TRAVIS PERKINS PLC

A Leader in Builders' Merchanting and Home Improvement Retailing

2004

ANNUAL REPORT & ACCOUNTS

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TRAVIS DIY PERK

Travis Perkins wins battle for Wickes

TP Delivering Growth

Wickes deal is to DIY for

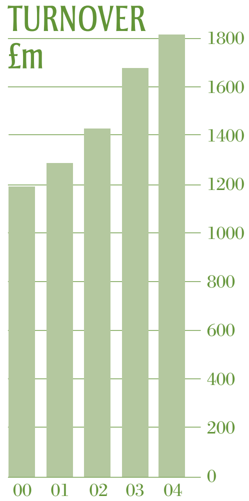
TP FORK OUT £950M

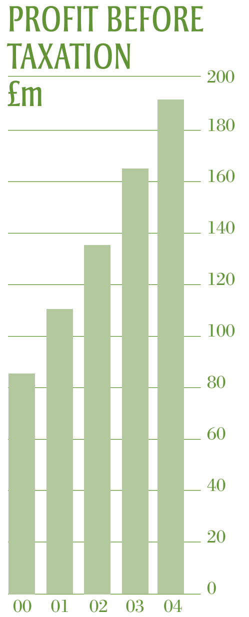
Financial highlights

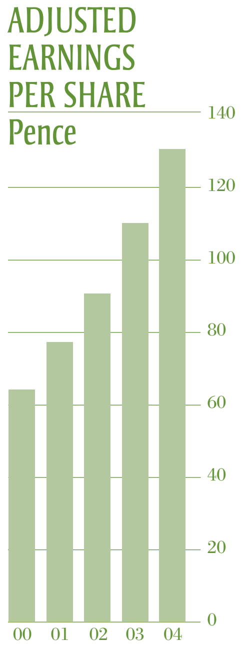
For the year ended 31 December 2004

£m	2004	2003
Turnover	**1,828.6**	1,678.3
Operating profit before amortisation of goodwill*	**218.2**	191.4
Profit on ordinary activities before taxation	**190.4**	162.7
Profit on ordinary activities after taxation	**130.1**	108.9
Total equity shareholders' funds	**630.5**	477.0
Earnings per ordinary share (Note 9)		
Basic	**113.9p**	96.5p
Adjusted (before amortisation of goodwill)	**129.1p**	110.0p
Dividend per ordinary share	**30.5p**	24.4p

* See details of goodwill amortisation in the profit and loss account on page 56.







Turnover up 9.0%

Profit before taxation up 17.0%

Basic earnings per share up 18.0%

Adjusted earnings per share up 17.4%

Dividend per share up 25.0%

Like-for-like free cash flow (note 32) up 16.9%

Chairman's statement

For the year ended 31 December 2004

Results

I am pleased to report pre-tax profits for the year ended 31 December 2004 of £190.4 million, an increase of 17 per cent over the £162.7 million delivered in 2003. Turnover at £1,828.6 million was 9 per cent ahead of the previous year. Operating profit, before goodwill amortisation of £17.4 million (2003: £15.3 million), was £218.2 million, compared with £191.4 million in 2003, an increase of 14 per cent.

Basic earnings per share were up 18 per cent at 113.9 pence, compared with 96.5 pence in 2003. Adjusted earnings per share prior to amortisation of goodwill rose 17.4 per cent to 129.1 pence from 110.0 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 21.0 pence per share, an increase of 25 per cent on the final dividend of 16.8 pence for 2003. Together with the interim dividend of 9.5 pence, this would give a total dividend of 30.5 pence per share, up 25 per cent on the previous year.

Board of directors

In December 2004 Frank McKay announced his intention to retire from the company in October this year at age 60. During his five-year tenure, which has included the acquisition of Wickes, turnover has more than trebled with strong growth by way of acquisition, brown-field openings and organic development. Double-digit earnings per share growth year-on-year, a strong dividend progression and an increase in the branch network from 450 to over 900 have been achieved. I am sure shareholders will join me in thanking Frank and in wishing him well for the future.

Geoff Cooper joined the board on 1 February 2005 and became chief executive on 1 March 2005. He was previously deputy chief executive of Alliance UniChem a £9 billion turnover company that is a member of the FTSE 100 index.

John Coleman became a non-executive director of the company in February 2005. He is chief executive of House of Fraser and brings a wealth of retail experience to our board.

Ted Adams and Peter Maydon have announced that they will be retiring as non-executive directors of the company in December 2005. Ted has worked for the group for 33 years, initially as finance director of Sandell Perkins and then after several promotions as group managing director of Travis Perkins. In 1999 he retired as an executive director and a short time later accepted the position of non-executive director. He is widely respected throughout the industry, a fact which was recognised when he was elected president of the Builders Merchants Federation. Peter Maydon has given great service to the company over the past seven years. During that time he has been a member of all of the board committees, chairman of the company's pension trust and latterly he has been senior non-executive director and chairman of the remuneration committee. On behalf of shareholders I would like to thank Ted and Peter for being consistent sources of inspiration and wise counsel to their board colleagues.

Corporate governance

During the year the 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.

Wickes

We are pleased to welcome the directors and staff of Wickes to the Travis Perkins' Group. Following shareholder approval at our EGM on 2 February 2005 and clearance from the Office of Fair Trading, the acquisition of Wickes was completed on 11 February 2005. We are delighted with the acquisition for which we paid £950 million on a debt free basis. Through Wickes we have entered a new market with strong long-term growth characteristics together with significant synergy and store expansion potential.

Outlook

We are delighted with the 2004 results, which included a record number of smaller acquisitions and brown-field openings. We have made a good start to 2005, with our trade in the RMI sector ahead of our expectations and our early work confirming our view of the synergies available from the acquisition of Wickes. Despite a slowing of consumer spending in February, as experienced by many retailers, we see enhanced earnings growth from the Wickes acquisition. We will continue to grow our business by investing in a plentiful supply of opportunities for TP acquisitions and for new sites for both Wickes and for merchant branches.

T. E. P. Stevenson Chairman
4 March 2005

Wickes Extra store at Maidstone

Chief executive's review

For the year ended 31 December 2004

Results

The company enjoyed a further year of strong performance in 2004. Operating profit before amortisation of goodwill of £17.4 million (2003: £15.3 million) rose 14 per cent to £218.2 million from £191.4 million in 2003. Turnover increased by 9 per cent to £1,826.6 million from £1,678.3 million. Sales growth was again driven by our ongoing programme of investment in the acquisition of independent merchants and in the opening of new brown-field sites. Indeed, in 2004 the company achieved a record number of one-off branch openings. Group like-for-like sales were up 1.8 per cent.

The overall operating margin, before goodwill amortisation, for the year moved up again, from 11.4 per cent to 11.9 per cent, as a result of further improvements in procurement, overhead efficiencies gained as the group grew and our overall culture of continuous improvement.

City Plumbing Supplies ("CPS") and Commercial Ceiling Factors ("CCF") performed well during a period of considerable restructuring in both businesses. Jayhard and B&G have now been fully integrated into the CPS management structure and significant investment was made in the acquired branches last year, with further similar investment planned for 2005. Gross profit as a percentage of sales improved further on a like-for-like basis.

Developments

The past year saw significant growth in the rate of addition of one-off branches, both from the acquisition of smaller independent businesses and from the opening of brown-field sites. In all 67 new sites were added. The company completed 16 consolidations, mostly within the plumbing and heating network, as opportunities were taken to reduce operating costs while maintaining sales. The net addition to the branch total was 51.

Brick matching

"Build the Dream" Website advice

E commerce

Estimating services

Forest products

Heavyside

Land finding service

Lightside

Online account management

Paint mixing

Plumbing and heating

Self build advice

Timber

Toolhire

The brick library at Travis Perkins, Northampton

Decorating centres are available in many branches

The acquisition of 30 mixed merchant branches and the opening of 21 brown-field sites filled a number of key gaps in the geographic coverage of the Travis Perkins' brand. There were also 4 consolidations. At the same time a further 3 outlets were added to the Keyline branch network. The group's specialist network of plumbing and heating branches under the CPS brand increased by a net 1 branch, comprising 4 acquired branches, 9 brown-field openings and 12 consolidations. The total amount spent on acquisitions was £39 million.

By the end of 2004 the group was trading from 751 outlets compared with 700 a year earlier.

Branch improvements

We have continued to invest in the branch network in order to ensure continuous improvement in customer facilities. During the year redevelopment projects were carried out at numerous Travis Perkins' branches, including those in Caerphilly, Gastard, Erdington, Shepshed, Crosby, Oswestry, Northampton, Cromer, Slough, Urmston, Forfar and Watford.

The upgrading of Keyline branches continued, with refurbishments at Colchester, Swindon, Elgin, Norwich and Kingswinford. Two CCF branches were moved into larger, improved units in Nottingham and Cardiff. A major upgrading programme of bathroom showroom facilities at more than 25 CPS branches was also completed during the year.

