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A N N U A L R E P O R T & A C C O U N T S





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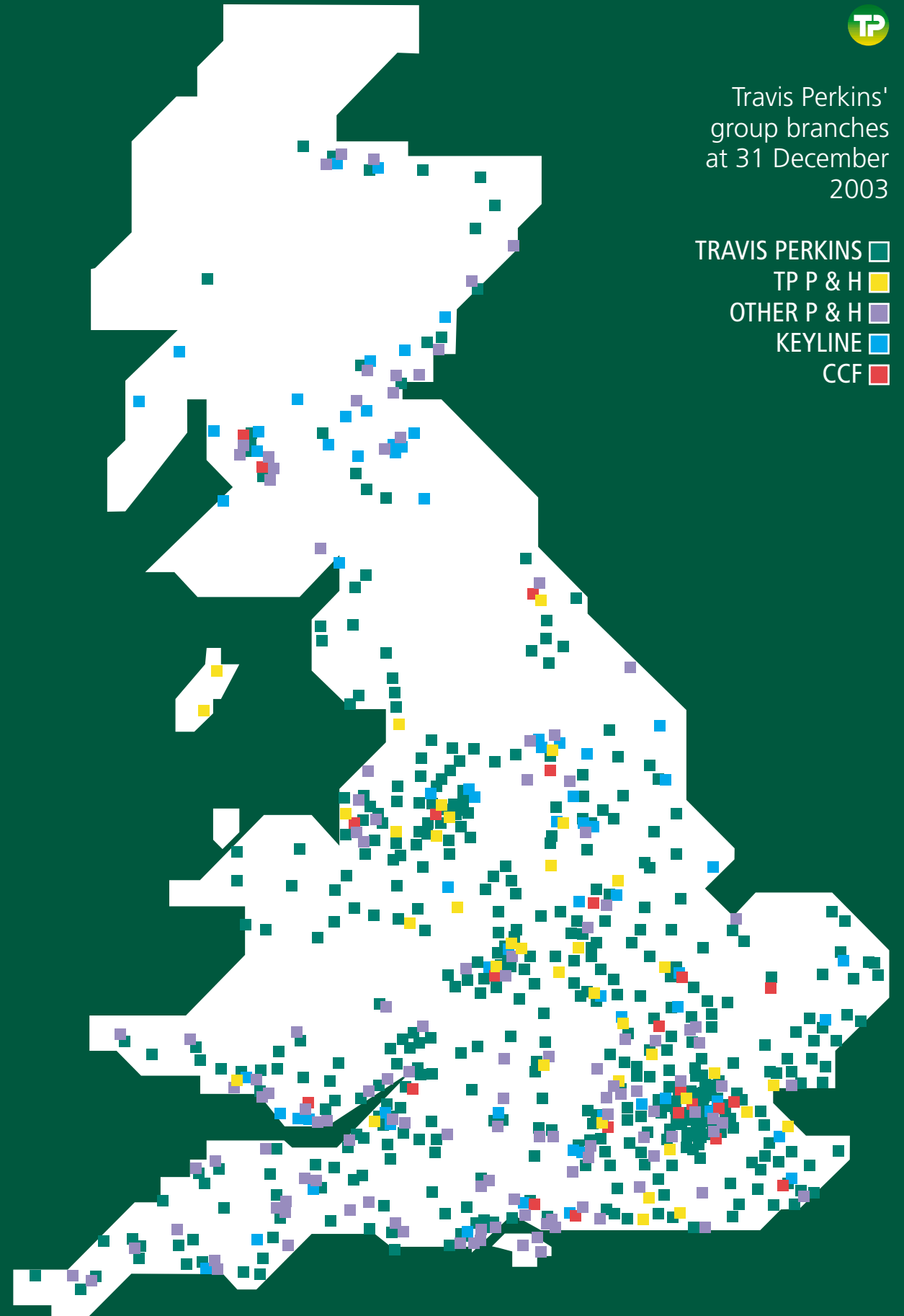


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Travis Perkins' group branches at 31 December 2003

- TRAVIS PERKINS ■
- TP P & H ■
- OTHER P & H ■
- KEYLINE ■
- CCF ■



DESIGN - RWH DESIGN CONSULTANTS PHOTOGRAPHY - CALVIN HEWITT PRINT - FOLIO

Financial Highlights

For the year ended 31 December 2003

£m	2003	2002
Turnover	1,678.3	1,417.5
Operating profit before amortisation of goodwill*	191.4	158.2
Profit on ordinary activities before taxation	162.7	137.6
Profit on ordinary activities after taxation	108.9	91.8
Total equity shareholders' funds	477.0	395.4
Earnings per ordinary share		
Basic	96.5p	81.9p
Adjusted (before amortisation of goodwill and profit on sale of properties) (Note 9)	110.0p	91.6p
Dividend per ordinary share	24.4p	19.5p

*See details of goodwill amortisation in the profit and loss account on page 50

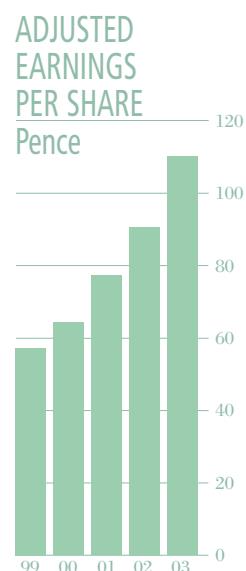
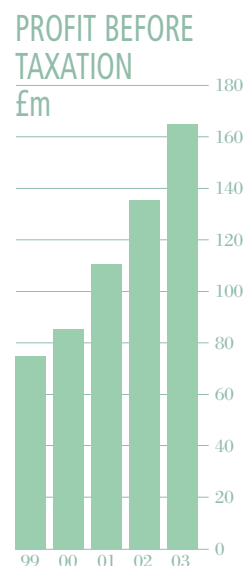
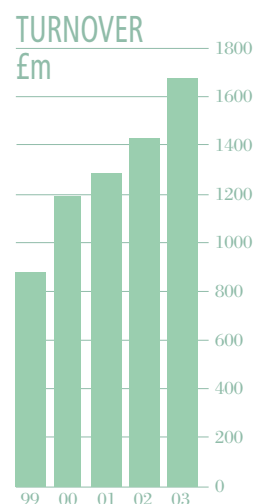
Turnover up 18.4%

Profit before taxation up 18.2%

Basic earnings per share up 17.8%

Adjusted earnings per share up 20.1%

Dividend per ordinary share up 25.1%



“Travis Perkins: the name behind the colours of the LSE”



Premises the size of the London School of Economics require the almost permanent presence of painters and decorators.

In this case, Sykes, one of the biggest painting contractors in Britain, has a contract until 2006 to repaint the London School of Economics.

Sykes rely on Travis Perkins for paint supplies because their Blackfriars Branch has the specialist skills to mix 12,000 colours from only four base colours and 16 colourants, using the ICI Dulux system with in-house calibration.





In fact Travis Perkins supplies Sykes with paint, not only for the LSE, but for their contracts to paint many government and royal premises, including Buckingham Palace and Clarence House, the Tate Modern, the Foreign and Commonwealth Office, the National Portrait Gallery, Kew Gardens, the Royal Courts of Justice and many others.



Chairman's statement

For the year ended 31 December 2003

RESULTS

I am pleased to report pre-tax profits for the year ended 31 December 2003 of £162.7 million, an increase of 18.2 per cent over the £137.6 million earned in 2002. Turnover at £1,678.3 million was 18.4 per cent ahead of the previous year. Operating profit, before goodwill amortisation of £15.3 million (2002: £12.1 million), was

£191.4 million, compared with £158.2 million in 2002, an increase of 21 per cent.

Basic earnings per share were up 17.8 per cent at 96.5 pence, compared with 81.9 pence in 2002.

Adjusted earnings per share, (prior to amortisation of goodwill and excluding profit from the sale of surplus properties) rose 20.1 per cent to 110.0 pence from 91.6 pence.

DIVIDEND

At the half year the board indicated its intention to increase the final dividend to reflect the cash generative nature of the business and its confidence in the future prospects of the company. As a result of the company's continued progress, the board is recommending a final dividend of 16.8 pence per share, an increase of 25.4 per cent on the final dividend of 13.4 pence for 2002. Together with the interim dividend of 7.6 pence, this would give a total annual dividend of 24.4 pence per share, up 25.1 per cent on the previous year.

BOARD OF DIRECTORS

Chris Bunker joined the board as a non-executive director on 14 January 2004. He is currently the group finance director of Thames Water and brings to the company a wealth of financial experience

gained from working in other major UK public companies. He was appointed to the Audit Committee on 12 February 2004 and will take over the Chairmanship from Michael Dearden on 29 April 2004.

CORPORATE GOVERNANCE

During the year the group board has continued to review actively all of the major areas of risk to the company. Further details of the governance controls can be found under the corporate governance section of the annual report and accounts.

OUTLOOK

We are delighted with the 2003 results which were achieved on the back of excellent acquisition and organic growth. We have made a positive start to 2004 and given reasonable market conditions are well placed to make further progress in the current year. Growth will come from recent as well as new acquisitions combined with the further expansion of brownfield developments and still greater operating efficiencies.



T. E. P. STEVENSON CHAIRMAN

“TP really did go the extra mile”



Robert Todd is neither a builder nor a developer, but he took on the task of building his own luxury, detached property.

He did approximately half the work himself – taking on joinery, drainage and plumbing.

TP Durham provided most of his materials, including concrete, bricks, timber, roof tiles and trusses, as well as plumbing materials and bathroom fittings.

He even chose TP Hire for cement mixers, generators and other heavy-duty equipment.





Robert Todd maintains that TP Durham treated him as if he were a major contractor. “They showed a real interest, from the beginning of my project to the end. From counter staff to accounts, TP staff could not have been more helpful. They even arranged and attended a meeting with a roof truss manufacturer to ensure they met specifications. And when I finished, they came out from TP Durham to look at the end product. TP really did go the extra mile.”



Chief executive's review

For the year ended 31 December 2003

RESULTS

The past year has been one of further strong growth for the company. Operating profit before amortisation of goodwill of £15.3 million (2002: £12.1 million) rose 21.0 per cent to £191.4 million from £158.2 million in 2002. Turnover increased by 18.4 per cent to £1,678.3 million from £1,417.5 million. Sales growth was driven

by continued investment in the acquisition of independent merchants, in new brownfield sites and, significantly, in the acquisition of the Jayhard and B&G plumbing and heating businesses. Group like for like sales were up 4 per cent.

The overall operating margin before goodwill amortisation for the year improved again, from 11.2 per cent to 11.4 per cent, reflecting further progress on a variety of continuous improvement initiatives. This increase was achieved despite continued pressure on overheads, particularly in relation to pension, employment and distribution costs.

The 101 branches acquired in 1999 with the acquisition of Keyline all made further progress, as did the original Sharpe & Fisher and Broomby branches. The City Plumbing ("CPS") and Commercial Ceiling Factors ("CCF") businesses performed better than expected, helped by strong procurement gains, economies of scale derived from being part of the Travis Perkins group and the demanding achievement targets in place throughout the group. Overall gross profit as a percentage of sales, improved further on a like-for-like basis.

DEVELOPMENTS

The two major developments of the year were the acquisitions of Jayhard and B&G.

Jayhard was acquired on 1 August for an enterprise value (see note 30) of £26.5 million, adding 53

plumbing and heating branches to the group. B&G was acquired on 1 October for £23.5 million, bringing in a further 12 plumbing and heating branches, located mainly in South London and Surrey. These two acquisitions strengthened significantly our presence in this important sector of the building materials market. Further acquisitions together with brownfield openings brought our specialist network of plumbing and heating branches to 164 by the year-end.

The integration of both Jayhard and B&G is proceeding smoothly and the enlarged business is performing ahead of expectations.

The acquisition of 18 mixed merchant branches targeted at gaps in our geographic coverage continued in parallel with the larger acquisitions and added in total a further 83 outlets to the Travis Perkins branch network. The total amount spent on acquisitions was £72.3 million.

We also opened 8 all-purpose brownfield branches at Daventry, Coventry, Portsmouth, Bodmin, Tewkesbury, Redhill, Bury St. Edmunds and Marlborough and 9 CPS branches at Chester, Exeter, Letchworth, Dumfries, Aberdeen, Kings Lynn, Portsmouth, Chepstow and Falkirk. Tool hire facilities were introduced to a further 3 branches, bringing the total number offering this service to 151.

By the end of 2003 the Travis Perkins group was trading from a total of 700 branches.

BRANCH IMPROVEMENTS

We continued to invest in the branch network with the aim of providing an ever improving service to our customers. During the year major redevelopments took place at Walsall, Leamington, Bury St. Edmunds, Halifax, Scunthorpe, Accrington, Warrington, Camerton, Reading and Alexandra Palace.

The upgrading of Keyline branches continued with major refurbishments at Atherton, Bradford and Stoke. Investment in 2002 to improve the lightside, timber and forest product offer of a number of Keyline branches is now delivering increased sales.

Measures to improve the efficiency of our timber milling operations, including most recently in Gloucester, should be reflected this year in both increased product availability and an improved quality of supply to our branches.

The landscaping centres have continued to perform well, as have our own branded sales with the addition of new products to the range.

The integration of the DW Archer branches under the existing Travis Perkins regional management structure has produced a substantially improved performance for these branches compared with the previous year.

INFORMATION TECHNOLOGY

As part of an ongoing programme to enhance customer service, particularly at the trade counter, significant software upgrades were installed, resulting in more flexible sales order processing and faster point of sale operations.

Further improvements were also made to our administrative systems. By the end of 2003 more than 70 per cent of all purchase invoices and over 30 per cent of purchase orders were handled electronically.

CUSTOMER SERVICE

The new programme of continuous improvement introduced in 2002 had been implemented in all branches by early 2003. It includes constant monitoring of a series of seven key performance indicators derived from data captured by our information systems. This data is analysed and presented monthly and all branches are ranked according to their overall performance. Management focus on these key indicators has produced an improvement in performance during the year and we are confident that further progress can be made in 2004.

HEALTH AND SAFETY

The company is committed to achieving and maintaining high standards in health and safety, as evidenced by accident frequency rates falling by more than 30 per cent. Our health and safety practices and procedures are now well established throughout the business. These encompass training and development and the widespread use of personal protective equipment, as well as ongoing measurement and review. All are regular features of our disciplined approach to this important issue.

Modifications to our commercial vehicle and forklift designs, together with the introduction of traffic management systems in our larger branches, are further proof of our determination to make Travis Perkins an even safer place in which to work.

ENVIRONMENT

Our environmental management system accreditation to ISO 14001 was maintained during the year. Good progress has been made in reducing adverse impact on the environment, in particular in the areas of waste management, volatile organic compound emissions and CO₂ emissions.

Timber procurement has been a major focus of attention and we have increased further the percentage of products procured from sources certified to recognised forestry standards. In particular, we have introduced a number of hardwood plywood and solid hardwood products certified to Forest Stewardship Council (“FSC”) standards. Chain of custody accreditation for both FSC and the Programme for the Endorsement of Forest Certification (“PEFC”) schemes was achieved for more than 110 branches by the end of 2003 and more branches will be added during 2004.

FUTURE EXPANSION

We see significant additional scope for profitable growth through the acquisition of regional groups, independent merchants, the further expansion of brownfield site developments and the greater efficiencies generated by our ongoing improvement programmes. We made good progress again during 2003 and remain confident that our proven strategy will provide further growth in the future.

STAFF

On behalf of the board, I would like to thank all our employees for their contribution to the success of the company during 2003.



F. J. MCKAY CHIEF EXECUTIVE

“CCF met high materials specifications, while providing complex logistics to a tight schedule. The entire project went off without a hitch.”

CCF The stunning new branch of Selfridges at Birmingham's Bullring is a monument to modern design and architecture. But its internal fittings also need to meet today's testing requirements for style and function.





Commercial Ceiling Factors

Taylor Hart, who were responsible for fitting ceiling, partition and insulation panels, chose Commercial Ceiling Factors, Birmingham Branch as their supplier. CCF were able to meet the difficult specifications for panelling an interior with such a unique shape, while supplying a faultless service. CCF provided very early morning deliveries to beat rush hour congestion, while a tightly organised schedule of supplies kept track of building work without overloading the site.

The new Selfridges building is a triumph for Birmingham and another landmark for CCF.





Finance director's report

For the year ended 31 December 2003

RESULTS

Pre-tax profits were £162.7 million (2002: £137.6 million) after charging goodwill amortisation of £15.3 million (2002: £12.1 million).

Pre-tax profits before goodwill amortisation of £15.3 million (2002: £12.1 million) and property profits of £nil (2002: £1.2 million) were £178 million (2002:

£148.5 million), an increase of 19.9 per cent. Earnings before interest, tax, depreciation and goodwill amortisation ("EBITDA") (as defined in note 34) were £218.3 million (2002: £180.1 million), an increase of 21.2 per cent.

Net interest payable for the year was £9.1 million compared with £8.9 million in 2002.

The tax charge was £53.8 million (33.1 per cent) compared with £45.8 million (33.3 per cent) in 2002.

The rate is higher than the UK corporation tax rate of 30 per cent principally because the effect of claiming a statutory deduction for share options exercised during the year is more than offset by goodwill amortisation and certain expenditure, which does not qualify for tax relief. The effective tax rate, after adjusting for property profits and goodwill amortisation, was 30.2 per cent (2002: 30.8 per cent).

CASH FLOW

As a result of higher profits and strong working capital management during 2003, operating cash flow was £230.8 million, an increase of £51 million or 28.4 per cent on 2002.

Like-for-like free cash flow (as defined in note 32) for the year was £136.2 million (2002: £128.1

million). The free cash generated by the group was used substantially to fund capital expenditure on the existing business and new acquisitions, which in total cost £119.2 million (2002: £143.9 million).

