 5.30 pm Monday – Friday. If Non-UK +44 208 639 3402. Email shares@capita.co.uk or visit www.capitaassetservices.com. Please note that this facility is only available to shareholders with an address in the UK or EEA. The value of shares and income from them can fall as well as rise and you may not recover the amount of money you invest.

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 partnered with Deutsche Bank to provide you with a service that will convert your sterling dividends into your local currency at a competitive rate. You can choose to receive payment directly into your local bank account, or alternatively, you can be sent a currency draft.

You can sign up for this service on the Share Portal (by clicking on 'your dividend options' and following the on screen instructions) or by contacting the Customer Support Centre. Further details are available from Capita Asset Services: by telephone UK: 0871 664 0385 (UK calls cost 10p per minute plus network extras). From overseas: +44 20 8639 3405. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays.

SHARE DEALING SERVICES

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

Capita

Capita offers an on-line and telephone share dealing service which is available by logging on to www.capitadeal.com or telephoning 0871 664 0346 (calls cost 10p per minute plus network extras; lines are open 8.00am to 4.30pm, Monday – Friday). For the on-line service, Capita's commission rates are 1% of the value of the deal (minimum £21.00, maximum £125.00) and for the telephone service, Capita's commission rates are 1.50% of the value of the deal (minimum £28.50, maximum £175.00).

Stocktrade

Stocktrade offer a telephone share dealing service which is available by telephoning +44 131 240 0508 and quoting reference 'Travis Perkins Dial and Deal'. Stocktrade's commission will be 0.5%, to deals up to the value of £10,000 and 0.2% on the excess thereafter, subject to a minimum of £17.50. Please note that UK share purchases will be subject to 0.5% stamp duty. There will also be a PTM ('Panel for Takeovers and Mergers') levy of £1 for single trades in excess of £10,000. When buying shares you will be required to pay for your transaction at the time of the deal by debit card, and you should ensure that you have sufficient cleared funds available in your debit card account to pay for the shares in full.

SHARE FRAUD - WARNING TO SHAREHOLDERS

In recent years, share fraud has been increasing, with shareholders receiving unsolicited correspondence concerning investment matters. Fraudsters use persuasive and high-pressure tactics to lure investors into scams; offering to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. Sometimes these individuals imply that they represent Travis Perkins, but in fact they have no connection with the Company and have no authority to claim or imply that they are.

If you are approached by fraudsters, please tell the Financial Conduct Authority using the share fraud reporting form at www.fca.org.uk/scams, where you can also find out more about investment scams.

SHAREHOLDER NOTES



Travis Perkins plc

Travis Perkins plc · Lodge Way House · Harlestone Road · Northampton NN5 7UG · Telephone 01604 752 424

www.travisperkinsplc.com