Information technology

We have continued to invest in the quality of our information technology infrastructure, notably through the installation across the branch network of over four thousand new PC's, together with supporting server capacity. Having achieved "chip and pin" accreditation, the introduction of this technology for debit and credit card authorisation across the group was included in the PC rollout programme, along with the replacement of all of our point-of-sale scanners. Wireless terminals have been added to the control systems at our distribution centre in Brackmills, resulting in increased efficiency and throughput. We are also in the process of piloting the use of wireless hand-held terminals in a number of our branches.

The group's websites have been given a new look and an enhanced range of facilities, on a consistent basis, for the various brands. A more comprehensive section on financial and corporate information has also been included.

A new on-line training initiative was launched during the year. As a result suppliers can now upload training material direct to our intranet systems and all branch staff are now able to access it via the upgraded PC network. This has improved the effectiveness of product training programmes across the group.

Customer service

We have continued to monitor seven key customer service performance indicators, derived from data captured by our information systems, and extended the methodology to monitor suppliers on issues that can assist in improving further our customer service performance. The information collected is made available in real time to our suppliers via an extranet system, thereby ensuring fast and effective feedback.

Health and safety

The company remains committed to achieving and maintaining high standards in health and safety. Last year two extensive audits of health and safety practice were conducted. One, our own internal health and safety audit, has resulted in each of our branches now being able to produce a health and safety action plan for the year. In addition, our Lead Authority, Northampton Borough Council, carried out a detailed review of our health and safety practices and produced a safety management review together with recommendations for improvement. The conclusions of these audits, together with a detailed analysis of 'accident causations', will form the basis of our health and safety action plan for 2005 and beyond.

Environment

Our environmental management system accreditation to ISO 14001 was maintained during the year. Over the past three years of our first environmental improvement plan, good progress has been made in reducing adverse impact on the environment, particularly in the areas of timber certification, waste management, volatile organic compound emissions and CO_2 emissions. A new improvement plan will be produced in the first part of this year and new targets will be set to reduce further our environmental impact.

Timber procurement has continued to be a major focus of attention and we have increased further the percentage of products procured from sources certified to recognised forestry standards. Chain of custody accreditation for both Forest Stewardship Council ("FSC") and the Programme for the Endorsement of Forest Certification ("PEFC") schemes has now been achieved for all Travis Perkins and Keyline branches selling timber products.

Future expansion

We see significant additional scope for profitable growth of the Travis Perkins, Keyline, CCF and CPS brands through the continued strategy of acquisition of regional groups and independent merchants, and the opening of brown-field sites.

The acquisition of Wickes was announced on 16 December 2004 and, following shareholder approval and Office of Fair Trading clearance, was completed on 11 February 2005. This acquisition further strengthens our position in the builders merchant market, as approximately one third of Wickes' sales are to tradesmen, and provides us with a new platform for growth in the UK's expanding DIY sector. In addition, we foresee substantial synergy benefits being achieved from improvements in procurement, logistics, and other process efficiencies.

After another year of good progress, we remain confident of our ability to achieve 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 2004.

G. I. Cooper

Geoff Cooper Chief Executive
4 March 2005

Aggregates
Blocks
Bricks
Cement
Drainage
Estimating services
Roofing materials
Timber

HIRE

Cement mixers
Gardening equipment
Hand tools
Heaters and dehumidifiers
Mini diggers
Mini towers
Nail guns
Protective equipment
Power tools
Routers
Sanders
Saws
Scaffolding, ladders and steps

The loft conversion takes shape

An extensive range of tools are available for hire

Finance director's report

For the year ended 31 December 2004

Results

Pre-tax profits were £190.4 million (2003: £162.7 million) after charging goodwill amortisation of £17.4 million (2003: £15.3 million).

Pre-tax profits before goodwill amortisation of £17.4 million (2003: £15.3 million) were £207.8 million (2003: £178.0 million), an increase of 16.7 per cent. Earnings before interest, tax, depreciation and goodwill amortisation ("EBITDA") (as defined in note 34) were £250.5 million (2003: £218.3 million), an increase of 14.8 per cent.

Net interest payable for the year was £7.6 million compared with £9.1 million in 2003.

The tax charge was £60.3 million (31.7 per cent) compared with £53.8 million (33.1 per cent) in 2003. 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 (£4.6 million tax effect, 2003: £1.8 million) is more than offset by goodwill amortisation and certain expenditure, which does not qualify for tax relief. The effective tax rate, after adjusting for goodwill amortisation, was 29 per cent (2003: 30.2 per cent).

The underlying effective tax rate after adjusting for goodwill amortisation and excluding the effect of the gains on share options described above is 31.2 per cent (2003: 31.2 per cent).

Cash flow

Over the past five years, the group has generated free cash of approximately £550 million. For 2004 like-for-like free cash flow (as defined in note 32) was £149.8 million (2003: £128.1 million) an increase of 16.9 per cent. The free cash generated by the group was used in part to fund expansion capital expenditure in the existing business and on new acquisitions, which in total cost £68.3 million (2003: £89.7 million). In addition, as described on page 13 accelerated pension contributions of £25.8 million (2003: £3.6 million) were made during the year.

Net debt and borrowing facilities

In April 2004, the group repaid the final £75 million tranche of the syndicated loan used to purchase Keyline in 1999. At the same time the group's £50 million revolving credit facility expired. The facilities were replaced with two £25 million five-year bullet loans and £78 million of 364 day uncommitted facilities.

In November 2004, the first £5 million instalment of an existing £25 million amortising loan was repaid leaving the group with £120 million of committed drawn loan facilities all of which were at variable interest rates linked to LIBOR.

Net debt at the year-end was £12.2 million (2003: £128.5 million), which represents a gearing level (as defined in note 31) of 1.9 per cent (2003: 26.9 per cent). Borrowings include £9.0 million (2003: £12.2 million) of unsecured loan notes, which are redeemable at six monthly intervals ending in June 2015.

Interest cover, before goodwill amortisation (as defined in note 5) is approximately 29 times (2003: 21 times).

On 16 December 2004 the group signed a £1.2 billion credit agreement with The Royal Bank of Scotland and Barclays Capital. The facility comprises a £500 million five-year term loan and a five-year, £700 million revolving credit facility. On completion of the acquisition of Wickes on 11 February 2005, the new facility was drawn and, with the exception of £25 million of overdraft facilities, the existing facilities referred to above were either repaid or expired.

Pensions

Despite improved asset returns and £25.8 million of company contributions in excess of the profit and loss charge (2003: £3.6 million) the gross pension scheme deficit at 31 December 2004 was £128.3 million (2003: £121.6 million). The increased deficit was caused primarily by the company adopting the most recent longevity assumptions when valuing the scheme liabilities, which increased the deficit by £36 million. At 31 December 2004 the net deficit, after allowing for deferred tax, was £89.8 million compared with £85.1 million at 31 December 2003.

Shareholders' funds

Total equity shareholders' funds, after deducting the pension scheme deficit at 31 December 2004, were £630.5 million, an increase of £153.5 million on 31 December 2003.

In December 2004, in anticipation of the acquisition of Wickes, the company placed 5 million shares at a price of £15.30 raising £75.5 million net of the £1 million cost of the placing, which has been deducted from the share premium account.

The return on equity shareholders' funds before taxation (as defined in note 33) has remained at 29.3 per cent. As can be seen from the five year record on pages (79 and 80) this level of return, which is substantially higher than the group's weighted average cost of capital, is consistent with returns achieved over the last four years.

At the year-end, the share price was 1,733 pence (2003: 1,278 pence) and the market capitalisation £2,089 million (2003: £1,449 million), representing 3.3 times (2003: 3 times) shareholders' funds.

Goodwill

The net book value of goodwill in the balance sheet is £287.4 million, which is being amortised over 20 years. Additions to goodwill in the year totalled £19.1 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 below:

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 2004, forward contracts may be purchased where appropriate.

Decorating products

Electrical cabling

Electrical fittings

Floorboards

Flooring

Interior doors

Ironmongery

Skirting

Paint

Plaster

Stud partitioning

Timber

Velux windows

Window frames

CCF

Building paper

Fire barrier systems

Mineral wool insulation

Partitioning

Plasterboard

Rigid insulation boards

The new bedroom

CCF supplies partitioning, plasterboard and insulation materials

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.

International accounting standards ("IAS")

The group is well advanced in its preparation for the conversion of its accounting policies from UK GAAP to IAS, which became mandatory for all listed companies on 1 January 2005. Our Auditors are currently auditing our IAS calculations, a process which will be completed well ahead of the half-year. Whilst it is too early to fully quantify the effect of IAS on our 2004 results and year-end balance sheet we anticipate that the principal differences will arise from the:

- Treatment of property leases, with many leases being capitalised in the balance sheet;
- Charge in respect of the fair value of share options to the profit and loss account;
- Timing of recognition of proposed dividends in the accounts;
- Non-amortisation of goodwill;
- Recognition of certain deferred tax liabilities; and
- Valuation and amortisation of brand names as well as the treatment of interest rate swaps following the acquisition of Wickes.

Whilst the value of net assets and reported profits and the classification of certain items may be affected by the implementation of IAS, there will be no effect on cash flows.