NET DEBT AND BORROWING FACILITIES

In 2003 the group repaid a further £25 million of the term loan used to purchase Keyline in 1999. Net debt at the year-end was £128.5 million (2002: £159.7 million), which represents a gearing level (as defined in note 31) of 26.9 per cent (2002: 40.4 per cent). Borrowings include £12.2 million (2002: £14.1 million) of unsecured loan notes, which are redeemable at six monthly intervals ending in June 2015.

The group has £200 million of committed facilities, comprising a £75 million term loan repayable in April 2004, a £50 million loan due for repayment in November 2005, a £25 million loan repayable by instalments between 2004 and 2007 and a £50 million revolving syndicated credit facility available until April 2004. It has overdraft facilities of £54 million. At the year end the group had unutilised committed facilities of £50 million and unused overdraft facilities of £54 million. With the expiry of the interest rate swap in November 2003, all of the group's borrowings are at variable rates.

The group is highly cash generative. As a result it does not currently require significant long-term borrowings to fund its operations. In April 2004, when the final tranche of the term loan is repaid and the revolving credit facility expires, it is likely that additional bilateral facilities will be obtained.

Interest cover, before goodwill amortisation (as defined in note 5) is approximately 21 times (2002: 18 times), well within our borrowing covenants.

PENSIONS

Whilst the recent improvements in world stock markets have boosted investment returns and so, together with higher funding, have increased the underlying pension scheme assets, the weakness in corporate bond yields, and the rise in anticipated inflation has caused a compensating increase in the

discounted value of scheme liabilities. As a result the pension scheme gross funding deficit has reduced during the year by only £0.9 million to £121.6 million. At 31 December 2003 the net deficit, after allowing for deferred tax, was £85.1 million compared with £85.8 million at 31 December 2002.

SHAREHOLDERS' FUNDS

Total equity shareholders' funds, after deducting the pension scheme deficit at 31 December 2003, were £477 million, an increase of £81.6 million on 31 December 2002.

The return on equity shareholders' funds before taxation (as defined in note 33) increased to 29.3 per cent in 2003 from 29 per cent in 2002. This level of return, after tax, was substantially higher than the group's weighted average cost of capital.

At the year-end the share price was 1,278 pence (2002: 1,005 pence) and the market capitalisation £1,449 million (2002: £1,132 million), representing 3.0 times (2002: 2.9 times) shareholders' funds.

GOODWILL

The net book value of goodwill in the balance sheet is £285.7 million, which is being amortised over 20 years. Additions to goodwill in the year totalled £51.1 million.

TREASURY RISK MANAGEMENT

Treasury activities are managed centrally under a framework of policies and procedures approved and monitored by the board. The objectives are to protect the assets of the group and to identify and then manage financial risk. In applying its policies, the group will utilise derivative instruments, but only for risk management purposes.

The principal risk facing the group is an exposure to interest rate fluctuations. The group is not exposed to significant foreign exchange risk as most purchases are invoiced in sterling. These risks are described further on the next page.

Interest rate risk

The group finances its operations through a mixture of retained profits, bank borrowings and loan notes. The group borrows at floating rates and, where necessary, uses interest rate swaps into fixed rates (see note 20) to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations.

Currency risk

The group usually buys currency at spot rates. While this was the situation during 2003, forward contracts may be purchased where appropriate.

Liquidity risk

The group's policy has been to ensure that it has committed borrowing facilities in place in excess of its peak forecast gross borrowings for at least the next twelve months. The current refinancing is discussed above under Net Debt and Borrowing Facilities.



P. N. Hampden Smith FINANCE DIRECTOR

“We never accept less than the best, which is why City Plumbing is our preferred supplier.”



Only the finest bathroom fittings would do for the conversion of the Horse and Jockey pub near Oxford into eight luxury apartments by the Chopping partnership.





They chose the Cowley branch of City Plumbing for the quality of the products, large stocks and its ability to fill special orders quickly and efficiently. City Plumbing supplied all the bathroom fittings, including en suite showers. They even supplied specialist fittings for a luxury bath, illuminated from below. "We'd definitely go back to City Plumbing," says Philip Chopping. "We never accept less than the best, which is why City Plumbing is our preferred supplier."

Corporate social responsibility report

For the year ended 31 December 2003

The board has considered the Guidelines on Social Responsibility published by the Association of British Insurers in October 2002 and is working towards full compliance with these guidelines. The board takes account of the significance of social, environmental and ethical matters in its conduct of the company's business. The group has in place a comprehensive system of internal control as described more fully on page 35. This results in the submission to the board of regular detailed reports on specific areas of risk. Using information thus provided, the board has identified and assessed significant risks and opportunities arising from social, environmental and ethical matters and areas of particular importance are identified below. During 2003 the induction and training of directors was reviewed and social, environmental and ethical matters were considered.

ENVIRONMENT

The group recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. We have maintained accreditation of our Environmental Management System to the ISO 14001 standard during 2003. A revised environmental policy was published in November 2003 to include a commitment to achieve and maintain chain of custody in relation to certified timber.

Our policy is to:

- Comply with applicable environmental legislation;
- Prevent pollution and minimise the extent of environmental damage;
- Continuously improve our environmental performance.

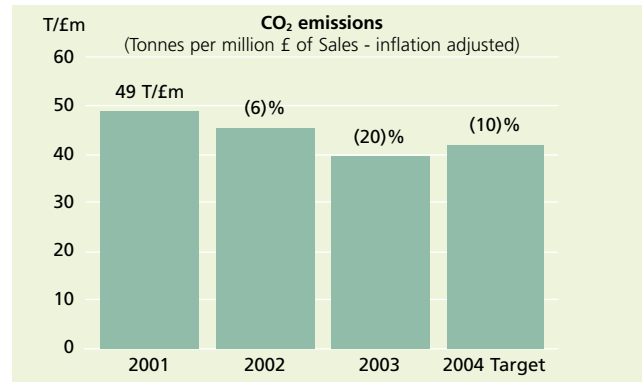
The complete policy and details of the company's progress against its commitments may be found in a full report on our website at www.travisperkins.co.uk.

Environmental improvement plan

We have continued with the implementation of our Environmental Improvement Plan during 2003 and report below progress on the main issues. Where our targets and performance data are based on a measure of output per £ of relevant sales, the sales figure is adjusted for price inflation in order to present data adjusted only for the overall volume of business transacted. The data includes all operations except for Jayhard and B&G – these will be included as from the beginning of 2004. City Plumbing and CCF data is included as from the beginning of 2003. It should be noted that the data is prepared from a combination of specific measurements and some estimates – we are continually refining the accuracy of the data, but believe the information presented below constitutes a fair representation of our environmental performance improvement.

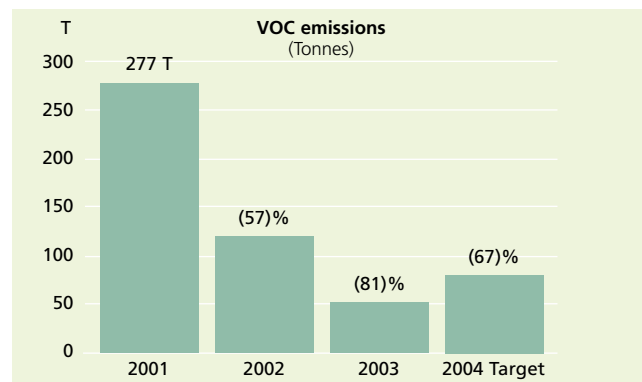
Carbon dioxide ("CO₂") emissions

Our CO₂ emission data includes emissions arising from fuel use in commercial vehicles and forklift trucks, consumption of fuel oil for heating, and gas and electricity consumption. The figures currently exclude that generated from car drivers' business miles, though we intend to include this data in 2004. In the past two years we have transferred the electricity supply for our largest consumption sites (including our head office buildings) and a majority of our branches to carbon neutral sources. On this basis we estimate that over 80 per cent of our total electricity demand is satisfied from these carbon free sources - this has been the main reason for our reduction in CO₂ emissions shown in the adjacent chart. Our three-year target, to achieve a reduction of 10 per cent in CO₂ emissions by the end of 2004, has already been met.



Volatile organic compound ("VOC") emissions

We have achieved a major reduction in emissions of VOCs through a programme of replacement of organic solvent-based treatment fluids with aqueous based solutions. We have reduced this in absolute terms to approximately 54 tonnes in 2003, a reduction of over 80 per cent when compared with the figure in 2001. Only three of eighteen plants now remain with organic solvent-based treatment. We have already met our 2004 target for a 67 per cent reduction.

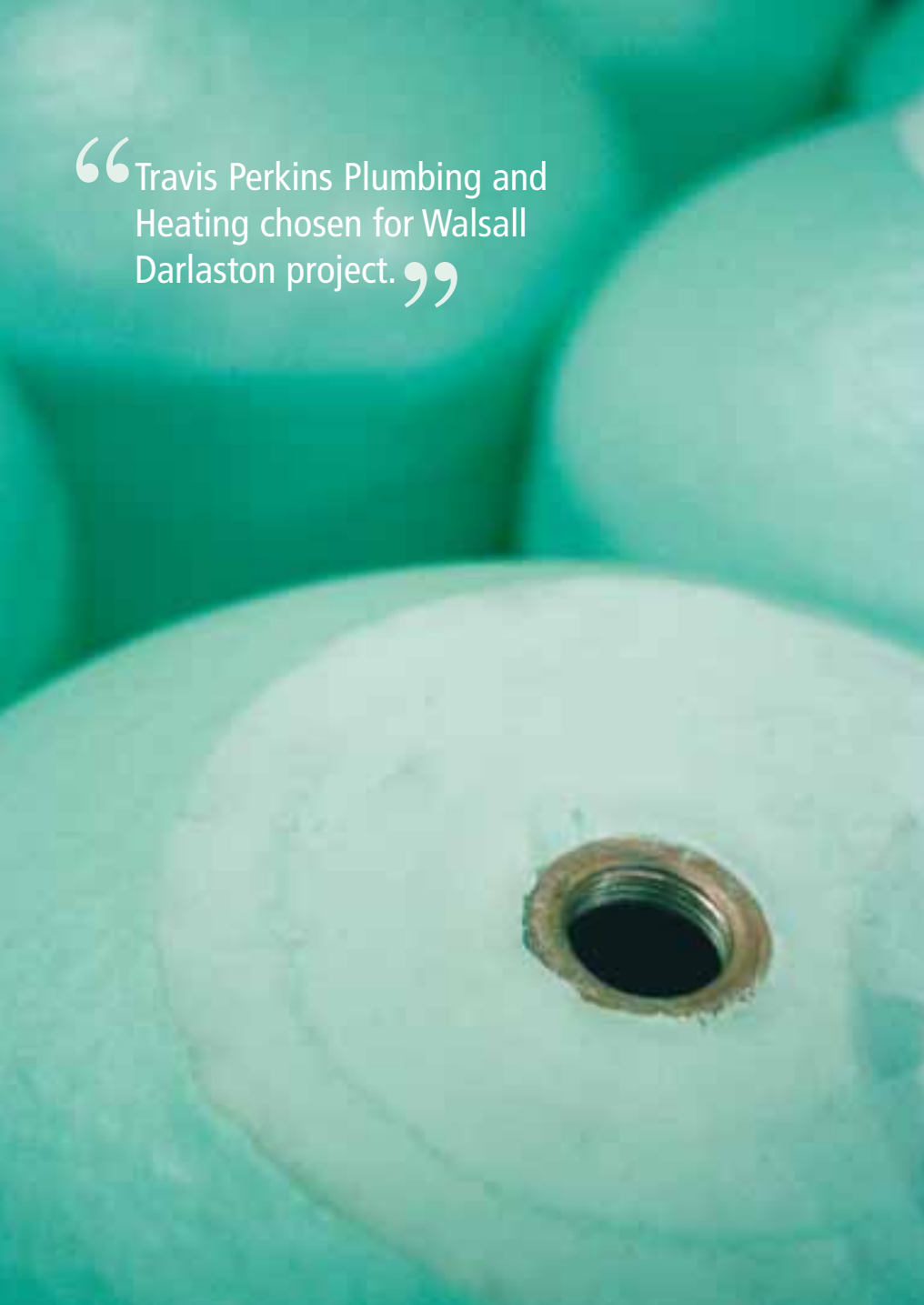


Timber certification

As shown in the adjacent chart, approximately 45 per cent of the raw material content of our purchases of timber and timber based products were from certified sources at the end of 2002. We made particularly good progress in 2003 and this figure had decreased to 56 per cent at the end the year. Of the 56 per cent, approximately 23 per cent is from FSC sources and 29 per cent from PEFC sources. The balance of 4 per cent represents small volumes of materials certified to a variety of other national standards in use in America, Canada and Malaysia. We have completed a further review programme with all major suppliers and have a wide range of commitments from them to improve the percentage of timber supplied to us that is from certified sources. We continue to challenge all suppliers who are not currently providing certified material to work towards certification and as a minimum we ask all suppliers to certify that timber supplied has been handled in accordance with all relevant legislation. During 2003 we devised an audit process in order to further strengthen our commitment to ensure that all non-certified timber is from legal sources. The audits are completed by independent forestry



“Travis Perkins Plumbing and Heating chosen for Walsall Darlaston project.”



The STOP TAP IS FINE

NO.	SIZE	TYPE	LOCATION	DATE	BY
1	1/2"	R1	WASH 10/14		
2	1/2"	R2	WASH 10/14		
3	1/2"	R3	WASH 10/14		
4	1/2"	R4	WASH 10/14		
5	1/2"	R5	WASH 10/14		
6	1/2"	R6	WASH 10/14		
7	1/2"	R7	WASH 10/14		
8	1/2"	R8	WASH 10/14		
9	1/2"	R9	WASH 10/14		
10	1/2"	R10	WASH 10/14		



Plumbing & Heating

When Superior Plumbing Installations Ltd needed central heating equipment for 400 houses on the Walsall Housing Group Darlaston project, they chose Travis Perkins Plumbing and Heating for their quality components and efficient service.

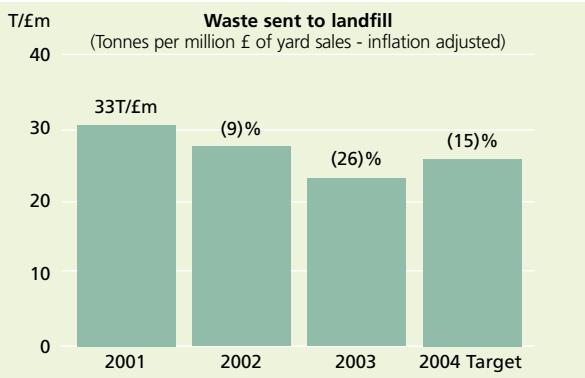




The Walsall Darlaston project continues into the financial year 2004-5, with another 480 houses due to be fitted with central heating. Once again, Travis Perkins Plumbing and Heating will be supplying the components via their Cradley Heath branch.



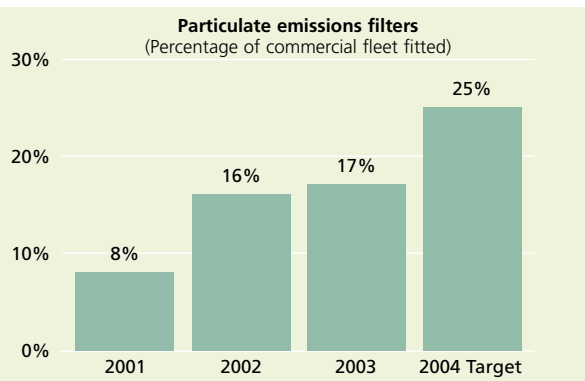
specialists. By the end of 2003 audits had been completed on sources in Indonesia, Malaysia, Brazil and Latvia – as a result we ceased trading with our Indonesian suppliers. All of our sources in areas known to be of higher risk will be audited by the end of 2004. As part of this process we will be seeking independent verification of legality for all sources that are not currently certified. Given our positive progress on increasing volumes of certified materials, we have increased the end of 2006 target for the proportion of the raw material content of our purchases of timber and timber based products that are to be certified. Our original target was set at 67 per cent - this has now been increased to 75 per cent.



Waste sent to landfill

Our main emphasis is on the avoidance of waste, as well as the segregation of waste streams in order to enhance recycling opportunities and so reduce the cost of waste disposal. Cardboard segregation is improving though in some areas of the country recycling opportunities remain limited and the waste cardboard still goes to landfill. We encourage our branch network to sell damaged blocks, bricks and pavers as hardcore rather than disposing of them as waste. In total we estimate our waste sent to landfill in 2001 was 33,400 tonnes. We have reduced this in absolute terms to approximately

30,500 tonnes in 2003 despite the considerable growth of the group. The substantial reduction achieved in waste per £ of yard sales in 2003 compared with 2002 was impacted positively by a mix effect caused by the CCF and City businesses having a lower waste output than the group overall. Excluding this however, the tonnage per £ of yard sales was 14 per cent lower in 2003 than in 2001, and we remain on target to meet our 2004 objective for a 15 per cent reduction as originally set in 2001.



Fuel consumption and vehicle emissions

More than 250 commercial vehicles are now fitted with particulate emissions filters. We have not added to this total during 2003 as a result of technical challenges with the filters. Given this and the increase in the size of the fleet during the year, the percentage fitted with filters has declined marginally in 2003. The technical issues, have been resolved and we have placed an order for a further tranche of filters to be fitted in the first half of 2004. Subject to continuing grant support, we intend to install further units in the second half of the year. Our efforts to reduce overall

fuel consumption are continuing and to this end we have commenced a pilot programme to monitor daily the fuel consumption performance of a number of our commercial vehicles. In addition we encourage enhanced efficiency through a system of allowing orders to be delivered from the branch closest to the delivery address. Despite our endeavours, to date we have not been successful in reducing our overall fuel consumption per £ of inflation adjusted delivered sales. Consumption on this measure in 2003 was 2 per cent higher than that achieved in 2002. In 2004 we shall continue to seek additional means to secure improved fuel efficiency.