P. N. Hampden Smith

P. N. Hampden Smith Finance Director
4 March 2005

Arbours and arches
Bark chipping
Block paving
Building sand
Cement
Coping stones
Decking
Decorative aggregates
Decorative stone
Fencing and gates
Gazebos
Hard core
Hardwood table and chairs
Parasols
Paving slabs
Sand and ballast
Sheds
Sleepers
Topsoil
Trellis
Walling and edging

The new patio area and landscaped gardens

A Travis Perkins' landscaping centre

Corporate responsibility statement

For the year ended 31 December 2004

Introduction

The board has adopted the Guidelines on Social Responsibility published by the Association of British Insurers in October 2002, although it recognises that not all information relating to areas described in this report is presently subject to formal verification procedures. The board takes account of the significance of social, environmental and ethical (SEE) matters in its conduct of the company's business and during 2004 the directors received briefings, in particular on risks associated with environmental and health and safety matters. The group has in place a comprehensive system of internal control as described more fully on page 34. 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. These are:

- Environment;
- Health & safety;
- Supply chain;
- Employees;
- Community relations.

Individual reports are given below on these key areas. These reports include information on how risks and opportunities are managed.

Environment

The group recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. We have been successful in maintaining accreditation of our Environmental Management System to the ISO 14001 standard during the year, having passed our re-certification audit in November 2004. A revised environmental policy was published in August 2004, which includes commitments to continuously raise the proportion of our timber and forest products that originate from known, legal, progressing to certified and certified forests, and to eliminate from our business timber and forest products that originate from illegally harvested timber.

Our policy is to:

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

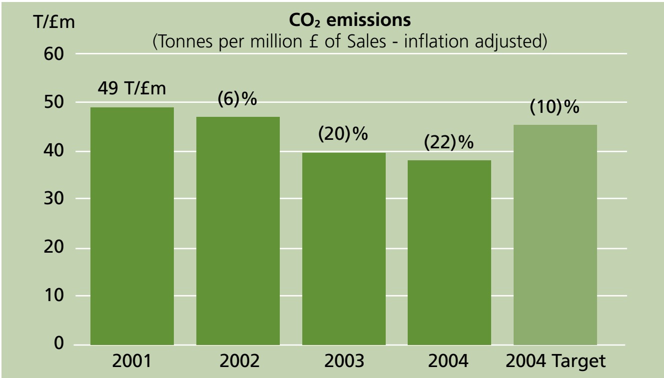
The complete policy and details of the company's progress against its commitments may be found in a full report on our website at www.travisperkins.co.uk.

Environmental improvement plan

We have continued with the implementation of our Environmental Improvement Plan during 2004 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. 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. Our original targets were set for the period from 2001 to the end of 2004. New targets for the period from the start of 2005 to the end of 2007 will be set during early 2005 and reported in the next annual report.

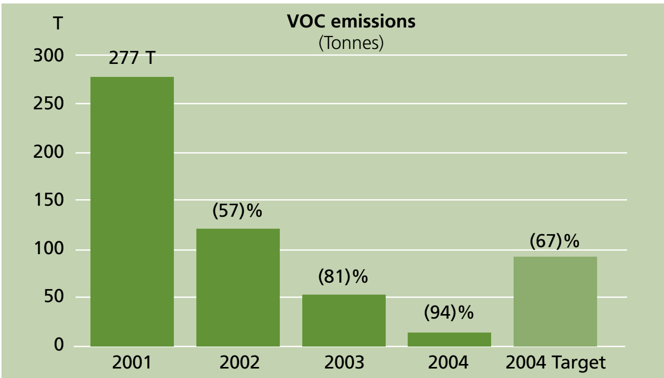
Carbon dioxide (“CO_2”) emissions

Our CO_2 emission data includes emissions arising from fuel used by commercial vehicles and forklift trucks, consumption of fuel oil for heating, and gas and electricity consumption. The data in 2004 alone now includes that generated from car drivers’ business miles – this aspect added circa 2,700 tonnes to give a total emission of an estimated 63,400 tonnes in 2004. In the past three 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 now 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 CO_2 emissions shown in the adjacent chart. Our three-year target, to achieve a reduction of 10 per cent in CO_2 emissions by the end of 2004, has been met.



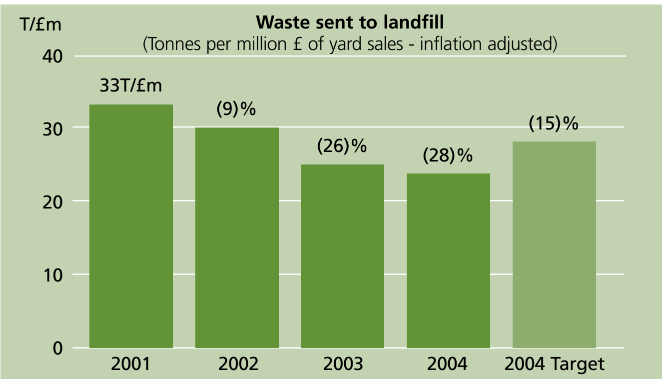
Volatile organic compound (“VOC”) emissions

Over the past three years 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 16 tonnes in 2004, a reduction of 94 per cent when compared with the figure in 2001. Only three plants now remain with organic solvent-based treatment. We have therefore met our 2004 target for a 67 per cent reduction. All plants that have historically used copper chromated arsenate chemicals have been converted well in advance of the legislative requirements with all now using the less aggressive boron based compounds.



Timber certification

As shown in the chart, approximately 41 per cent of the raw material content of our purchases of timber and timber based products were from certified sources at the end of 2001. We have made particularly good progress in the past three years and this figure had increased to 66 per cent by the end of 2004. Of the 66 per cent, approximately 29 per cent is from FSC sources and 32 per cent from PEFC sources. The balance of 5 per cent represents small volumes of materials certified to a variety of other national standards in use in America, Canada and Malaysia. 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. All of our preferred sources in areas known to be of higher risk and not already verified legal have now been audited, and we continue to monitor their commitments to achieve certification within given timetables. Two suppliers deserve special mention for their achievements during 2004. Firstly our largest supplier of plywood achieved FSC certification for all of their softwood and hardwood plywood production during the year. Secondly our largest supplier of softwood carcassing has achieved a position during 2004 that enables them to supply 100 per cent of our requirement certified to the PEFC Swedish standard. These two major steps have been the primary reason behind the growth in certified raw materials. Our target is for 75 per cent of the raw material content of our purchases of timber and timber-based products to be from certified sources by the end of 2006.



Waste sent to landfill

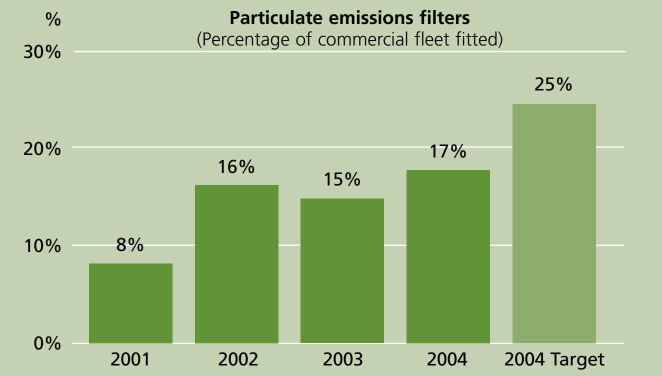
Our main emphasis is on the avoidance of waste, as well as the segregation of waste streams in order to enhance recycling opportunities and so reduce the cost of waste disposal. We have focused our efforts in 2004 on improving the segregation of cardboard waste that can then be sent for recycling rather than being sent to landfill, with over 130 branches now using cardboard recycling waste containers. In total we estimate our waste sent to landfill in 2001 was 33,400 tonnes. We have reduced this in absolute terms to approximately 32,700 tonnes in 2004 despite the growth of the group. We have achieved our target to meet our 2004 objective set in 2001, of a 15 per cent reduction per £ of yard sales.

Keyline BUILDERS MERCHANTS
seriously supporting the trade

- Aggregates
- Bricks
- Building blocks
- Cement
- DPC
- Drainage
- External doors
- Garage doors
- Gravel
- Ground membranes
- Joists
- Kerbstones
- Lead flashing
- Reinforcement steel
- Roof felt
- Roof fittings
- Roof tiles
- Roof trusses
- Sand
- Treated timber

The timber-built garage

Deliveries are made using a modern vehicle fleet



Fuel consumption and vehicle emissions

More than 330 (2003: 250) commercial vehicles are now fitted with particulate emissions filters representing 17 per cent of the commercial fleet. We have not met our target of 25 per cent by the end of 2004 given that we have had to remove a number of the filters fitted in 2001 as they have caused operational problems. We will be reviewing our policy with respect to further filters in 2005 bearing in mind the improvements in engine performance expected from vehicle manufacturers.

Complaints and notifiable events

We investigate any complaint received and endeavour to rectify the causes promptly. Whilst our target is to have no complaints, 10 complaints were received relating to environmental matters during 2004 (2003: 18). Of the complaints received in 2004, four related to vehicle or other noise issues and two to traffic issues. The four remaining complaints were about isolated incidents of differing causes. Generally resolution required only local action, such as replacement of forklift bleepers with less obtrusive white noise warning devices.