Complaints and notifiable events

We investigate any complaint received and endeavour to rectify the causes promptly. Whilst our target is to have no complaints, during the summer of 2003 there was a specific campaign on Indonesian timber that led to a substantial number of letters of enquiry. Excluding this specific campaign, 18 complaints were received relating to environmental matters during 2003 (2002: 16). Of the complaints received in 2003, eight related to vehicle or other noise issues, four to traffic issues and three to light pollution. The three remaining complaints were about isolated incidents of differing causes. Generally the resolution required only local action such as replacement of fork lift beepers with less obtrusive white noise warning devices, redirecting or switching off lights or adjusted delivery patterns to avoid traffic problems.

Our emergency procedures are designed to ensure that even relatively minor events are reported to the Environment Agency. Our investment in new double bunded oil tanks and improved maintenance of timber treatment facilities has, we believe, had a positive impact in 2003 in that we had only one event which required us to contact the Agency, a substantial reduction on the seven occasions during 2002. This one event related to a concern about the possible rupturing of an underground oil pipe, although further investigation revealed no significant spillage. No further action is expected by the relevant authorities. Our target remains to have zero notifiable events.

Prosecutions

We are pleased to report that we had no prosecutions for environmental matters during 2003.

Further information

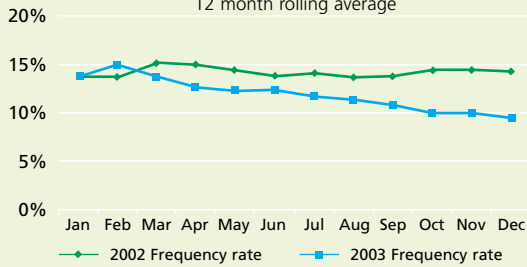
We welcome comments on the above report and our policy statement. Please contact our group planning director on environment@travisperkins.co.uk.

HEALTH AND SAFETY

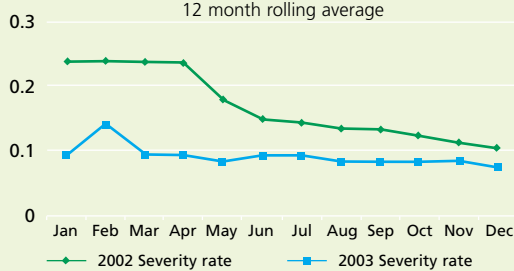
Policy

The company is committed to the achievement and maintenance of high standards in health and safety throughout our branch network and offices. It is an agenda item at board and executive meetings where key performance indicators (“KPIs”) and lost time accidents (“LTAs”) are reviewed with action taken to minimise risks. Health and safety reporting, monitoring and improvement are ‘front of mind’ for all our managers and staff as we strive to make our place of work and systems of work safe for employees, customers, suppliers and sub-contractors. Our fundamental goals are embodied in the group policy, which is issued to every employee in the group.

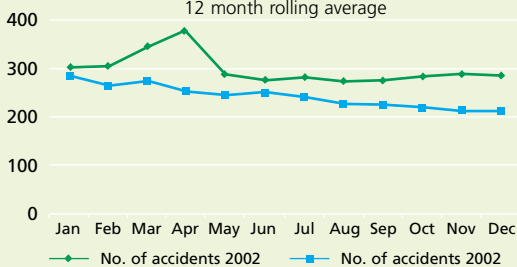
Frequency rates 2002 v 2003
12 month rolling average



Severity rate 2002 v 2003
12 month rolling average



Number of lost time accidents 2002 v 2003
12 month rolling average



Measurement and reporting

In 2003 we maintained measurement of our health and safety performance with a focus on accident frequency rates and severity rates. Significant improvements have been made. Even when new acquisitions made in 2003 are included, frequency rates reduced from 14.16 in December 2002 to 9.66 in December 2003. Severity rates have also improved reducing from 0.10 in December 2002 to 0.07 in December 2003. There were no fatalities during the year.

Continuous improvement

We ensure that health and safety is a priority for every employee in the company with ongoing training, communication, investment, measurement and evaluation. Improvements in health and safety standards have manifested themselves in the significant reductions in accident frequency and severity rates in 2003. During the year, the group entered into a Lead Authority Partnership Scheme “LAPS” with Northampton Borough Council who have agreed to act as a focal point for liaison on health and safety issues between the company and the many local authorities that enforce health and safety in the locations where our branches and offices operate. The Lead Authority will provide advice to other local authorities about the company’s corporate policies which in turn will promote consistency between all of our operational premises.

During the first half of 2004, in order to carry out the LAPS fully, the Lead

Authority will carry out a Safety Management Review audit of the company’s current health and safety practices. A written report will be prepared, identifying the strengths and weakness of existing health and safety management systems, which will then be provided to other local authorities.

We are confident that this partnership will ensure higher standards and greater consistency in all health and safety matters throughout our branch network and offices.

SUPPLIERS

We recognise our responsibilities for the quality of those building materials which we distribute. Suppliers are required to provide products of a specified standard, by reference, where applicable, to nationally or internationally recognised criteria, and accompanied, where appropriate, by guidance for their use.

During 2003 the company instituted a system for checking the compliance of major UK and overseas suppliers with our own expectations in relation to employment practices and health and safety. Around 230 suppliers have been contacted and while some queries are still outstanding, information received to date has not raised concerns. This system is supplemented by regular visits to manufacturing premises.

EMPLOYEES

Our employment policies have been designed to meet the needs of our business, whilst complying with both current and anticipated legislation and following best practice. Applied consistently throughout the group they provide a fair framework within which our employees work:

- The group is firmly committed to ensuring that the manner in which it employs staff is fair and equitable. Our equal opportunities policy is designed to ensure that no person or group of individuals will be treated less favourably because of their race, colour, ethnic origin, gender or sexual orientation, age or disability;
- We have in place an annual performance review process which enables:
 - A better understanding of what is expected of staff;
 - Recognition of achievement;
 - The opportunity for development and career progression;
 - Effective succession planning.
- We regularly consult with our workforce. Throughout our branch network staff meet with management on a formal basis to consult over matters such as health and safety and customer service. We also distribute a number of company newsletters and encourage wide use of our intranet, both providing valuable information and inviting feedback. Employees are regularly informed of the group's financial results and the market conditions in which it operates and are consulted regarding any changes in employment conditions. To encourage the involvement of employees in the company's performance, the company operates a Save As You Earn option scheme. In addition, the directors, managers and many other employees are members of discretionary bonus schemes; and
- Our commitment to training and development at all levels in the organisation gives our employees the opportunity to realise their full potential.

There is a commitment at board level to ensure that employees and management are effectively inducted into the company and given the necessary training to fulfil their roles and to develop their full capabilities. Particular emphasis is placed on customer service, health and safety and youth training. Our investment in management development at all levels has increased during the year and programmes are in place with the principal aims of ensuring consistent standards of management practice across the group and strong succession into senior appointments. Management retention is critical to our ongoing success and it was pleasing to report a 7 per cent reduction in staff turnover during 2003.

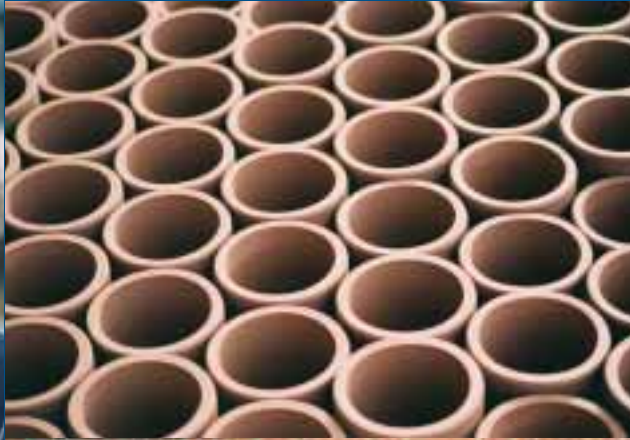
“No one matches
Keyline for service
or knowledge”



Keyline
BUILDERS MERCHANTS

When Building Services (Easton) Ltd of Norwich were contracted by the owner of a plumbing company in Norwich to build a large extension to his house, they wanted the best materials and the most reliable local suppliers.





They chose Keyline Builders Merchants to supply the materials. Michael Sparkes, director of Building Services (Easton) Ltd, says that they have been using Keyline for over 50 years. “No one matches Keyline for service or staff knowledge,” says Michael Sparkes. “Above all, they carry a large, comprehensive stock, from timber to drainage materials - so we can get everything we want from one place.”



The group recognises its obligations towards disabled persons and endeavours to deal fairly with such persons in matters relating to their employment. Disabled applicants for employment are given full and fair consideration alongside all other applicants and due regard is given to their particular aptitudes and abilities. Where a person becomes disabled during the course of employment, the company endeavours to supply suitable training for that person's continued employment. Disabled persons have equal opportunity with other employees to undergo training appropriate to the development of their careers. Additionally, every effort is made to assist disabled employees to undergo training aimed specifically at mitigating the effect of disability on their employment.

BUSINESS CONDUCT

We require our staff, customers and suppliers to abide by high ethical standards. Procedures are in place designed to ensure the security of our premises and to prevent theft and fraud, and these are regularly monitored as part of the internal control process described on page 35. We also have strict rules governing the receipt of gifts by employees from suppliers or customers. The contracts of employment of all employees contain obligations of confidentiality in relation to the company's commercially sensitive information.

COMMUNITY INVOLVEMENT

With around 700 branches in a wide variety of locations throughout Great Britain, we recognise our role in, and responsibilities towards, the community. Our branches are encouraged to support their local community through involvement in local affairs, such as by sponsoring organisations or donating materials to projects.

The group raised a total of around £265,000 for charities during the year. At a national level, we support two particular charities, the NSPCC and MacMillan Cancer Relief. At least once a year we hold a charity fund raising day in which all staff, together with customers and suppliers, take part in a variety of activities to support our chosen charities. In 2003 this raised a total of £140,000 (2002: £98,829). The company also made direct donations to these and other charities which, in the year, amounted to £105,310 (2002: £95,932). In addition, we operate a payroll-giving scheme through which staff donated £19,833 (2002: £17,902) to charity during the year.

Sport sponsorship and charity support



Travis Perkins has been the main sponsor of Northampton Saints rugby club for the last three years.

Travis Perkins also sponsor the European Senior Masters golf tournament at Wentworth, and the UK Snooker Championship at York.



Working with its staff, suppliers and customers, over the past three years, Travis Perkins has donated more than £0.5 million to the NSPCC and Macmillan Nurses.

Directors and professional advisers As at 31 December 2003



Chairman
Tim Stevenson



Chief Executive
Frank McKay



Finance Director
Paul Hampden Smith



Managing Director, Operations
John Carter



Non Executive Director
Ted Adams



Non Executive Director
Michael Dearden



Non Executive Director
Charles Fisher



Non Executive Director
Peter Maydon



Non Executive Director
Chris Bunker

Secretary A. S. Pike

Audit committee M. B. Dearden (chairman until 29 April 2004), E. C. Adams, C Bunker (from 12 February 2004 and chairman from 29 April 2004), P. J. Maydon (until 1 March 2004)

Remuneration committee P. J. Maydon (chairman), M. B. Dearden, T. E. P. Stevenson

Nominations committee T.E.P. Stevenson (chairman), C.M. Fisher, P. J. Maydon

Registrars Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Investment bankers HSBC Bank plc

Corporate brokers HSBC Bank plc

Bankers National Westminster Bank plc; Barclays Bank plc

Solicitors Clifford Chance, London; Hewitsons, Northampton

Auditors Deloitte & Touche LLP, Nottingham

Chairman

Tim Stevenson (aged 55) joined the board in September 2001 and became chairman on 1 November 2001. He is a barrister and held a number of senior positions in Burmah Castrol plc between 1975 and 2000, including chief executive from 1998. He is also a non-executive director of National Express plc. He is chairman of the Nominations Committee and a member of the Remuneration Committee.

Chief Executive

Frank McKay (aged 58) joined the board in November 1999 and was appointed chief executive on 1 January 2000. He was previously chief executive of the heating division of Blue Circle Industries plc and has held appointments with Siebe plc and Rockwell Inc. He is a non-executive director of Luxfer Holdings plc.

Finance Director

Paul Hampden Smith (aged 43) qualified as a chartered accountant in 1985 and joined Sandell Perkins in 1988. Following the merger with Travis & Arnold, he was appointed regional finance director. In 1992, he became finance director of Travis Perkins Trading Company Limited and was appointed finance director of Travis Perkins plc in 1996.

Managing Director, Operations

John Carter (aged 42) joined Sandell Perkins as a management trainee in 1978. Having held posts as regional sales director and regional managing director for London, he was appointed as managing director, operations in 1996, and became a director of Travis Perkins plc in July 2001.

Non Executive Director

Ted Adams (aged 63) retired as managing director of Travis Perkins plc on 31 December 1999. He became a non-executive director in July 2000 and is a member of the Audit Committee. He is also chairman of the company's principal pension trusts. He is a non-executive director of Peterhouse Group plc.

Non Executive Director

Michael Dearden (aged 61) was appointed as a non-executive director in November 2000. He held a number of senior posts with Burmah Castrol plc from 1980 until his retirement at the end of 2000. He was a member of the group board from 1995 most recently as chief executive of Castrol International. He is chairman of Minova International Limited and of thebrickbusiness and a non-executive director of Johnson Matthey plc and of The Weir Group PLC. He is chairman of the Audit Committee and is a member of the Remuneration Committee.

Non Executive Director

Charles Fisher (aged 54) joined the board in January 2000 as a non-executive director. He is chairman of Mowlem plc and of Country Homes and Gardens plc and a non-executive director of Delta plc and of Baggeridge Brick PLC.

Non Executive Director

Peter Maydon (aged 62) was appointed to the board as a non-executive director in 1998. He joined Reckitt & Colman in 1963 where he was appointed an executive director in 1980. On his retirement from that company in 1997, he was group director responsible for global supply. He is a non-executive director of MGM Assurance. He is the senior non-executive director and chairman of the Remuneration Committee, a member of the Nominations Committee, and until 1 March 2004 was a member of the Audit Committee.

Non Executive Director

Chris Bunker (aged 57) was appointed as a non-executive director in January 2004. He is a chartered accountant and was finance director of Thames Water plc now a division of RWE A.G. from 2000 until March 2004. He was previously finance director of Tarmac PLC and Westland Group PLC. He is a non-executive director of Mowlem plc and D S Smith Plc.

Corporate governance

For the year ended 31 December 2003

COMBINED CODE

In June 1998, the Combined Code on Corporate Governance ("the Code") was issued by the London Stock Exchange. This was revised in July 2003 ("the New Code"). Although the New Code does not formally apply to the year ending 31 December 2003, the company has reported below as if it did, in addition to reporting its compliance with the conditions of the Code. Section 1 of the New Code is applicable to companies. A statement on how the company has applied the principles and a statement explaining the extent to which it has complied with the provisions of the New Code appear below. The New Code contains fourteen principles of governance, which are divided into the following four areas.

1. Directors

The company is controlled through a board of directors, which presently comprises three executive and six non-executive directors. Tim Stevenson is chairman and Frank McKay is chief executive. Peter Maydon is the senior independent non-executive director. Chris Bunker, Michael Dearden and Tim Stevenson are also independent non-executive directors. Ted Adams and Charles Fisher are not considered to be independent non-executive directors in view of their previous executive positions. It is presently anticipated that Charles Fisher will retire from the board at the conclusion of the Annual General Meeting on 28 April 2004. The board strongly believes that shareholders derive considerable benefit from the presence on the board of Ted Adams who has many years experience of the builders' merchant sector and of the company and its business and culture. It is presently intended that he should complete his current term of appointment, which expires in December 2005, at which time the matter will be reviewed. Appointments of new directors are made by the board on the recommendation of the Nominations Committee. This was established as a separate committee in July 2003, board appointments having previously been dealt with by a combined Remuneration and Nominations Committee. All directors will submit themselves for re-election at least every three years.

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

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

The board held eleven meetings during 2003, all of which were attended by all directors. One meeting dealt specifically with consideration of the company's long-term strategy, and four meetings were either combined with visits to parts of the company's operations or included presentations by senior executives on their areas of responsibility. Programmes for individual visits to operational sites by non-executive directors have also been arranged. In addition to the regular board meetings, key financial information is circulated to directors outside of meetings. The chairman has regular direct contact with the executive directors and keeps the non-executive directors informed of material developments between board meetings.

All directors have direct access to the company secretary and are able to take independent professional advice in the furtherance of their duties if necessary. The company maintains Directors & Officers insurance in respect of the risk of claims against directors.

The chairman held one meeting during the year with the non-executive directors, without the executive directors being present. The senior independent director held one meeting during the year with the other non-executive directors, without the chairman being present, to review the chairman's performance, as described in more detail on page 35.

The induction process for new directors was reviewed and expanded during the year, and is facilitated by the company secretary. The chairman ensures that all directors receive appropriate training on appointment and then subsequently as needed, taking into account their need to update their skills and their knowledge of the company's business.

The board has established three standing committees, the Audit Committee, the Remuneration Committee and the Nominations Committee, which operate within defined terms of reference, which may be obtained from the company secretary. These terms of reference were reviewed during the year and amendments agreed by the board to reflect the New Code. The minutes of committee meetings are available to all the directors. During the year, the Remuneration Committee (or, prior to July 2003, the combined Remuneration & Nominations Committee) met seven times, the Nominations Committee twice, and the Audit Committee three times. All committee meetings were attended by all members of the relevant committee. The reports of the Audit Committee, Remuneration Committee and the Nominations Committee are on pages 37 and 38, 39 to 44 and 45 respectively.