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 had a positive impact in that there was only one event which required us to contact the Agency during 2004. This related to a small amount of hydraulic fluid spilt from a supplier vehicle which was dealt with immediately on site. 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 2004.

Further information

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

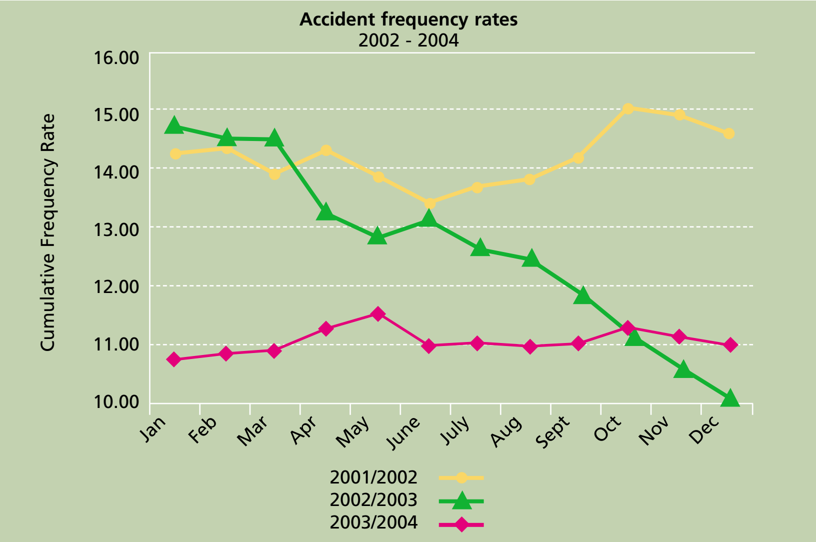
Health and safety

The group continues its commitment to the achievement and maintenance of high standards in health and safety throughout our branch network and offices. As new businesses are acquired it is considered a priority to ensure that they become fully compliant with the Travis Perkins' health and safety systems and processes as quickly as possible. Ultimate responsibility for health and safety lies with the chief executive. Health and safety is an agenda item at board and executive meetings and accident frequency data is reviewed and action taken to minimise risk. Health and safety reporting, monitoring and improvement is the responsibility of all managers and staff as we strive to make our places 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.

Measurement and reporting

Following the significant year-on-year improvements we reported last year, the challenge for 2004 has been to maintain these high standards and ensure that our newly acquired businesses meet and then exceed them as soon as possible. Since 2001, our accident frequency rates have significantly reduced and during the first three quarters of 2004, our year-on-year frequency rates were down.

At the close of 2004 our accident frequency rate was marginally up on 2003 (11 compared with just below 10 the previous year). However, our accident severity rate continues to be managed below 0.10, in line with 2003. There were no prosecutions and no fatalities in 2004.



Continuous improvement

We continue to invest heavily in health and safety training delivering many programmes designed to improve health and safety awareness, skills and knowledge. The following programmes are now commonplace throughout the group:

- Health and safety induction;
- Risk awareness and manual handling training;
- Health and safety awareness for managers;
- Mobile plant training;
- LGV driver training;
- First aider training;
- Fire warden training.

Communication and consultation continues to be a high priority, with branch based health and safety committee meetings taking place three times a year and the company health, safety and environment committee meeting six times a year. These meetings ensure that we fully consult with and involve our workforce in health and safety initiatives.

During 2004, we conducted two extensive audits of health and safety practice. One was our internal health and safety audit, which enables every branch in our network to produce a health and safety action plan for the year. In addition our Lead Authority (Northampton Borough Council), carried out a detailed review of our health and safety practices producing a safety management review together with recommendations for improvement. The outputs of these audits together with a detailed analysis of 'accident causations' will form the basis of our health and safety action plan for 2005 and beyond.

Occupational health initiatives are reported in the Employees section on page 27.

Suppliers

Quality

We recognise our responsibilities for the quality of those 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. Information on timber sourcing is provided within the environmental report.

Welfare issues in the supply chain

During 2003 the group instituted a system for checking suppliers' compliance with our employment practice and our health and safety expectations and in 2004, this was further developed. In August 2004, we wrote to 268 suppliers, representing around 88 per cent of supplied product.

Bath panels
Bathroom cabinets
Baths
Boilers
Copper cylinders
Copper tube
Electric showers
Flooring
Heated towel rails
Plumbing fittings
Radiator valves
Shower enclosures
Shower pumps
Shower trays
Taps
Toilets
Vertical radiators
Wall tiles
Washbasins
Waste fittings

The refurbished en suite bathroom

A typical branch bathroom display

Based on responses received we have categorised our suppliers as follows:

Risk rating	Response type	Number	Comment
Low	Employment (including key sub-suppliers) is wholly within the EU/OECD.	180	Two suppliers advised that they currently have workers whose contractual hours exceed normal expectations. With this exception, all could confirm full compliance with our employment and our health and safety expectations.
Medium	There is employment outside the EU/OECD and monitoring systems are in place.	49	All suppliers in this category confirmed full compliance with our employment and our health and safety expectations.
High	There is employment outside the EU/OECD and monitoring systems are not in place.	7	
	There is employment outside the EU/OECD and compliance cannot be confirmed.	8	
	Non-respondents and incomplete responses.	24	Efforts are being made to obtain responses.

It is the group's intention to follow up on high-risk suppliers during 2005 and repeat the survey during 2006. Proposed new suppliers will be assessed against our employment practice and health and safety expectations.

The supplier survey is supplemented by regular visits to manufacturing premises.

Employees

Our employment policies have been designed to meet the needs of our business, and follow best practice, whilst complying with both current and anticipated legislation. 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;

- Our commitment to training and development at all levels of the organisation gives our employees the opportunity to realise their full potential;

- 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;
    - A sound basis for ongoing performance management.

- 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;

- Labour turnover and absenteeism are key performance indicators for our business. With a labour turnover of 28 per cent, we continue to perform strongly compared with employers in comparable sectors. Retention remains strong in all management positions, where labour turnover is less than 10 per cent. We continue to solicit feedback from all leavers and review the data on a regular basis, and return to work interviews are conducted for employees who have been absent from work through ill health;

- An increased focus on occupational health in 2004 has seen the introduction of a drugs and alcohol policy, an employee assistance programme (for stress and other employee problems) and enhanced health screening for managers. We have also introduced medical assessments for all employees who have more than five days absence following a work related accident.

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 a critical factor in our ongoing success and it was pleasing to see that retention of our managers continued to be strong in 2004.

Community involvement

With 751 branches (before the acquisition of Wickes) 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 sponsoring organisations or donating materials to projects.

The group raised a total of more than £440,000 for charities during the year. At a national level, we support two particular charities, the NSPCC and MacMillan Cancer Relief. The Charity Committee is chaired by the company chairman. During the course of the year, our staff take part in a variety of activities to support our chosen charities. These activities encourage donations from customers and suppliers as well as our own workforce. Included above are direct donations made by the company to these and other charities which, in the year amounted to £124,534 (2003: £105,310). In addition, we operate a payroll giving scheme through which staff donated £18,147 (2003: £19,833) 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 four years.

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

The company, staff, suppliers and customers continue to support NSPCC and Macmillan Nurses.

Directors and professional advisers

Chairman
Tim Stevenson O.B.E. (aged 56)
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
Geoff Cooper (aged 50)
joined the company in February 2005 and succeeded Frank McKay as chief executive on 1 March 2005. He is a chartered management accountant and worked in management consultancy before joining Gateway (now Somerfield plc) as finance director in 1990. In 1994 he became finance director of Alliance UniChem Plc, where he was appointed deputy chief executive in 2001.

Finance director
Paul Hampden Smith (aged 44)
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. He is a non-executive director of DX Services plc.

Chief operating officer
John Carter (aged 43)
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. He was appointed chief operating officer on completion of the acquisition of Wickes in February 2005.

Non-executive director
Ted Adams (aged 64) 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 and Nominations Committees. He is also chairman of the company's principal pension trusts. He will retire from the board in December 2005.

Non-executive director
John Coleman (aged 52) was appointed as a non-executive director on 10 February 2005. He is a chartered management accountant and has been chief executive of House of Fraser plc since 1996. He was previously chief executive of Texas Homecare and of a number of businesses within Burton Group PLC.

Non-executive director
Peter Maydon (aged 63) 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, chairman of the Remuneration Committee, and a member of the Nominations Committee. He will retire from the board in December 2005.

Non-executive director
Chris Bunker (aged 58) was appointed as a non-executive director in January 2004. He is a chartered management 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. He is chairman of the Audit Committee and a member of the Nominations Committee.

Non-executive director
Michael Dearden (aged 62) 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 a non-executive director of Johnson Matthey plc and of The Weir Group plc. He is a member of the Audit and Remuneration Committees.