The board undertook an evaluation of its performance during the year. It was assisted in this process by the Institute of Chartered Secretaries and Administrators (“ICSA”). The process took the form of interviews by the ICSA representative with each director and the company secretary separately, focussing on a number of statements about the operation of the board. These interviews formed the basis of a report by ICSA which was the subject of a discussion by the board, facilitated by the ICSA representatives. The board was satisfied that the process showed that the board and its committees worked effectively. Nevertheless, the board agreed a number of measures aimed at further enhancing its performance. These will be reviewed, and the evaluation process repeated, during 2004. In addition, during the year, the senior independent director led a process for appraisal of the performance of the chairman. Each director responded to a questionnaire relating to aspects of the chairman’s role, and the responses were the subject of a discussion between the senior independent director and the other non-executive directors without the chairman being present. The senior independent director subsequently reported to the full board. The process will be repeated in 2004. In addition, the board intends during 2004 to carry out appraisals of the performance of the other directors, and of the board committees.

2. Directors’ remuneration

The Remuneration Committee consists exclusively of independent non-executive directors, and meets at least twice a year. Its responsibilities include a review of the performance of executive directors and other senior executives prior to determining their remuneration. The remuneration of the non-executive directors is determined by the board of directors as a whole. No director plays a part in the discussion about his own remuneration.

The Remuneration Report is set out on pages 39 to 44.

3. Accountability and audit

A review of the performance of the group’s trading subsidiaries and the financial position of the group is included in the chief executive’s review and in the finance director’s report set out on pages 8 to 17. The board uses them, together with the chairman’s statement on pages 4 and 5, to present a full assessment of the company’s position and prospects. The directors’ responsibilities for the financial statements are described on page 48.

INTERNAL CONTROL

The board of directors is responsible for the group’s system of internal control and for reviewing its effectiveness. In designing the system of internal control, consideration is given to the significant risks to the business, the probability of these risks manifesting themselves and the overall cost of controlling them. The system is designed to manage rather than eliminate the risk of failing to achieve business objectives and therefore can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The implementation and day-to-day operation of the system of internal controls has been delegated to executive directors and senior management, but the effectiveness of the system is regularly reviewed by the board in a process that accords with the Turnbull Report. As part of its corporate governance procedures the board has received regular reports on specific areas of risk. If appropriate, these reports include recommendations for improvement in controls or for the management of those risks. Furthermore, steps continue to be taken to integrate risk management procedures into the group’s operations, to extend awareness of the importance of the management of risk and to ensure that recommended improvements brought to the attention of the board are implemented. During 2003, the board reviewed its ongoing processes for identifying, evaluating and managing significant risks faced by the group, and for improving the system of internal control.

The board has carried out an annual review of the overall effectiveness of the system of internal control and risk management procedures, during the year and up until the date of approval of the annual report. This comprised receiving a report from the chairman of the Audit Committee and an update on the monthly reports the board had previously received.

AUDIT COMMITTEE AND AUDITORS

The report of the Audit Committee is set out on pages 37 and 38.

4. Relations with shareholders

The company encourages two-way communication with both its institutional and private investors and responds promptly to all enquiries received orally or in writing. During the year the chairman, chief executive and the finance director, either separately or together, attended a number of meetings with analysts, and with shareholders representing circa 70 per cent of the issued share capital. The senior independent director will also attend a number of such meetings in 2004. In addition, the chairman has written to institutional investors representing circa 40 per cent of issued share capital, offering them the opportunity at any time to meet with him, the senior independent director or any non-executive director. The chairman, chief executive and finance director report fully to the board on any meetings with shareholders or analysts. In addition, written reports about the company by analysts or brokers are circulated to all directors.

As well as sending annual and interim reports to shareholders, the company issues an annual trading statement in early January. All shareholders receive at least twenty working days notice of the Annual General meeting at which all directors are available for questions and a short business presentation takes place. Each substantive issue is the subject of a separate resolution. The numbers of proxy votes for and against each resolution are announced at the meeting, after the voting has taken place.

GOING CONCERN

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

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The company is pleased to report that it has complied throughout the year ended 31 December 2003 with the provisions set out in Section 1 of the Code. The company can also report that by 31 December 2003, it complied with the provisions in Section 1 of the New Code except:

- A3.2 Independent non-executive directors did not account for at least half of the board membership. The board's position in relation to Ted Adams is explained on page 34. The board considers the present make-up of the board, which after Charles Fisher's anticipated retirement at the conclusion of the AGM, will consist of five non-executive directors (including the chairman), four of whom are independent, and three executive directors, provides an appropriate blend of skills and experience. However, it will review the matter further during 2004.
- A6 During 2003 the board did not carry out an evaluation of the performance of its committees or of individual directors (other than the chairman). This will be done during 2004.
- C3.1 The Audit Committee did not consist wholly of independent non-executive directors. The board's position on this matter is explained on page 37.

Audit committee report

For the year ended 31 December 2003

ROLE OF THE AUDIT COMMITTEE

The Audit Committee is responsible for:

- Monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained therein;
- Reviewing the company's internal financial controls and, unless expressly addressed by the board itself, the company's internal control and risk management systems;
- Monitoring and reviewing the effectiveness of the company's internal audit function;
- Making recommendations to the board, for a resolution to be put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is required to report its findings to the board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, which during the year comprised a chairman, Michael Dearden, and two other non-executive directors, Peter Maydon and Ted Adams, has since 12 February 2004, included Chris Bunker a non-executive director with current financial experience gained from his role as group finance director of Thames Water. On 29 April 2004 Chris Bunker will take over the chairmanship of the Audit Committee from Michael Dearden who will continue his role as a member of the committee. Peter Maydon ceased to be a member of the committee on 1 March 2004. All members of the committee, with the exception of Ted Adams are considered to be independent. As explained on page 34, the board believes that shareholders benefit from Ted Adams' experience of the builders merchant sector and of the company, and that this applies to his work on the Audit Committee. He is also a chartered accountant.

The group company secretary, Andrew Pike, is appointed secretary to the Audit Committee.

MEETINGS AND ATTENDANCE

The Committee met three times during 2003 to consider the annual results, the interim results and the independence, objectivity and re-appointment of the Auditors. Internal financial control systems were also considered at each meeting. The chairman of the committee also invited the group chairman, the group finance director, the group financial controller, the head of internal audit and the external auditors to attend each meeting.

During each meeting the external auditors were given the opportunity to talk with the Committee without the presence of management. The opportunity for the head of internal audit to meet formally with the committee at least annually without management being present will be put in place during 2004.

MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

During the year the Audit Committee reviewed its terms of reference and processes in light of the recommendations set out in the Smith Report. It

concluded that a number of procedural changes were necessary which included formalising appointment and training practices for members of the committee, formalising the relationship with internal audit and considering in greater detail the appointment and independence and objectivity of the external auditors. In addition, the review of the group “whistle blowing” policy resulted in the group commencing the implementation of a mechanism to enable staff to report in confidence to internal audit, financial control, reporting or fraud issues.

At its meeting in March, the committee reviewed the annual financial statements of the company and received reports from the internal auditors on control matters and from the external auditors on the conduct of their audit, their review of accounting policies, areas of judgement and the financial statements and their comments on statements concerning risk and internal control. A similar review was undertaken at its September meeting when the interim statements were considered. In November the committee reviewed the group’s internal financial controls and risk management procedures, considered the re-appointment of the external auditors and discussed their plans for the audit of the 31 December 2003 financial statements.

EXTERNAL AUDITORS

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

It is the role of the committee to ensure compliance with the board’s policy in respect of services provided by, and fees paid to, the auditors. Audit fees are negotiated by the finance director and approved by the Audit Committee. For other services that may be provided by the auditors, the company’s policy is:

- Audit related services - The auditors are invited by the company to undertake those services that they are required to and are most suited to perform. Such work would include certification in respect of borrowings, stock exchange related reporting and where appropriate, assistance with acquisitions.
- Taxation - The external auditors assist the group to meet general tax compliance requirements as well as providing advice on acquisitions and tax planning. Should opportunities arise for them to advise on special projects, their suitability is assessed at the time to ensure it would not compromise their audit independence, with the work being tendered where appropriate.
- Consulting - To avoid any possible conflict of interest the group’s policy is not to employ its auditors for general consulting work.

Following its November 2003 meeting, the committee recommended to the board that a resolution be put to shareholders at the Annual General Meeting for the re-appointment of the external auditor.

INTERNAL AUDIT

During its meetings in 2003 the committee received presentations from the head of internal audit about the results of work undertaken by the internal audit department and its future plans.

OVERVIEW

As a result of its work during the year the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

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

Remuneration report

For the year ended 31 December 2003

INTRODUCTION

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002, ("the Regulations"). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the principles of good governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements are presented for approval.

The Regulations require the auditors to report to the company's members on the "auditable part" of the Remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Remuneration committee

The committee was established in July 2003, having previously been a combined Remuneration and Nominations Committee. Its principal roles are to establish the company's policy on executive directors' and senior executives' remuneration, to determine the remuneration packages for each of the executive directors, and to review with the chief executive the remuneration packages for other senior executives. It is required to give due regard to the best practice provisions contained in the New Code.

The committee members are Peter Maydon (chairman) together with Michael Dearden and Tim Stevenson. These directors are non-executive and have no day to day involvement in the running of the business, no financial interest in the business (except as shareholders) and no conflicts of interest arising from other directorships. The committee has been advised on remuneration matters by three independent external consultants, namely, Mercer Human Resources Consulting, Hay Group and New Bridge Street Consultants. In addition, Andrew Pike, (the company secretary) and Rob Tansey, (the group human resources director) have advised the committee from time to time as requested.

Policy on executive directors' remuneration

The company's policy on executive remuneration is to ensure that it has an appropriate mix of fixed and variable pay over the short and long term, to attract and retain high quality executives with an appropriate blend of skills and experience. The committee consults with the chief executive on the remuneration of the other executive directors and senior executives. It aims to reward executives in line with the median of the top 250 companies in the FTSE All Share index and of a selected comparator group. The committee believe this will enable the company to recruit and retain staff of high quality, contributing to the delivery of long-term shareholder value. As a consequence the company's focus is on the following elements of the remuneration package:

- **Basic salary:** to remain competitive in the labour market;
- **Annual bonus payment:** to provide additional 'short term' remuneration which directly reflects company and individual performance; The company proposes, subject to shareholder approval at the Annual General Meeting, to introduce for the most senior executives, a share matching scheme to complement the annual bonus scheme. Further details are given on page 40 and in the letter from the chairman to shareholders dated 17 March 2004.
- **Share options:** through the regular grant of options to reward outstanding business performance over the longer term;
- **Pension arrangements:** to enable directors to make appropriate provision for retirement.

A significant proportion of a director's total remuneration package is variable being subject to the achievement of business and individual objectives. It is the committee's intention to continue with this policy, and in applying it the committee has taken account of the provisions of Schedule A of the Combined Code on Corporate Governance.

Basic salary

A director's basic salary is determined by the Remuneration Committee annually and when an individual changes role. Salaries are reviewed in November each year, with increases taking effect from 1 January in the following year. In the case of the three executive directors, with effect from 1 January 2004, their annual salaries are: J.P. Carter £255,000 P.N. Hampden Smith £275,000 F.J. McKay £485,000.

Annual bonus payments

The committee establishes the objectives that must be met if a cash payment is to be made. It believes that any annual bonus award should be related to the interests of the company's shareholders and that the principal measure of those interests is shareholder value. Hence, bonus payments for all executive directors are based on a formula related to the level of net earnings per share achieved by the group. There is also an element within the payment dependant on the achievement of individual objectives. The maximum performance related bonus that can be paid in cash is 55 per cent of basic annual salary. In order to determine whether the conditions for payment have been met, the committee assesses both business and individual performance against predetermined objectives. Under the proposed share matching scheme (see below) the percentage of salary that can potentially be earned by executive directors under the annual bonus arrangements will increase to 75 per cent. This is in line with market practice.

Share matching scheme

The company proposes, subject to shareholder approval at the Annual General meeting, to introduce for the most senior executives, a Share Matching Scheme, to complement the annual bonus scheme. Under the proposed scheme, executives would receive shares in the company of a value up to 35 per cent of their annual cash bonus ("Deferred Shares"). These shares would be held in trust for three years. Executives would also have the opportunity to invest up to 35 per cent of annual salary in the company's shares, using the proceeds of their annual cash bonus. After 3 years, subject to satisfaction of a performance criterion linked to the earnings per share growth of the company, executives might receive a further award of shares, the number of which would be in proportion to, on a predetermined basis up to a ratio of 1:1, the number of Deferred Shares and the pre tax value of the bonus used to acquire shares. Further details of the scheme are contained in the letter from the chairman to shareholders dated 17 March 2004.

Share options

For many years, the company has further motivated directors and senior executives through granting them share options. The executive share option scheme adopted in 2001, which covers all executive directors and other senior executives, provides for the grant of options on an annual basis, with a value limit up to twice basic salary. The current scheme enables executives to participate provided they are two years or more from normal retirement age. The committee considers this to be unduly restrictive and shareholder approval is being sought at the Annual General Meeting to reduce this period to six months.

Currently, for all eligible executives, options may only be exercised if the growth in the company's earnings per share as reported in the company's published accounts exceeds inflation by at least 9 per cent over a three year period. In the case of executive directors and certain other senior executives, achievement of this target will allow only 50 per cent of options to be exercised. For all options to be exercisable, earnings per share growth must exceed inflation by at least 15 per cent over the three year period. Between 9 per cent and 15 per cent the number of options exercisable is calculated on a straight line basis. The committee believes that these performance conditions, which are kept under review, are closely linked to shareholder value and are, currently, sufficiently demanding. The performance conditions for options granted between 2001 and 2003 maybe retested for two years if they are not satisfied at the end of the original 3 year period. The committee considers that this provision is no longer in line with best practice and therefore options granted in 2004 and thereafter will not permit retesting of the performance conditions.

Under the 1995 executive share option scheme, options granted prior to 1998 were not subject to performance conditions. Those granted between 1998 and 2000 are exercisable if the growth in the company's earnings per share exceeds inflation by at least 6 per cent over a 3 year period. The committee considers these successive arrangements were in line with market practice at the time the grants were made.

Pension arrangements

The general policy is for executive directors to be members of the company's final salary pension scheme and to accrue benefits at a rate of 1/30 of pensionable salary for each year's pensionable service after appointment as a director. In the case of John Carter and Paul Hampden Smith, the effective accrual rate is less than 1/30 due to their potential length of service upto retirement age, so that their pension does not exceed two thirds of pensionable salary. Normal retirement age is 60. As with all other members, executive director's dependants are eligible for dependants' pensions and a payment of a lump sum in the event of death in service. Except in the case of Frank McKay, the pension arrangements provide for a pension in retirement based on the directors' length of service in the group pension scheme and the average of the best three of the last ten years of pensionable salary. Frank McKay has been guaranteed, on retirement at age 60, a pension of thirty per cent of his final pensionable salary including the pension from a previous employment. This pension will be funded partly by the group scheme and partly by separate funded and unfunded arrangements

established for him. In the event that a director’s pension benefits are limited by the Inland Revenue “earnings cap”, the general policy is to pay an age related annual salary supplement. Paul Hampden Smith receives such a salary supplement.

For many years, bonus payments to executive directors and management formed a part of scheme members’ pensionable emoluments and both the company and the employee contributed a proportion of any such bonus to the scheme funds. On 1 December 1995, the company changed its policy so that, from that date, for pension scheme members not then eligible for bonus payments and for all future entrants to the pension scheme, any such bonus payments that they may later become entitled to, would not form part of their pensionable salaries. This does not affect scheme members, including executive directors, eligible for bonus payments prior to 1 December 1995 who presently continue to have such payments treated as part of their pensionable salaries. For pensionable service from 1 December 2004, pensionable salary for all members will be basic salary only.

There have been no changes in the basis of directors’ pension entitlements during the year. Except as described above for Frank McKay, there are no unfunded pension commitments or similar arrangements for directors. The Remuneration Committee is in the early stages of considering the Government’s proposals for changes in the taxation of pension arrangements, which are expected to be clarified during 2004. These may in particular affect senior executives in the company. The committee anticipates that during 2004, it will formulate a policy in relation to these proposals and communicate this to affected employees.

Service contracts

The company’s policy for executive directors is to have contracts which are not for a fixed period, and which are terminable on 12 months notice from the company, and 6 months from the director. It is not the policy to specify what compensation would be payable on termination by the company. If such compensation was due, it would be calculated by reference to the unexpired part of the notice period, and the director’s salary and other benefits, including pension rights, taking due account of the director’s duty to mitigate his loss. Service contracts do not specify any particular level of compensation in the event of termination following change of control of the company. Each of the executive directors has a service contract, the date of which is shown below, which will be available for inspection at the Annual General Meeting.

John Carter	6 August 2001	Paul Hampden Smith	8 October 1996	Frank McKay	1 November 1999
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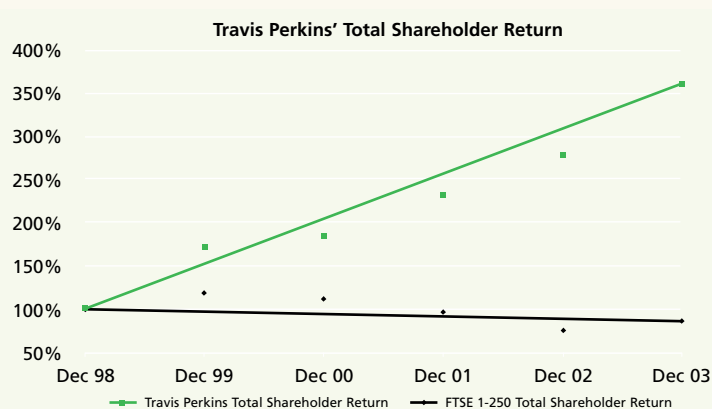
Non-executive directors

The policy of the board is to recruit non-executive directors of the highest calibre, with a breadth of skills and experience appropriate for the company’s business. Non-executive directors are appointed for a period of 3 years, at the end of which the appointment may be renewed by mutual agreement. It is the board’s policy that non-executive directors will not generally serve for more than 6 years. The remuneration of the non-executive directors is determined by the board. Each non-executive director receives an annual fee. Michael Dearden (up to 29 April 2004) and Chris Bunker (from 29 April 2004) receive an additional fee for chairing the Audit Committee and Peter Maydon receives an additional fee for chairing the Remuneration Committee. Ted Adams receives an additional fee for chairing the company’s pension trusts. Non-executive directors do not receive any other benefits and are not eligible to join a 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 option schemes. Non-executive directors do not have a service contract, but each has received a letter of appointment expiring on the following dates:

Ted Adams	December 2005	Charles Fisher	December 2005	Chris Bunker	January 2007
Peter Maydon	May 2004	Michael Dearden	November 2006	Tim Stevenson	September 2004

Total shareholder return

The company considers itself distinctive in its sector, as there are no directly comparable competitors in terms of size, demographic spread or activities. The company measures the performance of its shares against the top 250 companies in the FTSE All Share, which it considers the most appropriate comparator group. The graph below shows total shareholder return for Travis Perkins’ shares over the last five years, relative to that group of companies. Total shareholder return is defined as a combination of growth in the company’s share price and dividends paid to shareholders.



Directors' shareholdings

The directors' holdings of ordinary 10p shares of Travis Perkins plc at 31 December 2002 and 2003 were as follows:

Director	Interest	2003	2002
		No.	No.
T. E. P. Stevenson	Beneficial owner	5,000	5,000
E. C. Adams	Beneficial owner	103,749	105,249
J. P. Carter	Beneficial owner	11,090	7,000
M. B. Dearden	Beneficial owner	1,000	1,000
C. M. Fisher	Beneficial owner	503,944	558,944
P. N. Hampden Smith	Beneficial owner	4,419	6,783
F. J. McKay	Beneficial owner	7,444	7,444
P. J. Maydon	Beneficial owner	1,000	1,000

Details of directors' share options are given on page 44. In addition, Charles Fisher has an interest in loan notes (as described in note 26) with a value of £1,712,402 (1 January 2003: £1,742,402). The only change in the holdings of the directors between 31 December 2003 and the date of this report is the reduction in John Carter's beneficial holding from 11,090 shares to 8,790 shares following the sale by him and his wife of 1,150 shares each on 7 January 2004.

Travis Perkins' share price information

	2003	2002
Mid-market price at 31 December	1,278.0p	1,005.0p
Highest mid-market price during the year	1,366.0p	1,200.0p
Average mid-market price during the year	1,159.8p	1,025.3p
Lowest mid-market price during the year	921.0p	847.5p

AUDITED INFORMATION

Amount of directors' emoluments

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

	Basic salary		Annual bonus		Benefits in kind		Gains on share options		Total remuneration	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive										
J. P. Carter	200	180	110	99	19	16	-	-	329	295
P. N. Hampden Smith ¹	311	230	138	105	10	8	-	-	459	343
F. J. McKay ²	439	335	234	179	1	5	-	541	674	1,060
Non-executive										
T. E. P. Stevenson	125	100	-	-	-	-	-	-	125	100
E. C. Adams	37	30	-	-	-	-	-	-	37	30
J. N. Clarke ³	-	30	-	-	-	-	-	-	-	30
M. B. Dearden	37	30	-	-	-	-	-	-	37	30
C. M. Fisher	30	30	-	-	-	-	-	-	30	30
P. J. Maydon	37	30	-	-	-	-	-	-	37	30
	1,216	995	482	383	30	29	-	541	1,728	1,948

¹ Basic salary includes a £59,220 salary supplement (2002: £38,340) to enable Paul Hampden Smith to arrange pension provision for that part of his

salary, which is above the Inland Revenue approved limit. It also includes a £1,500 fuel allowance. ² Highest paid director. Basic salary includes a £12,500 car allowance and a £1,500 fuel allowance. Frank McKay also received, and retained, in 2003 remuneration of £22,013 in respect of his non-executive directorship of Luxfer Holdings plc. ³ Retired 31 December 2002.

Directors' pension entitlements

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

	J. P. Carter	P. N. Hampden Smith	F. J. McKay
Age at 31 December 2003	42	43	58
	£'000	£'000	£'000
Accrued pension at 31 December 2002	83	24	28
Accrued pension at 31 December 2003	110	26	57
Increase in accrued pension in 2003	27	2	29
Real increase in accrued pension in 2003	24	2	29
Transfer value of the real increase in accrued pension net of member's contributions	165	11	439
Value of increase in accrued benefit	172	16	454
Member's contributions towards pension	12	5	15
Increase in transfer value net of member's contributions	210	26	476
Transfer value of benefits accrued at 31 December 2002	556	157	414
Transfer value of benefits accrued at 31 December 2003	778	188	905

The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead, they represent a potential liability of the group pension scheme, and in the case of Frank McKay, the separate arrangements previously described.

Share options

The following options over ordinary shares have been granted under the 1984, the 1995 and the 2001 Executive Share Option Schemes and the Travis Perkins Sharesave Schemes 1992 and 2002 and remained outstanding at 31 December 2003:

Executive share options

Outstanding at 1 January 2003 No.	Granted during year No.	Lapsed during year No.	Exercised during year No.	Outstanding at 31 December 2003 No.	Exercise price	Exercise period
992	-	-	-	992	318.0p	Anytime until 17/4/04
992	-	-	-	992	348.5p	Anytime until 3/5/05
67,500	-	-	(35,000)	32,500	307.0p	Anytime until 12/6/05
496	-	-	-	496	364.5p	Anytime until 14/5/06
496	-	-	-	496	470.5p	Anytime until 6/5/07
155,757	-	-	(39,574)	116,183	571.5p	Anytime until 26/4/08
248	-	-	-	248	458.0p	Anytime until 5/5/08
992	-	-	-	992	385.5p	Anytime until 25/4/09
20,000	-	-	(20,000)	-	696.0p	-
20,000	-	-	(20,000)	-	563.5p	-
25,000	-	-	(10,000)	15,000	602.5p	Anytime until 7/9/10
20,000	-	-	-	20,000	550.0p	Anytime until 9/10/10
1,960,949	-	-	(23,000)	1,937,949	756.0p	From 4/7/04 until 3/7/11
335,122	-	-	(15,000)	320,122	1071.5p	From 10/4/05 until 9/4/12
-	385,797	-	-	385,797	1067.5p	From 11/4/06 until 10/4/13
2,608,544	385,797	-	(162,574)	2,831,767		

The performance criteria for the exercise of executive share options are disclosed on page 40 of the remuneration report.

Sharesave options

Outstanding at 1 January 2003 No.	Granted during year No.	Lapsed during year No.	Exercised during year No.	Outstanding at 31 December 2003 No.	Exercise price	Exercise period
*14,411	-	-	(14,411)	-	522.5p	-
2,820	-	-	(2,820)	-	366.5p	-
354,424	-	(5,309)	(325,315)	23,800	412.5p	Anytime until 31/5/04
12,683	-	-	(12,683)	-	229.5p	-
14,850	-	(558)	(14,292)	-	511.0p	-
308,691	-	(10,058)	(8,688)	289,945	511.0p	From 1/12/04 until 31/5/05
235,078	-	(10,298)	(212,377)	12,403	464.0p	Anytime until 31/5/04
340,677	-	(15,065)	(699)	324,913	464.0p	From 1/12/05 until 31/5/06
225,233	-	(25,269)	(312)	199,652	609.5p	From 1/12/04 until 31/5/05
241,373	-	(18,245)	(390)	222,738	609.5p	From 1/12/06 until 31/5/07
293,120	-	(34,761)	(455)	257,904	847.5p	From 1/12/05 until 31/5/06
246,521	-	(16,550)	(218)	229,753	847.5p	From 1/12/07 until 31/5/08
-	283,096	(3,513)	-	279,583	1079.0p	From 1/12/06 until 31/5/07
-	178,696	(351)	-	178,345	1079.0p	From 1/12/08 until 31/5/09
2,289,881	461,792	(139,977)	(592,660)	2,019,036		

*Restated for the omission of 3,574 shares at 31 December 2002.

Directors share options included within the previous tables

	Outstanding at 1 January 2003 No.	Granted during year No.	Outstanding at 31 December 2003 No.	Exercise price	Exercise period
J. P. Carter	39,351	-	39,351	756.0p	From 4 /7/04 until 3/7/11
	29,398	-	29,398	1071.5p	From 10/4/05 until 9/4/12
	4,090	-	4,090	412.5p	Anytime until 31/5/04*
	-	32,786	32,786	1067.5p	From 11/4/06 until 10/4/13
P. N. Hampden Smith	30,000	-	30,000	571.5p	Anytime until 26/4/08
	39,351	-	39,351	756.0p	From 4/7/04 until 3/7/11
	31,031	-	31,031	1071.5p	From 10/4/05 until 9/4/12
	1,589	-	1,589	609.5p	From 1/12/04 until 31/5/05*
	-	40,983	40,983	1067.5p	From 11/4/06 until 10/4/13
F. J. McKay	79,365	-	79,365	756.0p	From 4/7/04 until 3/7/11
	60,662	-	60,662	1071.5p	From 10/4/05 until 9/4/12
	-	79,625	79,625	1067.5p	From 11/4/06 until 10/4/13
	1,115	-	1,115	847.5p	From 1/12/07 until 31/5/08*
	315,952	153,394	469,346		

No director's share options were exercised or lapsed during the year. * Sharesave options.

At 31 December 2003, in addition to the directors, there were 210 employees (2002: 201) who had holdings of executive share options and 3,231 employees (2002: 2,940) who were participating in the Sharesave Scheme.

SHAREHOLDERS' APPROVAL

The shareholders will be invited to approve the remuneration policy set out in this report at the Annual General Meeting, at which the chairman of the committee will be available to answer any questions.

Approved by the board and signed on its behalf by:

Peter Maydon

Chairman, Remuneration Committee.

5 March 2004

Nominations committee report

For the year ended 31 December 2003

The Nominations Committee was established in July 2003, board appointments having previously been dealt with by a combined Remuneration & Nominations Committee. Its principal role is to identify and nominate for board approval, candidates to fill board vacancies as and when they arise. It is required to prepare a description of the role, and capabilities required, for any appointment, and to maintain contact with major shareholders about appointments to the board. It also reviews the induction process for newly appointed directors, reviews annually the time required of non-executive directors, keeps the structure, size and composition of the board under review, and considers board succession planning for both executive and non-executive directors. During the year, the committee members were Tim Stevenson (chairman), together with Peter Maydon and Charles Fisher, the first two of whom are independent non-executive directors. It is anticipated that Charles Fisher will retire from the board at the conclusion of the Annual General Meeting, following which it is intended that Ted Adams and Chris Bunker will become members of the committee.

During the year, the committee formulated a recommendation to the board for the appointment of a further non-executive director, following which Chris Bunker was appointed on 14 January 2004. A description of the capabilities required for this appointment was agreed by the committee. Recruitment consultants, Ian Jones & Partners, were engaged to assist the committee and a number of candidates were identified by them, and interviewed by the committee and by other directors.

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

Directors' report

For the year ended 31 December 2003

The directors present their annual report and audited accounts for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activities of the group are the marketing and distribution of timber, building and plumbing and heating materials and the hiring of tools to the building trade and industry generally within the United Kingdom.

REVIEW OF GROUP'S POSITION, DEVELOPMENTS AND FUTURE PROSPECTS

A review of the group's position, developments and future prospects is contained in the chairman's statement on pages 4 and 5, the chief executive's review on pages 8 to 11 and the finance director's report on pages 14 to 17.

RESULTS AND DIVIDENDS

The group results and dividends for the year ended 31 December 2003 are set out on page 50. If approved, the final dividend will be paid on 17 May 2004 to those shareholders on the register on 23 April 2004.

DIRECTORS AND THEIR INTERESTS

The names of the directors at 31 December 2003 together with their biographical details are set out on pages 32 and 33. All of those directors held office throughout the year. Chris Bunker was appointed as a non-executive director on 14 January 2004.

In accordance with the company's articles of association, Paul Hampden Smith, Frank McKay and Tim Stevenson will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Paul Hampden Smith and Frank McKay each has a rolling 12 month notice period in his service contract. As a non-executive director, Tim Stevenson does not have a service contract. In light of the evaluation of the performance of the chairman referred to on page 35, Peter Maydon, the senior independent director, confirms on behalf of the board that Tim Stevenson continues to be effective in, and committed to, his role as chairman.

In accordance with the company's articles of association, Chris Bunker, who has been appointed as a director since the last annual general meeting, will retire at the forthcoming annual general meeting and being eligible will offer himself for election. As a non executive director, Chris Bunker does not have a service contract.

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

The disclosable interests of directors at 31 December 2003, including holdings, if any, of wives and of children aged under 18, were as detailed in the Remuneration Report on pages 42 and 44.

SUBSTANTIAL SHAREHOLDERS

At 5 March 2004, the only substantial interests in the company's issued share capital (representing, 3 per cent or more of such share capital), notified to the company were as follows:

Mr. E. R. A. Travis	9,686,270 shares	Beneficial and non-beneficial	8.54 per cent
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CLOSE COMPANY STATUS

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

EMPLOYEES, DISABLED PERSONS AND CHARITABLE DONATIONS

Statements on these matters are contained in the corporate social responsibility report on pages 27 and 30.

SUPPLIER PAYMENT POLICY

The group's policy is to pay all of its suppliers in accordance with established terms. Group trade creditors at 31 December 2003 represent 48.6 days (31 December 2002: 46.1 days) of average purchases of goods and services. The company has no trade creditors.

ANNUAL GENERAL MEETING SPECIAL BUSINESS

The annual general meeting of the company will be held at Lord's Conference and Banqueting Centre, St. John's Wood Road, London NW8 8QN on Wednesday 28 April 2004 at 11.45 am.

The following items are to be proposed at the forthcoming annual general meeting as items of special business.

Resolution 8: report of remuneration committee

In accordance with the Directors' Remuneration Report Regulations 2002, this resolution seeks shareholders' approval of the report of the Remuneration Committee set out on pages 39 to 44.

Resolution 9: executive share option scheme 2001

This resolution seeks shareholders' approval to amend the rules of the Executive Share Option Scheme 2001 so that options may be granted to executives up to six months from retirement age. Further details are given in the letter from the chairman to shareholders dated 17 March 2004.

Resolution 10: share matching scheme 2004

This resolution seeks shareholders' approval to the proposed Share Matching Scheme which is summarised on page 40 and further details of which are given in the letter from the chairman to shareholders dated 17 March 2004.

Resolution 11: renewal of authority to allot shares

Under the Companies Act 1985 the board is not able to allot shares except with the general or specific authority of shareholders. Resolution 11 renews the board's authority to issue share capital up to an aggregate nominal amount of £2,157,802 (being the lesser of the company's authorised but unissued share capital and one third of its issued share capital). This represents 19.02 per cent of the issued ordinary share capital of the company as at 5 March 2004. The authority extends until the earlier of the conclusion of the next annual general meeting and the date fifteen months from the passing of this resolution. The board does not have any present intention of exercising this authority other than for the purposes of the company's employee share option schemes. The company does not hold any treasury shares at 5 March 2004.

Resolution 12: limited authority to allot shares for cash

The Companies Act 1985 provides that, when equity securities are being issued for cash, such securities must first be offered pro rata to existing shareholders unless the board is given power to allot them without regard to that requirement. Resolution 12 therefore empowers the board to allot for cash, equity securities of a nominal amount not exceeding £567,110 (representing 5 per cent of the issued share capital as at 5 March 2004) without first offering such securities to existing ordinary shareholders. The authority extends until the earlier of the conclusion of the next annual general meeting and the date fifteen months from the passing of this resolution. Any issue of shares for cash will, however, still be subject to the requirements of the UK Listing Authority.

Resolution 13: authority to purchase own shares

Your directors believe that it is in the best interests of shareholders that the company should have the flexibility to make market purchases of its own shares (up to 10 per cent of the issued share capital). The effect of any such purchases (and the cancellation of such shares) would be to reduce the number of shares in issue and the directors would only make such purchases after consideration of the effect on earnings per share and the longer term benefits for the company and shareholders generally. The fact that such authority is being sought should not be taken to imply that shares would be purchased at any particular price or indeed at all. At 5 March 2004, there were options outstanding over 4,793,791 ordinary shares, representing 4.23 per cent of the company's issued ordinary share capital. This would rise to 4.7 per cent if the authority being sought to buy back shares were to be exercised in full and all of the repurchased shares were to be cancelled.

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming annual general meeting.

By order of the board



A. S. Pike Secretary 5 March 2004.

Statement of directors' responsibilities

For the year ended 31 December 2003

UK company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgments and estimates that are reasonable and prudent; and
- (iii) state whether applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Travis Perkins plc

For the year ended 31 December 2003

We have audited the financial statements of Travis Perkins plc for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in equity shareholders' funds, the analysis of actuarial gains and losses, accounting policies and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

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

We read the directors' report and the other information contained in the annual report, for the above year as described in the contents section, including

the unaudited part of the directors' remuneration report, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2003 and of the profit of the group for the year then ended; and
- the financial statements and the part of the directors' remuneration report described as having been audited, have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Nottingham

5 March 2004

Consolidated profit and loss account

For the year ended 31 December 2003

	Notes	Existing operations £m	Acquisitions £m	2003 Total £m	2002 £m
Turnover	1	1,644.6	33.7	1,678.3	1,417.5
Operating profit before amortisation of goodwill		190.2	1.2	191.4	158.2
Amortisation of goodwill		(15.3)	-	(15.3)	(12.1)
Operating profit after amortisation of goodwill	2	174.9	1.2	176.1	146.1
Profit on sale of properties		-	-	-	1.2
Profit on ordinary activities before interest and taxation		174.9	1.2	176.1	147.3
Net interest payable	5			(9.1)	(8.9)
Other finance costs	6			(4.3)	(0.8)
Profit on ordinary activities before taxation				162.7	137.6
Tax on profit on ordinary activities	7			(53.8)	(45.8)
Profit on ordinary activities after taxation				108.9	91.8
Equity dividends paid and proposed	8			(27.6)	(21.9)
Retained profit transferred to reserves	22			81.3	69.9
Earnings per ordinary share					
Basic	9			96.5p	81.9p
Diluted	9			95.2p	80.7p
Adjusted	9			110.0p	91.6p
Dividend per ordinary share	8			24.4p	19.5p

All results relate to continuing activities. The results disclosed in the group profit and loss account are not materially different from the results on an unmodified historical cost basis.