Secretary A. S. Pike

Audit committee
C. J. Bunker (chairman),
E. C. Adams,
M. B. Dearden

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

Nominations committee
T. E. P. Stevenson (chairman),
E. C. Adams, C. J. Bunker,
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 Royal Bank of Scotland plc; Barclays Bank plc

Solicitors Clifford Chance LLP, London; Hewitsons, Northampton; Linklaters, London

Auditors Deloitte & Touche LLP, Nottingham

Corporate governance

For the year ended 31 December 2004

Combined code

In June 1998, the Combined Code on Corporate Governance was issued by the London Stock Exchange, and this was revised in July 2003 ("the Code"). Section 1 of the Code is applicable to companies. A statement on how the company has applied the principles and a statement explaining the extent to which it has complied with the provisions of the Code appear below. The Code contains fourteen 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 Geoff Cooper is chief executive. Peter Maydon is the senior independent non-executive director. Chris Bunker, John Coleman, and Michael Dearden are also independent non-executive directors. Ted Adams is not considered to be an independent non-executive director in view of his previous executive positions. 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. Nevertheless, he intends to retire from the board in December 2005, at the end of his second three year term. Appointments of new directors are made by the board on the recommendation of the Nominations Committee. All directors will submit themselves for re-election at least every three years.

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

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

The board held fourteen meetings during 2004, all of which were attended by all directors. Four meetings dealt with consideration of the company's long-term strategy and with specific acquisition opportunities, and three meetings were either combined with visits to parts of the company's operations or included presentations by senior executives on their areas of responsibility. Individual visits to operational sites by non-executive directors also occurred. In addition to the regular board meetings, key financial information is circulated to directors outside of meetings. The chairman has regular direct contact with the executive directors and keeps the non-executive directors informed of material developments between board meetings.

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

The chairman held three meetings during the year with the non-executive directors, without the executive directors being present. The senior independent director held two meetings during the year with the other directors, without the chairman being present, to review the chairman's performance, as described in more detail below.

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

The board has established three standing committees, the Audit Committee, the Remuneration Committee and the Nominations Committee, which operate within defined terms of reference. Details are available on the company's website or may be obtained from the company secretary. The minutes of committee meetings are available to all the directors. During the year, the Remuneration Committee met eleven times, the Nominations Committee three times, and the Audit Committee three times. All committee meetings were attended by all members of the relevant committee, except that Tim Stevenson did not attend a Remuneration Committee meeting on 17 December as he was chairing a presentation to institutional investors about the Wickes acquisition. The reports of the Audit Committee, Remuneration Committee, and the Nominations Committee are on pages 36 to 38, 39 to 47 and 48 respectively.

During the year the board undertook an evaluation of its performance and the performance of its committees and the individual directors. The process took the form of interviews by the chairman (except in regard to his own performance) with each other director and the company secretary separately, focussing on a number of statements about the operation of the board, its committees and each director. These interviews formed the basis of a report by the chairman that was the subject of a discussion by the board and the committees. The chairman also gave individual feedback to each director on his own performance. The board was satisfied that the process showed that the board and its committees worked effectively. Nevertheless, the board and the committees agreed a number of measures aimed at further enhancing their performance, in particular in the following areas:

- Improved identification of training needs;
- Need for continued focus on long-term strategy;
- Establishment of corporate values;
- Continued refinement of risk management procedures;
- Establishment of annual business plan for Remuneration Committee work;
- Long term consideration of board composition by the Nominations Committee;
- Improved monitoring of effectiveness of internal audit by the Audit Committee.

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 directors without the chairman being present. The senior independent director subsequently reported to the full board. A board evaluation process will be carried out in 2005.

2. Directors' remuneration

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

The Remuneration Report is set out on pages 39 to 47.

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 6 to 16. 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 54.

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

Audit committee and auditors

The report of the Audit Committee is set out on pages 36 to 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 74 per cent of the issued share capital. The senior independent director also attended a number of such meetings in 2004. The chairman, chief executive and finance director report fully to the board on any meetings with shareholders or analysts. In addition, written reports about the company by analysts or brokers are circulated to all directors.

As well as sending annual and interim reports to shareholders, the company normally issues 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 2004 with the provisions set out in Section 1 of the 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 32. The board considers the present make-up of the board, which consists of the chairman, five non-executive directors, 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 2005, prior to the retirements of Ted Adams and Peter Maydon in December 2005.

B2.1 The Remuneration Committee did not consist wholly of independent non-executive directors as the chairman is one of its members. The board considers it to be very important that the chairman is closely involved in the establishment and application of the company's remuneration policy.

C3.1 The Audit Committee did not consist wholly of independent non-executive directors. The board's position on this matter is explained on page 36.

Audit committee report

For the year ended 31 December 2004

Role of the audit committee

The Audit Committee is responsible for:

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

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

Composition of the audit committee

Michael Dearden chaired the Audit Committee until 29 April 2004, when he was succeeded as chairman by Chris Bunker who had joined the committee on 12 February 2004. Michael Dearden and Ted Adams were members of the committee throughout the year, and Peter Maydon also served on the committee until 1 March 2004. All members of the committee, with the exception of Ted Adams are considered to be independent. As explained on page 32, 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 2004 to consider inter alia, 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, and the managing director, operations, also attended one meeting.

During each meeting the external auditors were given the opportunity to talk with the committee without the presence of management. The committee chairman held two meetings with the head of internal audit and two meetings with the external auditors in 2004, without management being present.

Main activities of the committee during the year

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 August meeting when the interim statements were considered.

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

- It reviewed the role of the internal audit department and recommended to the board new terms of reference for that department;
- It reviewed the processes of the internal audit department and its effectiveness, and made recommendations for training;
- It reviewed the company's risk control processes and made recommendations to the board for refining and strengthening those processes;
- It reviewed the policy on engagement of the external auditors for non-audit work, as referred to below;
- It established policies on the appointment and removal of internal and external auditors, and on the engagement of staff formerly employed by the external auditors;
- It reviewed the plans presented by the external auditors for conduct of the year-end audit;
- It reviewed the company's transition plans and preparations for the introduction of International Accounting Standards together with other emerging new regulations.

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 tax projects, their suitability is assessed at the time to ensure it would not compromise their audit independence, with the work being tendered where appropriate.
Consulting	–	To avoid any possible conflict of interest the group's policy is not to employ its auditors for general consulting work.

Following its November 2004 meeting, the committee recommended to the board that a resolution be put to shareholders at the Annual General Meeting for the re-appointment of the external auditors, and to authorise the directors to fix their remuneration.

Internal audit

As well as its reviews of the internal audit department's role and processes, as described on page 37, during its meetings in 2004, the committee received presentations from the head of internal audit about the results of work undertaken by the department, and its plans for work in 2005.

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.

C. J. Bunker **Chairman, Audit Committee**
4 March 2005

Remuneration report

For the year ended 31 December 2004

Introduction

This report sets out the company's remuneration policies for its directors and senior executives and describes how those policies are applied in practice. The directors confirm that this report has been drawn up in accordance with the requirements of Schedule 7A of the Companies Act 1985 ("the Schedule") and the 2003 Combined Code on Corporate Governance ("the Code"). As required by the Schedule, a resolution to approve the report will be proposed at the Annual General Meeting.

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 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 engaged by it, 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, but never in respect of their own remuneration.

Policy on executive directors' remuneration

The company's policy on executive remuneration is to ensure that it has an appropriate mix of fixed and variable pay over the short and long term, to attract and retain high quality executives with an appropriate blend of skills and experience. 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 believes 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 performance during the year;
- **Long term incentive scheme:** the Share Matching Scheme, approved by shareholders in 2004, gives executives the opportunity to receive part of their annual bonus in the form of shares, the final number of which depends on company performance;
- **Share options**: through the regular grant of options to reward outstanding business performance over the longer term;
- **Pension arrangements**: to enable executives to make appropriate provision for retirement.

A significant proportion of a director's total remuneration package is variable being subject to the achievement of specified business 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 Code.

Basic salary

A director's basic salary is generally determined by the Remuneration Committee annually and when an individual changes role. Salaries are normally reviewed in November each year, with increases taking effect from 1 January in the following year. In the case of the four executive directors, with effect from 1 February 2005 in the case of Geoff Cooper and 1 January 2005 in the other cases, their annual salaries are:

J. P. Carter	£300,000	P. N. Hampden Smith	£300,000	
G. I. Cooper	£450,000	F. J. McKay	£510,000	(retiring from the board on 14 March 2005)

In 2005, the committee intends to review the salaries of the executive directors and other senior executives to ensure that they remain competitive, following significant expansion of the group through the acquisition of Wickes.

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 have previously been based on a formula related to the level of net earnings per share achieved by the group.

In 2004, maximum bonus of 55 per cent of salary was earned, which reflected earnings per share growth well in excess of the target of 105 per cent of budget, at which maximum bonus was payable.