Balance sheets

As at 31 December 2003

	Notes	The Group		The Company	
		2003 £m	2002 £m	2003 £m	2002 £m
Fixed assets					
Tangible assets	10	284.7	258.2	0.1	0.1
Intangible assets - goodwill	11	285.7	249.9	-	-
Investments	12	4.3	4.6	553.5	493.0
		574.7	512.7	553.6	493.1
Current assets					
Stocks	13	178.1	152.1	-	-
Debtors	14	265.4	250.4	128.5	132.1
Properties held for resale	15	0.2	1.0	-	-
Short term investments - cash deposits		27.5	30.0	27.5	30.0
Cash at bank and in hand	16	6.4	-	-	-
		477.6	433.5	156.0	162.1
Creditors: amounts falling due within one year	17	(400.0)	(300.6)	(187.7)	(89.6)
Net current assets		77.6	132.9	(31.7)	72.5
Total assets less current liabilities					
		652.3	645.6	521.9	565.6
Creditors: amounts falling due after more than one year	18	(70.1)	(150.3)	(292.7)	(356.7)
Provisions for liabilities and charges	19	(20.1)	(14.1)	-	-
Net assets excluding pension deficit					
		562.1	481.2	229.2	208.9
Pension deficit	3	(85.1)	(85.8)	-	-
Net assets including pension deficit					
		477.0	395.4	229.2	208.9
Capital and reserves					
Called up share capital	21	11.3	11.3	11.3	11.3
Share premium account	22	69.4	65.7	68.3	64.6
Revaluation reserves	22	30.6	31.2	-	-
Profit and loss account	22	365.7	287.2	149.6	133.0

Statement of total recognised gains and losses

For the year ended 31 December 2003

	2003 £m	2002 £m
Profit attributable to shareholders of the company	108.9	91.8
Actuarial gains and losses recognised in the pension scheme	(2.7)	(91.2)
Deferred tax on pension deficit	(0.2)	27.0
Unrealised (loss)/surplus on revaluation of investment properties	(0.3)	0.1
Total gains recognised since last annual report	105.7	27.7

Analysis of actuarial gains and losses included in the statement of total recognised gains and losses

For the year ended 31 December 2003

	2003 £m	2002 £m
Difference between actual and expected return on scheme assets	14.7	(43.1)
Experience gains and losses arising on scheme liabilities	0.1	(15.4)
Effects of changes in assumptions underlying the present value of scheme liabilities	(17.5)	(32.7)
Total actuarial gains and losses recognised in the statement of total recognised gains and losses	(2.7)	(91.2)

Reconciliation of movements in equity shareholders' funds

For the year ended 31 December 2003

	2003 £m	2002 £m
Equity shareholders' funds at 1 January	395.4	386.8
Profit attributable to shareholders of the company	108.9	91.8
Dividends	(27.6)	(21.9)
Retained profit transferred to reserves	81.3	69.9
New share capital subscribed	3.5	2.8
Unrealised (loss)/surplus on revaluation of investment properties	(0.3)	0.1
Actuarial gains and losses (net of deferred tax)	(2.9)	(64.2)
Net increase in shareholders' funds	81.6	8.6
Equity shareholders' funds at 31 December	477.0	395.4

Consolidated cash flow statement

For the year ended 31 December 2003

	Notes	2003 £m	2002 £m
Net cash inflow from operating activities	27	230.8	179.8
Returns on investments and servicing of finance			
Interest received		0.7	0.7
Interest paid		(10.0)	(9.0)
Net cash outflow for returns on investments and servicing of finance		(9.3)	(8.3)
Taxation			
UK corporation tax paid		(50.9)	(42.7)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(49.4)	(35.4)
Receipts from sales of tangible fixed assets		2.5	3.0
Receipts from sale of own shares held		-	0.8
Net cash outflow for capital expenditure and financial investment		(46.9)	(31.6)
Acquisitions			
Purchase of business undertakings	30	(73.0)	(103.3)
Net cash/(overdrafts) acquired with business undertakings		0.7	(8.2)
Net cash outflow for acquisitions		(72.3)	(111.5)
Equity dividends paid			
		(23.7)	(20.0)
Cash inflow/(outflow) before use of liquid resources and financing		27.7	(34.3)
Management of liquid resources			
Cash inflow from/(outflow to) short term deposits	29	2.5	(30.0)
Financing			
Issue of ordinary share capital		3.5	2.8
New bank loans		-	50.0
Repayment of bank loans	29	(25.0)	(25.0)
Repayment of unsecured loan notes	29	(1.9)	(0.7)
Capital element of finance lease rentals	29	(0.1)	-
Net cash (outflow to)/inflow from financing		(23.5)	27.1
Increase/(decrease) in cash in the year	29	6.7	(37.2)

Accounting policies

For the year ended 31 December 2003

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are set out below. Compliance with SSAP19 “Accounting for Investment Properties” requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in note (f) below.

(a) Basis of accounting

The accounts have been prepared under the historical cost convention modified by the revaluation of certain freehold, leasehold and investment properties. The group has adopted the transitional rules within FRS 15, which allow it to maintain the carrying value of the revalued assets (excluding investment properties) at their modified cost.

(b) Basis of preparation

The consolidated financial statements consolidate the accounts of the company and all its subsidiaries.

The cost of acquisition represents the cash value of the consideration and/or the market value of the shares issued on the date the offer became unconditional, plus expenses. At the date of the acquisition an assessment is made of the fair value of the net assets. It is this fair value, which is incorporated into the consolidated accounts.

Any excess cost over the fair value of net assets represents goodwill. Prior to 1 January 1998, goodwill was written off directly to reserves as a matter of accounting policy. From 1 January 1998, in accordance with FRS10, goodwill is capitalised and amortised over its estimated useful life, which the directors consider to be 20 years.

(c) Depreciation

Depreciation is provided on tangible fixed assets on a straight line basis to write off the cost or valuation of those assets over their estimated useful lives. The principal rates of depreciation are:

Freehold buildings	Over the estimated useful life of the building
Leasehold property	Over the term of the lease
Fixed plant and equipment	10%-20% per annum
Mobile plant	12½% per annum
Motor vehicles	12½%-20% per annum
Computer installations	25% per annum
Tools and plant for hire	25% per annum

No depreciation is provided on freehold land or investment properties.

(d) Properties held for resale

Properties held for resale are surplus to the group’s requirements and are transferred to current assets and shown at the lower of cost and net realisable value. The appropriate transfer from revaluation reserves is offset against the value transferred from fixed assets. Profits on the sale of properties are calculated by deducting the amounts at which they were stated in the balance sheet from sale proceeds net of expenses.

(e) Investments

- (i) In the balance sheet of the parent company, investments in subsidiaries are stated at cost less amounts written off.
- (ii) Investments held as current assets are stated at the lower of cost and net realisable value.

(f) Investment properties

In accordance with SSAP19, investment properties are revalued at open market value annually by either independent professional third party valuers or the directors. The aggregate surplus or deficit is transferred to revaluation reserve, subject to individual impairments in value. No depreciation is provided in respect of investment properties.

However, the Companies Act 1985 requires that all properties should be depreciated. This requirement conflicts with the generally accepted accounting principle set out in SSAP 19.

The directors consider that these properties are not held for trading use but are held for their investment potential. It is therefore necessary to adopt SSAP 19 as to depreciate them would not give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of the many factors reflected in the annual valuation.

(g) Leases

(i) Finance leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges, which are amortised over each lease term to give a constant rate of charge on the balance of the obligation.

(ii) Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual instalments over the periods of the leases.

(h) Stocks

Stocks are valued at the lower of cost and net realisable value, with allowance being made for obsolete and slow moving items.

(i) Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale had been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the standard tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(j) Pension costs

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

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

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

Contributions to money purchase pension schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

(k) Financial instruments

Derivative instruments utilised by the group are interest rate swaps and forward exchange contracts. The group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the periods of the contracts.

Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction, unless matching forward foreign exchange contracts have been entered into, in which case the rate specified in the relevant contract is used. At the balance sheet date, unhedged monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date.

Notes to the accounts

For the year ended 31 December 2003

1. Turnover

Turnover represents sales of timber, building and plumbing supplies and equipment rental (excluding VAT) to customers of the group in the United Kingdom.

2. Operating profit after amortisation of goodwill

	Existing operations	Acquisitions	2003 Total £m	2002 Total £m
Turnover	1,644.6	33.7	1,678.3	1,417.5
Cost of sales	(1,130.5)	(25.8)	(1,156.3)	(975.7)
Gross profit	514.1	7.9	522.0	441.8
Selling and distribution costs	(271.5)	(5.4)	(276.9)	(229.1)
Administrative expenses	(69.5)	(1.3)	(70.8)	(67.7)
Other operating income	1.8	-	1.8	1.1
Operating profit after amortisation of goodwill	174.9	1.2	176.1	146.1

	2003 £m	2002 £m
Items included above but not disclosed elsewhere:		
Depreciation and other amounts written off		
tangible and intangible fixed assets	(42.2)	(34.0)
Loss on sale of plant and equipment	-	(0.3)
Rental income	1.4	1.4
Hire of vehicles, plant and machinery	(8.8)	(9.7)
Other leasing charges – property	(18.1)	(14.9)
Group audit fee (company audit fee: £16,650; 2002 £16,320)	(0.2)	(0.2)
Other amounts paid to Auditors – taxation compliance	(0.1)	(0.1)
Other amounts paid to Auditors – taxation advisory	(0.1)	(0.1)

3. Pension arrangements

Defined benefit scheme

During the year, the group operated one final salary scheme: the Travis Perkins Pensions and Dependants Benefit Scheme (the “Group Scheme”), the assets of which were held in a separate trustee administered fund, funded by contributions from the group companies and the employees.

Contributions are paid to the trustees on the basis of advice from an independent professionally qualified actuary who carries out a valuation of each scheme every three years.

A full actuarial valuation of the Group Scheme was carried out on 30 November 2002, then updated to 31 December 2003 by a qualified actuary.

(a) The major assumptions used by the actuary were (in nominal terms):

	At 31 December 2003	At 31 December 2002	At 31 December 2001
Rate of increase in salaries	3.8%	3.8%	4.0%
Rate of increase of pensions in payment	2.8% (post 1997)	2.3% (post 1997)	2.5% (post 1997)
	3.0% (pre 1997)	3.0% (pre 1997)	3.0% (pre 1997)
Discount rate	5.4%	5.5%	5.9%
Inflation assumption	2.8%	2.3%	2.5%

(b) The assets in the scheme and the expected rate of return (net of allowance for administration expenses) were:

	At 31 December 2003		At 31 December 2002		At 31 December 2001	
	Expected return	£m	Expected return	£m	Expected return	£m
Equities	7.30%	149.5	7.30%	126.0	6.90%	152.9
Bonds	4.60%	22.3	4.30%	14.6	4.85%	22.5
Corporate bonds	5.10%	20.9	5.30%	8.0	-	-
Total fair value of assets		192.7		148.6		175.4
Actuarial value of liability		(314.3)		(271.1)		(207.8)
Deficit in the scheme		(121.6)		(122.5)		(32.4)
Related deferred tax asset		36.5		36.7		9.7
Net pension liability		(85.1)		(85.8)		(22.7)

Included in equities and bonds at 31 December 2001 were £6.6 million and £0.8 million respectively of cash held by investment managers, which were fully invested in equities and bonds in those amounts on 10 January 2002.

(c) Analysis of amount charged to operating profit	2003	2002
	£m	£m
Current service cost	10.3	7.1
(d) Movement in scheme deficit during year	2003	2002
	£m	£m
Deficit at 1 January	(122.5)	(32.4)
Current service cost	(10.3)	(7.1)
Contributions	18.2	9.0
Other finance costs	(4.3)	(0.8)
Actuarial loss	(2.7)	(91.2)
Deficit at 31 December	(121.6)	(122.5)
(e) Other pension costs	2003	2002
	£m	£m
Current service costs charged to the profit and loss account	10.3	7.1
Other finance costs	4.3	0.8
Total amount recognised in the statement of total recognised gains and losses	2.7	91.2
Total pension costs	17.3	99.1

(f) History of experience gains and losses	2002	2002	2001
Difference between the expected and the actual return on scheme assets			
Amount	£14.7m	£(43.1)m	£(37.7)m
Percentage of scheme assets	7.6%	29.0%	21.5%
Experience gains and losses on scheme liabilities			
Amount	£0.1m	£(15.4)m	£(1.5)m
Percentage of the present value of scheme liabilities	-	5.7%	0.7%
Effect of changes in assumptions underlying the present value of scheme liabilities			
Amount	£(17.5)m	£(32.7)m	£(4.4)m
Percentage of the present value of scheme liabilities	5.6%	12.1%	2.1%
Total amount recognised in the Statement of Total Recognised Gains and Losses			
Amount	£(2.7)m	£(91.2)m	£(43.6)m
Percentage of the present value of scheme liabilities	0.9%	33.6%	21.0%

(g) Change in assumptions

Of the change in assumptions loss of £(17.5) million, £10.2 million reflects the reduction in the real salary increase assumption and £(22.0) million reflects the change in inflation assumption, the remainder is due to the discount rate change.

Defined contribution schemes

There are five small defined contribution schemes in the group. Contributions in the year were £0.1 million (2002: £0.1 million).

4. Information regarding employees and directors

(a) Average number of persons employed	No.	No.
Sales	6,868	6,378
Distribution	1,347	1,217
Administration	984	902
	9,199	8,497
(b) Staff costs		
Wages and salaries	(174.4)	(153.8)
Social security costs	(16.2)	(12.6)
Other pension costs	(10.4)	(7.2)

Disclosures on directors share options, remuneration, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 1985 and those specified for audit by the Financial Services Authority are shown on pages 42 to 44 within the Remuneration Report on pages 39 to 44 and form part of these audited financial statements.

5. Net interest payable

	2003	2002
	£m	£m
Interest on overdrafts and short term loans repayable within 5 years	(9.1)	(9.0)
Interest on unsecured loans	(0.6)	(0.6)
Total interest payable	(9.7)	(9.6)
Interest receivable and similar income	0.6	0.7
Net interest payable	(9.1)	(8.9)

Interest cover is 21 times (2002: 18 times). It is calculated by dividing operating profit before goodwill amortisation by the net interest payable (excluding other finance costs).

6. Other finance costs	2003	2002
	£m	£m
Expected return on scheme assets	10.8	11.5
Interest on pension liabilities	(15.1)	(12.3)
Net cost	(4.3)	(0.8)

7. Tax on profit on ordinary activities	2003	2002
	£m	£m
(a) Tax charges		
Current tax		
UK corporation tax at 30% - current year	51.7	44.8
- prior year	(0.1)	-
Total current tax	51.6	44.8
Deferred tax at 30%		
Origination and reversal of timing differences	2.2	1.0
Total deferred tax	2.2	1.0
Total tax on profit on ordinary activities	53.8	45.8

(b) Tax reconciliation

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2003	2002
	£m	£m
Group profit on ordinary activities before tax		
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30%	48.8	41.3
Effects of:		
Net expenses not deductible for tax purposes (principally goodwill amortisation)	5.1	5.4
Capital allowances in excess of depreciation	(1.1)	(1.8)
Rollover relief on profit on disposal of property	-	(0.3)
Other timing differences	(1.1)	0.2
Prior period adjustment	(0.1)	-
Group current tax charge for year	51.6	44.8

Deferred tax of £10.3m (2002: £10.0m) has not been provided on revalued fixed assets and fixed assets subject to rollover relief. At present, it is not envisaged that any tax will become payable in the foreseeable future.

The group's planned level of capital investment is expected to remain at similar levels. Therefore, it expects to be able to claim capital allowances in excess of depreciation in future years, at a similar level to the current year.

The taxation charge is based on profit before tax for the year at the UK standard rate. There is no tax charge on profits on disposal of properties due to claims for rollover relief for which no deferred taxation provision has been made, or a tax credit in respect of the amortisation of goodwill.

8. Equity dividends

	2003	2002
	£m	£m
Interim 7.6 pence per share (2002: 6.1 pence per share)	8.6	6.8
Proposed final 16.8 pence per share (2002: 13.4 pence per share)	19.0	15.1
	27.6	21.9

Travis Perkins Quest Trustees Limited has waived its right to the dividend payable other than 0.01 pence on each ordinary share it holds in the parent company.