In 2005, bonus payments will be based both on the level of net earnings per share growth and the extent to which the company's net debt is reduced. The measure of net debt reduction is a new component and reflects the company's wish to reduce the debt incurred for the Wickes acquisition as quickly as possible. The committee will review the amount of capital expenditure incurred over the year compared to budget, before determining the amount of any bonus payable relating to debt reduction. The maximum bonus payable in cash has been raised from 55 per cent of base salary to 75 per cent, to reflect the new element relating to debt reduction for which up to 30 per cent of salary will be paid. Taking the two elements together, a bonus of 36 per cent of salary will be payable on achievement of budget, with maximum bonus payable on achieving 103 per cent of budget in respect of earnings per share and an improvement over budget in net debt reduction of £37.5 million. Based on external advice, the committee considers this increased annual bonus opportunity to be in line with market practice for businesses of the size of the company following the Wickes acquisition. It has also taken into account the stretching budgets which have been set for 2005 against a background of strong historic performance. In addition, under the Share Matching Scheme, the percentage of salary that can potentially be earned by executive directors under the annual bonus arrangements rises to 101 per cent, but for awards in 2005, more stretching performance targets will be adopted than those described to shareholders when the scheme was approved in 2004 (see Long Term Incentive section on page 41).

In December 2004, the committee decided that Frank McKay should be eligible for an additional bonus of £100,000 in 2005 in consideration for effecting an orderly transfer of responsibilities to Geoff Cooper, who joined the company on 1 February 2005, preparatory to becoming chief executive on 1 March 2005. Frank McKay's contractual retirement date is October 2005, in keeping with the normal retirement for executive directors on reaching age 60. To ensure an orderly succession, the Nominations Committee commenced the search for a new chief executive early, in June 2004. Having reached agreement in principle with Geoff Cooper that he would succeed Frank McKay, the committee initially agreed that this would occur in summer 2005, with a short handover period. However, this timetable was necessarily brought forward following the decision to acquire Wickes, which represented a major strategic step for the company. The Nominations Committee judged that, at this very important point in the company's history, it was crucial that the new chief executive assumed responsibility for the business as soon as possible, and this required that Frank McKay be asked to relinquish his post much sooner than either he or the company initially had intended. Nevertheless, the board wished to retain the skills and commitment of Frank McKay, to aid the integration of Wickes and to achieve a seamless handover of responsibility to Geoff Cooper of all aspects of the enlarged business. Discussions about a structure that would best achieve these objectives resulted in an arrangement being agreed with Frank McKay which included the additional bonus opportunity of £100,000.

Long term incentive scheme

In 2004, shareholders approved the introduction, for the most senior executives, of a Share Matching Scheme, to complement the annual bonus scheme. Under this scheme, executives receive shares in the company of a value up to 35 per cent of their annual cash bonus ("Deferred Shares"). These shares are to be held in trust for three years. Executives also have the opportunity to invest up to 35 per cent of annual salary in the company's shares, ("Investment 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 of the company, executives might receive a further award of shares, ("Matching Shares"). It is expected that the first awards under the scheme will be made in Spring 2005.

The performance criterion which will apply to determine the number of Matching Shares which executives will receive will be such that they will receive 1 Matching Share for every 3 Deferred Shares and for every 3 Investment Shares respectively if the growth in the company's earnings per share over the three year performance period exceeds inflation by 12 per cent. In the description of the scheme given to the shareholders in 2004, if the growth in the company's earnings per share over the three year performance period exceeds inflation by 24 per cent then the executives will receive 1 Matching Share for every Deferred Share and for every Investment Share respectively. Between 12 per cent and 24 per cent the number of Matching Shares received will be determined on a straight-line basis. However, as a result of the Wickes acquisition, the Remuneration Committee has decided that the grant of Matching Awards in 2005 will be subject to a more demanding earnings per share target. In order to receive the full match, earnings per share will have to exceed inflation by 30 per cent, not 24 per cent, over the three-year performance period. The committee regards the use of earnings per share as an appropriate performance measure because (i) it is the company's key internal financial measure, (ii) it is a measure to which executives can easily relate, and (iii) it directly reflects the executive directors' own performance.

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. Options are not granted at a discount to the market value. Currently, for all eligible executives, options may only be exercised if the growth in the company's earnings per share 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. For options which are due to be granted to the executive directors and senior executives in Spring 2005, the committee intends to impose more demanding earnings per share targets so as to ensure that those targets remain challenging over the three-year performance period following the Wickes acquisition. Twenty five per cent of those options may be exercised if the growth in the company's earnings per share exceeds inflation by at least 9 per cent over the performance period while exercise of the remainder of the options will only be possible if the earnings per share growth exceeds inflation by 21 per cent over the performance period. Between 9 per cent and 21 per cent the number of options exercisable will be calculated on a straight-line basis. The reasons for using earnings per share as a performance measure are described in the section above headed Long Term Incentive Scheme.

The performance conditions for options granted between 2002 and 2003 may be retested for two years if they are not satisfied at the end of the original three-year period. However, in 2004 the committee considered that this provision was no longer in line with best practice and therefore options granted in 2004 and thereafter do 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 three-year period. The committee considers these successive arrangements were in line with market practice at the time the grants were made.

In March 2005, the company issued shareholding guidelines to its most senior executives encouraging them to build up a shareholding in the company over a five-year period. The target shareholding is 1x salary for the executive directors and 0.5x salary for the other executives. While these guidelines are not mandatory, the committee has reserved the right to take into account an individual's position relative to the target, when making future awards under the executive share option scheme or the share matching scheme.

The committee is monitoring carefully the impact of new International Accounting Standards on the valuation of share options and share matching scheme awards, to ensure performance targets remain suitably stretching.

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 up to retirement age, so that their pension does not exceed two thirds of pensionable salary. Normal retirement age is 60. As with all other members, executive directors' dependants are eligible for dependants' pensions and a payment of a lump sum in the event of death in service. 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. Geoff Cooper and Paul Hampden Smith receive 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. However, for pensionable service from 1 December 2004, pensionable salary for all members is 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 committee is considering the impact of changes in the taxation of pension arrangements at April 2006, which are expected to affect some senior executives in the company. It has recognised that the company should not compensate such executives for any additional tax for which they would be liable under the new arrangements, but may consider making available alternatives to continued pension provision. During 2005, the committee will finalise a policy in relation to these changes and communicate this to senior executives. The policy will be described in the committee's report in 2006.

Service contracts

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

Each of the executive directors has a service contract, the date of which is shown below, which will be available for inspection at the Annual General Meeting.

Paul Hampden Smith	8 October 1996	Frank McKay	1 November 1999
John Carter	6 August 2001	Geoff Cooper	1 February 2005

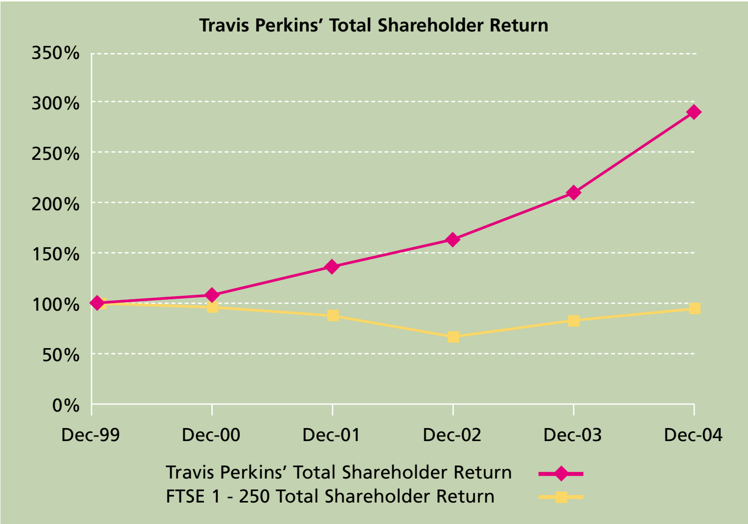
Non-executive directors

The policy of the board is to recruit non-executive directors of the highest calibre, with a breadth of skills and experience appropriate for the company's business. Non-executive directors are appointed for a period of three years, at the end of which the appointment may be renewed by mutual agreement. It is the board's policy that non-executive directors should serve for six years (two three year terms) and that any term beyond this should be subject to a rigorous review. This review would take into account both the need for progressive refreshing of the board, and the particular requirements of the company at the time of the possible extension. The remuneration of the non-executive directors is determined by the board. Each non-executive director receives an annual fee. In addition Chris Bunker and Peter Maydon receive an additional fee for chairing the Audit Committee and the Remuneration Committee, respectively. 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 company pension scheme. No compensation is payable on termination of their employment, which may be without notice from the company. They cannot participate in any of the company's share option schemes. Non-executive directors do not have a service contract, but each has received a letter of appointment expiring on the following dates:

Peter Maydon	December 2005	Ted Adams	December 2005	Michael Dearden	November 2006
Chris Bunker	January 2007	Tim Stevenson	September 2007	John Coleman	February 2008

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 index, which it considers the most appropriate comparator group. The graph 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 2003 and 2004 were as follows:

Director	Interest	2004 No.	2003 No.
T. E. P. Stevenson	Beneficial owner	**5,000**	5,000
E. C. Adams	Beneficial owner	**103,749**	103,749
C. J. Bunker	Beneficial owner	**2,000**	–
J. P. Carter	Beneficial owner	**10,958**	11,090
M. B. Dearden	Beneficial owner	**1,000**	1,000
P. N. Hampden Smith	Beneficial owner	**6,008**	4,419
P. J. Maydon	Beneficial owner	**1,000**	1,000
F. J. McKay	Beneficial owner	**7,444**	7,444

Details of directors' share options are given on page 47. There have been no changes in the holdings of the directors between 31 December 2004 and the date of this report.