9. Earnings per ordinary share

(a) Basic earnings per ordinary share	2003	2002
Basic earnings per ordinary share are calculated from the following ratio:		
Profit on ordinary activities after taxation	£108.9m	£91.8m
Average number of shares in issue	112,782,720	112,177,252

(b) Diluted earnings per ordinary share	2003	2002
Diluted earnings per ordinary share are calculated from the following ratio:		
Profit on ordinary activities after taxation	£108.9m	£75.0m
Average number of shares including outstanding options	114,359,686	113,835,241

The difference in the average number of shares in issue used as the denominator for the calculations of basic and diluted earnings per share is due to the premium element of share options still outstanding at the end of each financial period, based on the average mid-market price for that year. The adjustment to the number of shares is:

	2003	2002
	No.	No.
Premium element of share options based on average mid-market share price for the year	1,576,966	1,657,989

(c) **Adjusted earnings per ordinary share**

Adjusted earnings per ordinary share are calculated based upon earnings before amortisation of goodwill and profit on the sale of properties and are presented in addition to the basic earnings per share calculated in accordance with FRS 3 and FRS 14 since, in the opinion of the directors, this presents a better like-for-like comparison of the earnings of the group between the relevant periods.

Basic earnings per share may be reconciled to adjusted earnings per share (before amortisation of goodwill and profit on the sale of properties) as follows:

	2003	2002
Adjusted earnings per ordinary share	110.0p	91.6p
Amortisation of goodwill	(13.5)p	(10.8)p
Profit on sale of properties	-	1.1p
Basic earnings per ordinary share	96.5p	81.9p

10. Tangible fixed assets

	The Group				The Company	
	Freehold £m	Long leases £m	Short leases £m	Plant and equipment £m	Total £m	Total ¹ £m
Cost or valuation						
At 1 January 2003	159.9	14.3	7.6	162.8	344.6	0.4
Additions	5.2	2.4	2.5	39.3	49.4	-
Additions from acquired businesses	2.2	-	-	3.5	5.7	-
Disposals	-	-	(0.1)	(14.2)	(14.3)	(0.1)
At 31 December 2003	167.3	16.7	10.0	191.4	385.4	0.3
Accumulated depreciation						
At 1 January 2003	8.7	1.0	1.2	75.5	86.4	0.3
Charged this year	3.3	0.3	0.6	22.7	26.9	-
Disposals	-	-	(0.1)	(12.5)	(12.6)	(0.1)
At 31 December 2003	12.0	1.3	1.7	85.7	100.7	0.2
Net book value						
At 31 December 2003	155.3	15.4	8.3	105.7	284.7	0.1
At 31 December 2002	151.2	13.3	6.4	87.3	258.2	0.1

¹ Total company fixed assets comprise plant and equipment only.

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	78.6	6.2	2.6	-	87.4	-
At cost	88.7	10.5	7.4	191.4	298.0	0.3
	167.3	16.7	10.0	191.4	385.4	0.3

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 £69.4 million (2002: £68.7 million) which is not depreciated.

The net book value of plant and equipment includes approximately £0.2 million (2002: £0.4 million) within the group figures and £nil (2002: £nil) within the company figures in respect of assets held under finance leases.

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	158.3	15.6	14.9	191.4	380.2	0.3
Accumulated depreciation	(31.5)	(2.2)	(5.0)	(85.7)	(124.4)	(0.2)
Net book value						
At 31 December 2003	126.8	13.4	9.9	105.7	255.8	0.1
At 31 December 2002	122.3	11.4	8.0	87.3	229.0	0.1

11. Intangible assets - goodwill

	The Group
Cost	£m
At 1 January 2003	287.2
Acquisitions in the current year	51.1
At 31 December 2003	338.3
Accumulated amortisation	
At 1 January 2003	37.3
Provided in the year	15.3
At 31 December 2003	52.6
Net book value	
At 31 December 2003	285.7
At 31 December 2002	249.9

12. Fixed asset investments

	The Group		The Company	
	2003	2002	2003	2002
	£m	£m	£m	£m
Shares in group undertakings	-	-	558.1	497.6
Investment properties	4.3	4.6	-	-
	4.3	4.6	558.1	497.6
Provision for impairment	-	-	(4.6)	(4.6)
	4.3	4.6	553.5	493.0

(a) The principal operating subsidiaries whose results and assets affect the results and assets of the group are:

Subsidiary	Registered office
Travis Perkins Trading Company Limited (Builders merchants)	Lodge Way House, Harlestone Road, Northampton, NN5 7UG.
Keyline Builders Merchants Limited (Builders merchants)	Southbank House, 1 Strathkelvin Place, Kirkintilloch, Glasgow G66 1HX.
Travis Perkins (Properties) Limited (Property management company)	Lodge Way House, Harlestone Road, Northampton, NN5 7UG.
City Plumbing Supplies Holdings Limited (Plumbers merchants)	47 Endless Street, Salisbury, SP1 3UH.
CCF Limited (Ceiling and dry lining distribution)	Lodge Way House, Harlestone Road, Northampton, NN5 7UG.
Jayhard Limited (Plumbers merchants)	Atlantic Works, Oakley Road, Shirley, Southampton, SO16 4LL.
B & C (Plumbing & Heating) Limited (Plumbers merchants)	Ashby House, 64 High Street, Walton on Thames, KT12 1BW.

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

All subsidiaries of the group are 100 per cent owned. Each company is registered and incorporated in England and Wales, other than Keyline Builders Merchants Limited, which is registered and incorporated in Scotland, and City Investments Limited, which is registered and incorporated in Guernsey.

(b) Additional information in respect of movements in fixed asset investments:

	The Group	The Company
	Investment properties	Shares in group undertakings
	£m	£m
At 1 January 2003	4.6	493.0
Revaluation	(0.3)	-
Acquired during the year	-	60.5
At 31 December	4.3	553.5

(c) At 31 December 2003, the directors revalued the investment properties at their open market value.

(d) The comparable net book value for investment properties determined according to the historical cost convention as at 31 December 2003 is £0.8 million (2002: £0.8 million). The amount of accumulated depreciation charged to arrive at these values is negligible.

13. Stocks

Stocks consist of goods for resale.

14. Debtors

	The Group		The Company	
	2003	2002	2003	2002
	£m	£m	£m	£m
Trade debtors	211.9	201.8	-	-
Amounts owed by subsidiaries	-	-	124.9	128.9
Other debtors	43.5	38.8	3.3	3.1
Prepayments and accrued income	10.0	9.8	0.3	0.1
	265.4	250.4	128.5	132.1

15. Properties held for resale

	The Group
	£m
At 1 January 2003	1.0
Disposals	(0.8)
At 31 December 2003	0.2

16. Cash at bank and in hand

Included within cash at bank and in hand was £0.7 million (2002: £0.7 million) held by employee related trusts. These funds can only be used to purchase ordinary shares in the company in order to satisfy obligations under the executive share option schemes and employee sharesave schemes as set out on pages 43 and 44 or to provide other benefits to employees.

17. Creditors: amounts falling due within one year

	The Group		The Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Bank overdrafts	-	0.3	73.5	33.2
Bank loans	80.0	25.0	80.0	25.0
Obligations under finance leases	0.1	-	-	-
Unsecured loan notes	12.2	14.1	12.2	14.1
Trade creditors	214.9	173.0	-	-
Corporation tax	25.9	25.3	-	-
Other taxation and social security	17.4	17.4	-	-
Other creditors	15.3	15.6	1.7	1.6
Accruals and deferred income	15.2	14.8	1.3	0.6
Dividends proposed	19.0	15.1	19.0	15.1
	400.0	300.6	187.7	89.6

18. Creditors: amounts falling due after more than one year

	The Group		The Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Bank loans	70.0	150.0	70.0	150.0
Obligations under finance leases	0.1	0.3	-	-
Amounts due to subsidiaries	-	-	222.7	206.7
	70.1	150.3	292.7	356.7

19. Provisions for liabilities and charges

	The Group		Total £m
	Deferred tax £m	Other provisions £m	
At 1 January 2003	7.9	6.2	14.1
Subsidiaries acquired	0.1	-	0.1
Charged to profit and loss account	2.2	5.9	8.1
Applied during year	-	(2.2)	(2.2)
At 31 December 2003	10.2	9.9	20.1

Other provisions relate principally to uninsured claims against the group where the final settlement date is uncertain.

The company has no provisions and no liability to deferred tax either provided or unprovided (2002: £nil).

19. Provisions for liabilities and charges continued

The provided and unprovided amounts of deferred taxation are:

	Provided		Unprovided	
	2003	2002	2003	2002
	£m	£m	£m	£m
Capital allowances in excess of depreciation	11.5	10.3	-	-
Sale of properties	-	-	10.3	10.0
Investment revaluation reserve	-	-	0.3	0.4
Other timing differences	(1.3)	(2.4)	-	-
Capital losses	-	-	(0.4)	(0.4)
	10.2	7.9	10.2	10.0

20. Financial instruments

A summary of the group policies and strategies with regard to financial instruments can be found in the finance director's report on pages 16 and 17.

The disclosures below exclude short term debtors, creditors and pension scheme surpluses and deficits.

(a) Interest rate profile of financial assets and liabilities

The interest rate exposures of the group financial assets and liabilities as at 31 December 2003, all of which are denominated in sterling, were as follows:

	Floating		Fixed		Total	
	2003	2002	2003	2002	2003	2002
	£m	£m	£m	£m	£m	£m
Borrowings	(162.4)	(79.7)	-	(110.0)	(162.4)	(189.7)
Cash at bank, in hand and deposits	33.9	30.0	-	-	33.9	30.0
	(128.5)	(49.7)	-	(110.0)	128.5	(159.7)

Cash at bank, in hand and deposits earn interest at floating rates, based principally on short term inter-bank rates. Floating rate borrowings bear interest based on short term inter-bank rates, being LIBOR (applicable to periods of 6 months or less).

The company held a £110m interest rate swap which expired on 12 November 2003. The aggregate market value of the swap at 31 December 2002 was £1.8 million loss.

Loan notes of £7.9 million issued in 1999 in respect of the Sharpe & Fisher acquisition remain outstanding at 31 December 2003. Interest on these loan notes is determined at 6 monthly intervals on 31 January and 31 July each year when interest is set at 0.5 per cent below LIBOR. The interest rate was 2.93 per cent during January 2004 and has been set at 3.76 per cent between 1 February and 31 July 2004.

Loan notes of £3.7 million issued as part of the consideration for the acquisition of the business of Broombys Limited, remain outstanding at 31 December 2003. Interest on these loan notes is determined at 6 monthly intervals on 31 January and 31 July each year when interest is set at base rate subject to a minimum of 6 per cent. The interest rate has been set at 6.0 per cent between 1 January 2004 and 30 June 2004.

£0.6 million of loan notes issued during 2002 in respect of the Joseph Sparks and Son Limited acquisition remain outstanding as of 31 December 2003. Interest is payable on 31 March each year at a rate of 0.5 per cent below base rates.

No borrowings are at fixed rates. The weighted average fixed rate for 2004 was nil per cent (2003: 5.7 per cent and the weighted average period over which this rate applied was 11 months).

(b) Currency exposure

At 31 December 2003, the group had placed unfulfilled orders denominated in foreign currency (principally US dollars) with suppliers to the value of £3.5 million. In addition it had short term foreign currency (principally by US dollars and Euro) trade creditors totalling £1.5 million.

As at 31 December 2003 and 31 December 2002, the group had no currency contracts, including hedging.

(c) Maturity of financial liabilities

	Bank loans and overdrafts		Other borrowings		Total	
	2003 £m	2002 £m	2003 £m	2002 £m	2003 £m	2002 £m
(i) The Group						
Borrowings repayable:						
Within 1 year	80.0	25.3	12.3	14.1	92.3	39.4
More than 1 year but not more than 2 years	55.0	80.0	0.1	0.3	55.1	80.3
More than 2 years but not more than 5 years	15.0	70.0	-	-	15.0	70.0
Total borrowings	150.0	175.3	12.4	14.4	162.4	189.7

	Bank loans and overdrafts		Other borrowings		Total	
	2003 £m	2002 £m	2003 £m	2002 £m	2003 £m	2002 £m
(ii) The Company						
Borrowings repayable:						
Within 1 year	153.5	58.2	12.2	14.1	165.7	72.3
More than 1 year but not more than 2 years	55.0	80.0	-	-	55.0	80.0
More than 2 years but not more than 5 years	15.0	70.0	-	-	15.0	70.0
Total borrowings	223.5	208.2	12.2	14.1	235.7	222.3

There are cross-guarantees on the overdrafts between group companies.

The loan notes of £7.9 million issued in 1999 to acquire Sharpe & Fisher can be redeemed on 1 January and 1 July each year, the final redemption date being 1 January 2010. The £3.7 million of loan notes issued for the acquisition of the business of Broombys Limited are redeemable on 30 June and 31 December each year until the final redemption date of 30 June 2015. The loan notes of £0.6 million issued for the acquisition of Joseph Sparks and Son Limited are redeemable on 30 September each year with the final redemption date of 31 March 2005.

The principal bank loans, which are in the name of Travis Perkins plc, have been guaranteed by the companies listed in Note 11(a).

The finance leases are secured on the assets to which they relate.

20. Financial instruments continued

(d) Borrowing facilities

The group has various undrawn borrowing facilities available at 31 December 2003 in respect of which all conditions had been met:

	Overdrafts	Committed	Total
Borrowings expiring:	£m	£m	£m
Within 1 year	54.0	50.0	104.0

The fair values of financial assets and financial liabilities are as follows :

	Book value		Fair value	
	2003	2002	2003	2002
	£m	£m	£m	£m
Cash at bank, in hand and deposits	33.9	30.0	33.9	30.0
Overdrafts	-	(0.3)	-	(0.3)
Loans (including finance leases)	(150.2)	(175.3)	(150.2)	(175.3)
Interest rate swaps	-	-	-	(1.8)
Loan notes	(12.2)	(14.1)	(12.2)	(14.1)
	(128.5)	(159.7)	(128.5)	(161.5)

Market value was used to determine the fair value of the interest rate swaps in 2002. The fair value of all other items has been calculated by discounting expected cash flows at prevailing rates at 31 December. There are no material differences between book and fair values on this basis.

21. Called up share capital

Ordinary shares of 10p	Authorised		Allotted	
	No.	£m	No.	£m
At 1 January 2003	135,000,000	13.5	112,632,018	11.3
Allotted under share option schemes	-	-	755,234	-
At 31 December 2003	135,000,000	13.5	113,387,252	11.3

The net contribution received for the issue of shares during the year was £3.5 million.

Details of the share option schemes are given in the Remuneration Report on pages 40, 43 and 44.

22. Reserves

(a) The Group	Non-distributable revaluation reserve		Share premium account £m	Retained profits £m	Total reserves £m
	Investment property £m	Trading property £m			
	At 1 January 2003	3.8			
Retained profit for the year	-	-	-	81.3	81.3
Actuarial loss recognised	-	-	-	(2.9)	(2.9)
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	(0.3)	-	0.3	-
Revaluation of investment properties	(0.3)	-	-	-	(0.3)
Issue of shares	-	-	3.7	(0.2)	3.5
At 31 December 2003	3.5	27.1	69.4	365.7	465.7

	2003 £m	2002 £m
Profit and loss account reserve excluding pension deficit	450.8	373.0
Pension deficit	(85.1)	(85.8)
Profit and loss account reserve including pension deficit	365.7	287.2

The cumulative total of goodwill written off directly to reserves for acquisitions from 23 December 1989 to 31 December 1998 is £40.1 million. The aggregate information for the accounting periods prior to this period is not available.

(b) The Company	Share premium account £m	Retained profits £m	Total reserves £m
At 1 January 2003	64.6	133.0	197.6
Retained profit for the year	-	16.6	16.6
Issue of shares	3.7	-	3.7
At 31 December 2003	68.3	149.6	217.9

23. Profit of parent company

As permitted by s230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements.

	2003 £m	2002 £m
Group profit dealt with in the parent company accounts:		
Trading loss	(7.4)	(7.3)
Group dividends receivable	51.6	43.1
	44.2	35.8
Dividends payable to shareholders	(27.6)	(21.9)
Retained profit for the year	16.6	13.9

24. Operating lease commitments

At 31 December 2003, the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2003	2002	2003	2002
	£m	£m	£m	£m
Leases which expire:				
Within 1 year	0.5	0.4	0.4	0.4
More than 1 year but not more than 2 years	0.5	0.2	0.4	0.4
More than 2 years but not more than 5 years	1.5	-	0.1	0.4
After 5 years	16.4	12.8	-	-
	18.9	13.4	0.9	1.2

25. Capital commitments

	The Group		The Company	
	2003	2002	2003	2002
	£m	£m	£m	£m
Contracted for but not provided in the accounts	8.2	7.9	-	-

26. Related party transactions

Certain directors of the company have made purchases from group companies during the year. These transactions were on normal arms length terms at prices that were available to any member of staff. Total purchases did not exceed £1,500 for any individual director other than F. J. McKay (£8,322), P. N. Hampden Smith (£4,603) and C. M. Fisher (£3,567) during the year ended 31 December 2003. The total balance outstanding at 31 December 2003 did not exceed £1,500 for any director, except for F. J. McKay (£4,027). The board of directors, excluding the relevant director in each case, are of the opinion that none of these transactions are material to either the company or the specific director in each case. In addition, interest of £44,691 was payable in respect of loan notes issued when Sharpe & Fisher plc was acquired, in which C. M. Fisher has an interest.