Travis Perkins' share price information

	2004	2003
Mid-market price at 31 December	**1,733.0p**	1,278.0p
Highest mid-market price during the year	**1,733.0p**	1,366.0p
Average mid-market price during the year	**1,387.1p**	1,159.8p
Lowest mid-market price during the year	**1,249.0p**	921.0p

Audited information

Amount of directors' emoluments

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

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

	Basic salary		Annual bonus		Benefits in kind		Gains on share options		Total remuneration	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000	**2004 £'000**	2003 £'000	**2004 £'000**	2003 £'000	**2004 £'000**	2003 £'000
Executive										
J. P. Carter	**265**	200	**146**	110	**20**	19	**235**	–	**666**	329
P. N. Hampden Smith[1]	**351**	311	**151**	138	**10**	10	**–**	–	**512**	459
F. J. McKay[2]	**499**	439	**267**	234	**1**	1	**749**	–	**1,516**	674
Non-executive										
T. E. P. Stevenson	**150**	125	**–**	–	**–**	–	**–**	–	**150**	125
E. C. Adams	**37**	37	**–**	–	**–**	–	**–**	–	**37**	37
C. J. Bunker	**35**	–	**–**	–	**–**	–	**–**	–	**35**	–
M. B. Dearden	**32**	37	**–**	–	**–**	–	**–**	–	**32**	37
C. M. Fisher[3]	**10**	30	**–**	–	**–**	–	**–**	–	**10**	30
P. J. Maydon	**37**	37	**–**	–	**–**	–	**–**	–	**37**	37
	1,416	1,216	**564**	482	**31**	30	**984**	–	**2,995**	1,728

1 Basic salary includes a £74,550 salary supplement (2003: £59,220) 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. Paul Hampden Smith also received, and retained, in 2004 £13,920 in respect of his non-executive directorship of DX Services plc.

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 2004 remuneration of £22,453 (2003: £22,013) in respect of his non-executive directorship of Luxfer Holdings plc.

3 Retired 30 April 2004

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 2004	43	44	59
	£'000	£'000	£'000
Accrued pension at 31 December 2003	110	26	57
Accrued pension at 31 December 2004	148	30	85
Increase in accrued pension in 2004	38	4	28
Real increase in accrued pension in 2004	35	2	27
Transfer value of the real increase in accrued pension net of member's contributions	284	15	456
Value of increase in accrued benefit	302	21	471
Member's contributions towards pension	18	6	15
Increase in transfer value net of member's contributions	454	58	594
Transfer value of benefits accrued at 31 December 2003	778	188	905
Transfer value of benefits accrued at 31 December 2004	1,250	252	1,514

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 1995 and the 2001 Executive Share Option Schemes and the Travis Perkins Sharesave Schemes 1992 and 2002 and remained outstanding at 31 December 2004:

Executive share options

Outstanding at 1 January 2004 No.	Granted during year No.	Lapsed during year No.	Exercised during year No.	**Outstanding at 31 December 2004 No.**	Exercise price	Exercise period
992	–	–	(992)	**–**	318.0p	–
992	–	–	(992)	**–**	348.5p	–
32,500	–	–	(32,500)	**–**	307.0p	–
496	–	–	(496)	**–**	364.5p	–
496	–	–	(496)	**–**	470.5p	–
116,183	–	–	(60,222)	**55,961**	571.5p	Anytime until 26/4/08
248	–	–	(248)	**–**	458.0p	–
992	–	–	(992)	**–**	385.5p	–
15,000	–	–	(1,480)	**13,520**	602.5p	Anytime until 7/9/10
20,000	–	–	–	**20,000**	550.0p	Anytime until 9/10/10
1,937,949	–		(1,496,536)	**441,413**	756.0p	Anytime until 3/7/11
320,122	–	–	(21,348)	**298,774**	1071.5p	From 10/4/05 until 9/4/12
385,797		–	(31,717)	**354,080**	1067.5p	From 11/4/06 until 10/4/13
–	513,805	–	(5,000)	**508,805**	1311.0p	From 16/3/07 until 15/3/14
–	72,033	–	–	**72,033**	1447.0p	From 30/4/07 until 29/10/07
–	9,044	–	–	**9,044**	1382.0p	From 07/9/07 until 06/9/14
2,831,767	594,882	–	(1,653,019)	**1,773,630**		

The performance criteria for the exercise of executive share options are disclosed on pages 41 and 42 of the remuneration report.

Sharesave options

Outstanding at 1 January 2004 No.	Granted during year No.	Lapsed during year No.	Exercised during year No.	**Outstanding at 31 December 2004 No.**	Exercise price	Exercise period
23,800	–	(981)	(22,819)	**–**	412.5p	–
289,945	–	(2,346)	(266,318)	**21,281**	511.0p	Anytime until 31/5/05
12,403	–	(867)	(11,536)	**–**	464.0p	–
324,913	–	(7,707)	(4,063)	**313,143**	464.0p	From 1/12/05 until 31/5/06
199,652	–	(12,374)	(171,810)	**15,468**	609.5p	Anytime until 31/5/05
222,738	–	(10,965)	(647)	**211,126**	609.5p	From 1/12/06 until 31/5/07
257,904	–	(29,861)	(899)	**227,144**	847.5p	From 1/12/05 until 31/5/06
229,753	–	(17,165)	(263)	**212,325**	847.5p	From 1/12/07 until 31/5/08
279,583	–	(46,691)	(745)	**232,147**	1079.0p	From 1/12/06 until 31/5/07
178,345	–	(20,373)	(8)	**157,964**	1079.0p	From 1/12/08 until 31/5/09
–	237,680	(1,093)	–	**236,587**	1156.0p	From 1/12/07 until 31/5/08
–	170,264	(485)	–	**169,779**	1156.0p	From 1/12/09 until 31/5/10
2,019,036	407,944	(150,908)	(479,108)	**1,796,964**		

Directors' share options included within the previous tables

	Outstanding at 1 January 2004 No.	Granted during year No.	Exercised during year No.	**Outstanding at 31 December 2004 No.**	Exercise price	Exercise period
J. P. Carter	39,351	–	(39,351)	**–**	756.0p	–
	29,398	–	–	**29,398**	1071.5p	From 10/4/05 until 9/4/12
	4,090	–	(4,090)	**–**	412.5p	–*
	32,786	–	–	**32,786**	1067.5p	From 11/4/06 until 10/4/13
	–	34,038	–	**34,038**	1311.0p	From 16/3/07 until 15/3/14
	854	–	–	**854**	1079.0p	From 01/12/06 until 31/05/07*
P. N. Hampden Smith	30,000	–	–	**30,000**	571.5p	Anytime until 26/4/08
	39,351	–	–	**39,351**	756.0p	Anytime until 3/7/11
	31,031	–	–	**31,031**	1071.5p	From 10/4/05 until 9/4/12
	1,589	–	(1,589)	**–**	609.5p	–
	40,983		–	**40,983**	1067.5p	From 11/4/06 until 10/4/13
	–	36,708	–	**36,708**	1311.0p	From 16/3/07 until 15/3/14
	–	819	–	**819**	1156.0p	From 01/12/07 until 31/05/08*
F. J. McKay	79,365	–	(79,365)	**–**	756.0p	–
	60,662	–	–	**60,662**	1071.5p	From 10/04/05 until 03/10/06
	79,625	–	–	**79,625**	1067.5p	From 11/04/06 until 10/10/06
	1,115	–	–	**1,115**	847.5p	From 04/10/05 until 03/04/06*
	–	67,035	–	**67,035**	1447.0p	From 30/04/07 until 29/10/07
	470,200	138,600	(124,395)	**484,405**		

* Sharesave options

No directors' share options lapsed during the year.

At 31 December 2004, in addition to the directors, there were 271 employees (2003: 210) who had holdings of executive share options and 3,199 employees (2003: 3,231) 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:

P. J. Maydon **Chairman, Remuneration Committee**
4 March 2005

Nominations committee report

For the year ended 31 December 2004

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, until April 2004, Charles Fisher. Peter Maydon is an independent non-executive director. Charles Fisher retired from the board at the conclusion of the Annual General Meeting, following which Ted Adams and Chris Bunker became members of the committee. Chris Bunker is an independent non-executive director.

During the year, the committee formulated a recommendation to the board for the appointment of a chief executive designate, to succeed Frank McKay who was due to retire in October 2005. Following this process, the appointment of Geoff Cooper was announced on 9 December 2004 and he joined the company on 1 February 2005. A description of the capabilities required for this appointment was agreed by the committee in consultation with the other directors. Recruitment consultants, Egon Zehnder International, were engaged to assist the committee and a number of candidates were identified by them, and interviewed by the committee and by other directors.

During the year, the committee also reviewed the balance of experience on the board, and recommended to the board that a further non-executive director should be appointed, who was also a serving executive elsewhere. Recruitment consultants, Ian Jones & Partners, assisted the committee in this process and a number of candidates were interviewed by the committee and by other directors. As a result, John Coleman was appointed on 10 February 2005.