27. Reconciliation of operating profit to net cash inflow from operating activities

	2003	2002
	£m	£m
Operating profit after amortisation of goodwill	176.1	146.1
Depreciation charges	26.9	21.9
Amortisation of goodwill	15.3	12.1
Loss on sale of fixed assets	-	0.3
Increase in stocks	(10.8)	(0.9)
(Increase)/decrease in debtors	(0.4)	4.2
Increase/(decrease) in creditors	23.7	(3.9)
Net cash inflow from operating activities	230.8	179.8

28. Reconciliation of net cash flow to movement in net debt

	2003	2002
	£m	£m
Increase/(decrease) in cash in year	6.7	(37.2)
Cash outflow to repay/(inflow from) debt	27.0	(24.3)
Cash (inflow from)/outflow to (decrease)/increase liquid resources	(2.5)	30.0
Change in net cash resulting from cash flows	31.2	(31.5)
Non-cash changes	-	(2.1)
Movement in net debt in year	31.2	(33.6)
Net debt at 1 January	(159.7)	(126.1)
Net debt at 31 December	(128.5)	(159.7)

29. Analysis of movements in cash, short term deposits and debt

	At 1 January 2002 £m	Cash flow £m	Other non-cash changes £m	At 31 December 2002 £m	Cash flow £m	At 31 December 2003 £m
Cash on call	37.0	(37.0)	-	-	6.4	6.4
Bank overdraft	(0.1)	(0.2)	-	(0.3)	0.3	-
	36.9	(37.2)	-	(0.3)	6.7	6.4
Short term deposits	-	30.0	-	30.0	(2.5)	27.5
Cash in balance sheet	36.9	(7.2)	-	29.7	4.2	33.9
Finance leases	(0.2)	-	(0.1)	(0.3)	0.1	(0.2)
Bank loan	(150.0)	(25.0)	-	(175.0)	25.0	(150.0)
Unsecured loan notes	(12.8)	0.7	(2.0)	(14.1)	1.9	(12.2)
Net (debt) / cash	(126.1)	(31.5)	(2.1)	(159.7)	31.2	(128.5)

30. Purchase of business undertakings

During the year the group acquired 12 limited companies and the assets of 5 other businesses, details of which on an individual basis are not material to the financial statements. All the acquisitions were accounted for using the acquisition method of accounting.

On acquisition, the value of the assets of each business have been reviewed and where appropriate, been revalued to their fair values based on either an independent valuation or a value based on group accounting policies. These fair value and accounting policy alignments, that are included below, are based on the best information available currently and as such are provisional for all businesses acquired during the year ended 31 December 2003. Further adjustments may be necessary during 2004 when additional information is available.

	Book value acquired £m	2003 Fair value adjustments £m	Fair value acquired £m	2002 Fair value acquired £m
Net assets acquired				
Tangible fixed assets	5.8	(0.1)	5.7	20.0
Stock	15.2	-	15.2	18.5
Debtors	14.6	-	14.6	38.9
Cash	4.6	-	4.6	1.4
Creditors	(14.2)	-	(14.2)	(36.3)
Taxation	-	-	-	(1.7)
Bank overdrafts	(3.9)	-	(3.9)	(9.6)
Deferred tax	(0.1)	-	(0.1)	(0.6)
	22.0	(0.1)	21.9	30.6
Goodwill			51.1	74.7
			73.0	105.3
Satisfied by:				
Cash			73.0	103.3
Loan notes			-	2.0
			73.0	105.3

30. Purchase of business undertakings continued

	Fair value acquired	Goodwill	Cash paid	Net (cash)/overdrafts acquired	Enterprise value
	£m	£m	£m	£m	£m
Jayhard Limited	5.5	17.4	22.9	3.6	26.5
B & G (Plumbing and Heating) Limited	5.8	20.7	26.5	(3.0)	23.5
Other	10.6	13.0	23.6	(1.3)	22.3
	21.9	51.1	73.0	(0.7)	72.3

With the exception of Jayhard Limited (“Jayhard”), acquired on 1 August 2003, and B & G (Plumbing & Heating) Limited (“B & G”), acquired on 1 October 2003, which remain trading, on the day following completion, the trade and assets of each acquired company were transferred into either Travis Perkins Trading Company Limited (“TPTC”) or City Plumbing Supplies Holdings Limited (“CPS”). The acquired subsidiary companies are now dormant.

The individual results and cash flow effects of these businesses are not sufficiently material to warrant separate disclosure. With the exception of Jayhard and B & G the acquired branches have now been fully integrated into either TPTC’s or CPS’s accounting systems. As such, the directors are unable to calculate meaningful cash flow effects of each of the other acquired business’ for the period of Travis Perkins’ ownership without incurring undue expense and delay. The cashflow effects of Jayhard and B & G are not considered material.

For the 13 months ended 30 September 2003, B&G’s profit after tax was £1.6 million. For the year ended 30 June 2003, Jayhard’s profit after tax was £2.2 million. For the period from 1 July 2003 to 31 July 2003, Jayhard’s profit after tax was £0.1million.

31. Gearing

	2003	2002
	£m	£m
Net debt	128.5	159.7
Shareholders’ funds	477.0	395.4
Gearing	26.9%	40.4%

32. Free cash flow

	2003	2002
	£m	£m
Like-for-like free cash flow, as referred to in the finance director’s report, is derived as follows:		
Net debt at 1 January	(159.7)	(126.1)
Net debt at 31 December	(128.5)	(159.7)
Movement in net debt in year	31.2	(33.6)
Net cash outflow for capital expenditure	46.9	31.6
Net cash outflow for acquisitions	72.3	111.5
Loan notes issued for acquisitions	-	2.0
Free cash flow included in the financial statements	150.4	111.5
Adjustment in respect of creditors paid in advance	(14.2)	16.6
Like-for-like free cash flow	136.2	128.1

33. Return on equity

	2003	2003	2002	2002
	£m	£m	£m	£m
Return on equity, as referred to in the finance director's report, is derived as follows:				
Profit on ordinary activities before taxation and goodwill amortisation		178.0		149.7
Closing net assets	477.0		395.4	
Pension deficit	85.1		85.8	
Closing goodwill written off	92.7		77.4	
	654.8		558.6	
Opening net assets	395.4		386.8	
Pension deficit	85.8		22.7	
Opening goodwill written off	77.4		65.3	
	558.6		474.8	
Average net assets		606.7		516.7
Return on equity		29.3%		29.0%

34. Earnings before interest, tax, depreciation and amortisation

Earnings before interest, tax, depreciation and amortisation ("EBITDA"), as referred to in the finance director's report is derived as follows:

	2003	2002
	£m	£m
Profit on ordinary activities before interest and taxation	176.1	147.3
Goodwill amortisation	15.3	12.1
Depreciation	26.9	21.9
Property profits	-	(1.2)
EBITDA	218.3	180.1

Five year record of group results

For the year ended 31 December 2003

The profit and loss accounts for 2000 to 2003 reflect the effect of implementing FRS17 during 2001. The information for 1999 has not been restated.

Profit and loss account	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
Turnover	1,678.3	1,417.5	1,279.3	1,181.2	874.3
Operating profit before reorganisation costs and amortisation of goodwill	191.4	158.2	129.1	113.2	90.4
Reorganisation costs	-	-	-	(5.0)	(6.6)
Amortisation of goodwill	(15.3)	(12.1)	(10.5)	(10.0)	(4.2)
Operating profit after reorganisation costs and amortisation of goodwill	176.1	146.1	118.6	98.2	79.6
Profit on sale of properties	-	1.2	1.4	0.3	0.6
Net interest payable	(9.1)	(8.9)	(10.7)	(12.7)	(5.0)
Other finance (costs)/ income	(4.3)	(0.8)	1.2	1.6	-
Profit on ordinary activities before taxation	162.7	137.6	110.5	87.4	75.2
Tax on profit on ordinary activities	(53.8)	(45.8)	(35.5)	(27.8)	(22.8)
Profit on ordinary activities after taxation	108.9	91.8	75.0	59.6	52.4
Return on equity ¹	29.3%	29.0%	27.3%	26.5%	27.6%

¹ The calculation of return on equity is shown in note 33 to the financial statements.

Cash flow statement	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
Net cash inflow from operating activities	230.8	179.8	166.9	104.7	106.6
Net cash outflow for returns on investments and servicing of finance	(9.3)	(8.3)	(13.7)	(10.2)	(3.9)
UK corporation tax paid	(50.9)	(42.7)	(34.7)	(26.3)	(24.6)
Net cash outflow for capital expenditure and financial investment	(46.9)	(31.6)	(24.2)	(32.7)	(15.6)
Net cash outflow for acquisitions	(72.3)	(111.5)	(16.1)	(23.8)	(251.8)
Equity dividends paid	(23.7)	(20.0)	(17.8)	(15.8)	(13.1)
Issue of ordinary share capital	3.5	2.8	4.9	1.1	1.5
Increase in finance leases	-	(0.1)	-	(0.3)	-
Increase in debt due to issue of loan notes	-	(2.0)	-	(6.5)	(11.8)
Increase / (decrease) in cash balances	31.2	(33.6)	65.3	(9.8)	(212.7)
Net (debt) / cash at 1 January	(159.7)	(126.1)	(191.4)	(181.6)	31.1
Net debt at 31 December	(128.5)	(159.7)	(126.1)	(191.4)	(181.6)

The balance sheets for 2000 to 2003 reflect the effect of implementing FRS17 during 2001. The information for 1999 has not been restated.

	2003	2002	2001	2000	1999
Number of branches at 31 December	700	610	502	473	454
Average number of employees	9,199	8,497	7,892	7,576	5,830
Earnings per ordinary share (pence)					
Basic	96.5p	81.9p	67.3p	53.8p	49.8p
Adjusted	110.0p	91.6p	75.5p	65.7p	57.6p
Dividend per ordinary share (pence)	24.4p	19.5p	17.2p	15.3p	13.7p
Balance sheet	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
Tangible fixed assets	284.7	258.2	226.4	215.8	194.2
Intangible fixed assets – goodwill	285.7	249.9	187.3	191.7	180.6
Investments	4.3	4.6	4.9	5.2	4.0
	574.7	512.7	418.6	412.7	378.8
Stocks	178.1	152.1	132.7	140.6	127.8
Debtors	265.4	250.4	215.7	211.9	205.5
Properties held for resale	0.2	1.0	1.8	1.5	0.3
Cash at bank, in hand and deposits	33.9	30.0	37.0	9.8	17.0
Creditors: amounts falling due within one year	(400.0)	(300.6)	(287.4)	(263.3)	(227.3)
Net current assets	77.6	132.9	99.8	100.5	123.3
Total assets less current liabilities	652.3	645.6	518.4	513.2	502.1
Creditors: amounts due after more than one year	(70.1)	(150.3)	(100.0)	(150.0)	(185.1)
Provisions for liabilities and charges	(20.1)	(14.1)	(8.9)	(5.7)	(7.7)
Pension (deficit)/asset	(85.1)	(85.8)	(22.7)	2.3	-
	477.0	395.4	386.8	359.8	309.3
Capital employed					
Called up share capital	11.3	11.3	11.2	11.1	11.1
Reserves	465.7	384.1	375.6	347.6	297.1
Total equity shareholders' funds	477.0	395.4	386.8	358.7	308.2
Minority interests - non equity	-	-	-	1.1	1.1
	477.0	395.4	386.8	359.8	309.3

Notice of annual general meeting

Notice is hereby given that the fortieth annual general meeting of Travis Perkins plc will be held at Lord's Conference and Banqueting Centre, St. John's Wood Road, London, NW8 8QN on Wednesday 28 April 2004 at 11.45 a.m. for the following purposes:

THE RESOLUTIONS

Resolutions 1 to 11 (inclusive) will be proposed as ordinary resolutions. Resolutions 12 and 13 will be proposed as special resolutions.

ORDINARY BUSINESS

1. To receive the company's financial statements for the year ended 31 December 2003, together with the directors' report, the directors' remuneration report, the auditors report on those accounts and on the auditable part of the directors' remuneration report.
2. To declare a final dividend for the financial year ended 31 December 2003 of 16.8 pence per ordinary share, payable to shareholders on the register at the close of business on 23 April 2004.
3. To re-elect, pursuant to Article 75 of the company's Articles of Association, Paul Hampden Smith who is retiring by rotation. Biographical details of Paul Hampden Smith appear on page 33.
4. To re-elect, pursuant to Article 75 of the company's Articles of Association, Frank McKay who is retiring by rotation. Biographical details of Frank McKay appear on page 33.
5. To re-elect, pursuant to Article 75 of the company's Articles of Association, Tim Stevenson who is retiring by rotation. Biographical details of Tim Stevenson appear on page 33.
6. To elect, pursuant to Article 71 of the company's Articles of Association, Chris Bunker who was appointed a director since the last annual general meeting. Biographical details of Chris Bunker appear on page 33.
7. To re-appoint Deloitte & Touche LLP, Chartered Accountants, as auditors of the company to hold office from the conclusion of the forthcoming annual general meeting until the conclusion of the next general meeting of the company at which accounts are laid and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS

8. That the directors' remuneration report for the financial year ended 31 December 2003 set out on pages 39 to 44 be approved.
9. That:
 - (i) the amendments to the Travis Perkins 2001 Executive Share Option Scheme (the "Share Option Scheme"), the main features of which are summarised in the Appendix to a letter from the chairman to shareholders dated 17 March 2004, and in the form of the copy of the amended rules which is produced to the meeting and initialled by the chairman for the purposes of identification, be approved and the directors be authorised to do all such acts and things as they may consider necessary or expedient to carry the amendments to the Share Option Scheme into effect; and
 - (ii) the directors be authorised to vote, and be counted in the quorum, on any matter connected with the Share Option Scheme, notwithstanding that they may be interested in the same (except that no executive director may be counted in a quorum or vote in respect of his own participation) and any prohibition on interested directors voting or counting in a quorum contained in the Articles of Association of the company be disregarded accordingly.

10. That:

- (i) the Travis Perkins Share Matching Scheme (the "Share Matching Scheme"), the main features of which are summarised in the Appendix to a letter from the chairman to shareholders dated 17 March 2004 in the form of the copy of which is produced to the meeting and initialled by the chairman for the purpose of identification, be approved and the directors be authorised to do all such acts and things as they may consider necessary or expedient to carry the Share Matching Scheme into effect.
- (ii) the directors be authorised to vote, and be counted in the quorum, on any matter connected with the Share Matching Scheme, notwithstanding that they may be interested in the same (except that no executive director may be counted in a quorum or vote in respect of his own participation) and any prohibition on interested directors voting or counting in a quorum contained in the Articles of Association of the company be disregarded accordingly.

11. That the authority conferred on the directors by Article 4(B) of the company's Articles of Association be and is hereby renewed for the period expiring fifteen months after the date of the passing of this resolution, or if earlier, at the conclusion of the next annual general meeting and for that period the "section 80 amount" is £2,157,802.

12. That, subject to the passing of Resolution 11, the power conferred on the directors by Article 4(C) of the company's Articles of Association be and is hereby renewed for the period expiring fifteen months after the date of the passing of this resolution or if earlier, at the conclusion of the next annual general meeting and for that period the "section 89 amount" is £567,110.

13. That the company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 10 pence each in the capital of the company ("ordinary shares"), provided that:

- (a) the maximum aggregate number of ordinary shares authorised to be purchased is 11,342,198 (representing 10 per cent of the issued ordinary share capital of the company as at 5 March 2004);
- (b) the minimum price which may be paid for an ordinary share is its nominal value of 10 pence, exclusive of expenses;
- (c) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for each of the five business days immediately preceding the day on which that ordinary share is purchased, exclusive of expenses;
- (d) this authority expires at the conclusion of the next annual general meeting of the Company or the date fifteen months from the date of passing of this resolution, whichever is the earlier; and
- (e) the company may make a contract to purchase ordinary shares under this authority before the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares pursuant to any such contract.

By order of the board,



Andrew Pike Secretary

Lodge Way House, Harlestone Road, Northampton NN5 7UG

Registered in England No. 824821

5 March 2004

Notes to the notice of annual general meeting

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.
2. To be effective, the instrument appointing a proxy and any authority under which it is signed (or a notorially certified copy of such authority) must be deposited at the office of the company's Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. A form of proxy is enclosed with this notice. The appointment of a proxy does not preclude a member from attending the meeting and voting in person, in which case any votes of the proxy will be superceded.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the company as at 5.00pm on 26 April 2004 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. Copies of contracts of service of directors with the company, or with any of its subsidiary companies, and the draft rules of the Share Matching Scheme and of the rules of the Share Option Scheme incorporating the proposed amendments will be available for inspection at the registered office of the company during usual business hours on any weekday (public holidays excluded) from the date of this Notice to the date of the meeting and at Lord's Conference and Banqueting Centre from 11.15am on the day of the meeting until the conclusion of the meeting. Copies of the draft rules of the Share Matching Scheme and the rules of the Share Option Scheme (incorporating amendments) will be available for inspection at the offices of New Bridge Street Consultants LLP, 20 Little Britain, London EC1A 7DH for the same period of time.
5. The register of directors' interests kept by the company under section 325 of the companies Act 1985 will be produced at the commencement of the meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting.

Other shareholder information

SHAREHOLDER ENQUIRIES

Enquiries should be directed to the company secretary at the company's registered office (telephone 01624 752424; email cosec@travisperkins.co.uk).

SHARE REGISTRARS ON-LINE SERVICE

By logging on to www.capitaregistrars.com and pointing to "shareholders" and then clicking on "view holding" from the drop down menu, shareholders can view and amend various details on their account. Please note that you may require your unique investor code, which can be found on your share certificate or dividend tax voucher.

FINANCIAL DIARY

Annual general meeting	28 April 2004
Payment of final dividend	17 May 2004
Announcement of interim results	6 September 2004
Payment of interim dividend	1 November 2004
Announcement of 2004 annual results	March 2005

LOW COST POSTAL DEALING SERVICE

HSBC Stockbrokers offer a low cost dealing service for our shareholders, dedicated to the trading of shares in Travis Perkins plc. Further details may be obtained from the company secretary.

INTERNET

There are sites on the internet that carry a range information about the company's principal brands, products and services, at the following addresses:

www.travisperkins.co.uk

www.keyline.co.uk

www.tpph.com

www.toolmart.co.uk

www.cityplumbing.co.uk

www.ccfltd.co.uk

www.gardendimensions.co.uk

www.buildthedream.co.uk (Builders Merchants web site of the year 2003)

www.homedimensions.co.uk

www.bmpublicsector.co.uk

www.jayhard.co.uk

www.bandg-heating.co.uk

www.tpnet.co.uk

Some of these sites provide information about all branch locations and allow access to prices of 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 company.

Shareholder notes