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

T. E. P. Stevenson Chairman, Nominations Committee
4 March 2005

Directors' report

For the year ended 31 December 2004

The directors present their annual report and audited accounts for the year ended 31 December 2004.

Principal activities

Travis Perkins is one of the largest builders merchants and home improvement retailers in the U.K. 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 and since the acquisition of Wickes, to the general public, 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 6 to 10 and the finance director's report on pages 12 to 16.

Results and dividends

The group results and dividends for the year ended 31 December 2004 are set out on page 56. If approved, the final dividend will be paid on 16 May 2005 to those shareholders on the register at the close of business on 22 April 2005.

Directors and their interests

The names of the directors at 31 December 2004, together with their biographical details, are set out on pages 30 and 31 (except for those of Frank McKay who is retiring from the board on 14 March 2005). All of those directors held office throughout the year, except Geoff Cooper and John Coleman who were appointed on 1 February and 10 February 2005, respectively. In accordance with the company's Articles of Association, John Carter, Michael Dearden and Peter Maydon will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. John Carter has a rolling twelve month notice period in his service contract. As non-executive directors, Michael Dearden and Peter Maydon do not have service contracts. In light of the evaluation of their performance as a result of the process described on page 33, Tim Stevenson, chairman, confirms on behalf of the board that both Michael Dearden and Peter Maydon continue to be effective in, and committed to, their roles as non-executive directors.

In accordance with the company's articles of association, John Coleman and Geoff Cooper, who have been appointed as directors since the last annual general meeting, will retire at the forthcoming annual general meeting and will offer themselves for election. Geoff Cooper has a rolling twelve month notice period in his service contract. As a non-executive director, John Coleman 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 2004, including holdings, if any, of wives and of children aged under 18, were as detailed in the Remuneration Report on pages 45 and 47.

Substantial shareholders

At 4 March 2005, 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:

	Beneficial		Non-Beneficial	
	No.	%	No.	%
Aviva plc	5,192,638	4.31	–	–
Barclays plc	6,433,127	5.33	3,480,611	2.89
Legal & General Group plc	3,914,569	3.25	–	–
E. R. A. Travis	1,966,818	1.63	7,067,952	5.86
C. M. T. Travis	1,516,992	1.26	7,222,407	5.99

Close company status

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

Employees and charitable donations

Statements on these matters are contained in the corporate responsibility statement on pages 27 and 28.

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 2004 represent 47.8 days (31 December 2003: 48.6 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 27 April 2005 at 11.45 a.m. The following items are to be proposed at the forthcoming annual general meeting as items of special business.

Resolution 9: 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 47.

Resolution 10: 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 10 renews the board's authority to issue share capital up to an aggregate nominal amount of 1,439,526 (being the lesser of the company's authorised but unissued share capital and one third of its issued share capital). This represents 11.94 per cent of the issued ordinary share capital of the company as at 4 March 2005. 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 as at 4 March 2005.

Resolution 11: 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 11 therefore empowers the board to allot for cash, equity securities of a nominal amount not exceeding 404,535 (representing 3.35 per cent of the issued share capital as at 4 March 2005) without first offering such securities to existing ordinary shareholders. The calculation of this amount takes into account the placing of five million shares on 17 December 2004 in connection with the Wickes acquisition and the relevant institutional shareholder voting guidelines in respect of non-pre-emptive share issues. 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 12: amendment of articles of association

The company has reviewed its Articles of Association ("the Articles") to take account of regulatory changes and current practice. The following is a summary of the proposed principal amendments:

Article 4 - Allotment

Article 4 is amended to bring the sale of treasury shares within the scope of the section 95 authority disapplying pre-emption rights under section 89 of the Companies Act 1985. This is required as the statutory pre-emption rights apply to the sale of treasury shares.

Article 7 - Variation of Rights
Article 7 is amended to exclude shares held in treasury from the calculation of the three-quarters in nominal value in order to reflect the inability of a company holding treasury shares to exercise any voting rights in respect of such shares.

Article 11 - Right to Certificate
Articles 11(A) and (D) are updated to refer to the United Kingdom Listing Authority (the "UKLA") rather than to the London Stock Exchange.

Article 27 - Power of Sale
Under existing Article 27(A)(v), the Company is required to inform the London Stock Exchange if it intends to sell the shares belonging to untraceable members. This is no longer a requirement under the UKLA Listing Rules (the "Listing Rules") and it is therefore proposed that this reference be deleted.

Article 27(C) is amended to bring both certificated and uncertificated shares within the provisions concerning the transfer or sale of forfeited or surrendered shares and evidence of such forfeiture or surrender.

Article 29 - Form of Transfer
Article 29(C) is amended so that it is subject to the Uncertificated Securities Regulations 2001 (the "Regulations").

Article 30 - Right to Refuse Registration
Article 30 is amended to anticipate the transfer of both certificated and uncertificated shares, the latter being subject to the Regulations.

Article 31 - Fees on Registration
Existing Article 31 provides that transfers relating to or affecting title to shares be registered without payment of any fee. This is no longer a requirement of the Listing Rules and it is therefore proposed that Article 31 be amended to provide that the Company has the option to charge a fee for registering the transfer of a share. However, the company has no current intention to make such a charge.

Article 32 - Suspension of Registration and Closing of Register
The reference to the London Stock Exchange is deleted from Article 32 as it is no longer a requirement of the Listing Rules that the closing of the members' register be discretionary.

Article 32 is amended to refer to the Regulations.

Article 37 - Fractions
Article 37 is amended to make it subject to the Regulations and to provide that the Board may treat a member's shares held in certificated and uncertificated form as separate holdings when effecting divisions and/or consolidations.

Article 39 - Purchase of Own Shares
Article 39 is updated to delete the reference to the London Stock Exchange.

Article 43 - Length and Form of Notice
Article 43 is amended to allow the Board to (i) determine those persons entitled to receive notices of meeting; (ii) determine by which time a person must be entered on the register of members in order to have the right to attend and vote at the meeting; and (iii) permit a notice of meeting to be published on a website in accordance with the Companies Act 1985 (Electronic Communications) Order 2000.

Article 44 - Omission to Send Notice
Article 44 is amended to provide that, where a notice of meeting is published on a website and the notice contains irregularities, proceedings at such meeting will not thereby be invalidated.

New Article 45 - Postponement of General Meetings
A new Article 45 is added to provide that the Board has the power to postpone general meetings where it considers that it is impractical or unreasonable to hold the general meeting at the time or place specified in the notice.

Article 47 - Procedure if Quorum not Present
Article 47(A) is amended so that where a general meeting is not quorate, the meeting will automatically stand to be adjourned to such other day, time and/or place as may have been set out in the original notice convening the meeting.

Article 49 - Director's Right to Attend and Speak
Article 49 is amended to provide that the chairman may invite any person to attend and speak at a general meeting where he considers it will assist in the deliberations of the meeting.

Article 51 - Notice of Adjourned Meeting
Article 51 is amended to provide that it is not necessary to give notice of an adjourned meeting, or the business to be transacted at the adjourned meeting, if the meeting has been adjourned in accordance with the proposed amendment to Article 47.

Article 60 - Voting by Proxy
Article 60 is amended to refer to the Regulations.

Article 60(A) is amended to provide expressly that proxies may be submitted using the CREST automated proxy-voting service.

Article 60(G) is amended to refer to the UKLA rather than to the London Stock Exchange.

Article 62 - When Votes Through Proxy Valid Though Authority Revoked
Article 62 is amended to include a proxy appointed by means of an electronic communication.

Article 68 - Failure to Disclose Interests in Shares
Article 68(E)(v)(b) is amended to refer to the Financial Services and Markets Act 2000, rather than the Financial Services Act 1986.

Article 68 is also amended to have regard to the requirements of the Listing Rules, as amended in December 2003 to take account of the introduction of treasury shares.

Article 84 - Participation in Board Meetings
Article 84 is amended to refer to notices served by means of an electronic communication.

Article 86 - Directors' Fees
Article 86 is amended so that the financial thresholds that apply to non-executive directors' fees do not apply to a non-executive chairman.

Article 86 is amended to allow non-executive directors to receive part of their fee in shares rather than cash.

Article 91 - Remuneration of Executive Directors
Article 91 is amended to include the non-executive chairman so that the Board may determine his remuneration in the same way as for the executive directors pursuant to the existing Article 91.

Article 136 - Accounts to be Sent to Members etc.
Article 136 is amended to allow the Company, provided certain procedural requirements are met, to meets its statutory and Listing Rules obligations in respect of sending certain documents to members by means of an electronic communication or the posting of such documents on a website.

Article 137 - Notices to be in Writing
Article 137 is amended so that notices can be given by electronic communication as well as in writing.

Article 138 - Service of Other Notice and Documents on Members
Article 138 is amended so that notices and other documents can be given by electronic communication as well as in writing.

Article 139 - Notice by Advertisement
Article 139 is amended so that, where a member has not notified the Company of an electronic address for communication, the Company may convene a general meeting by a notice in a national newspaper if there is a suspension of postal services.

Article 140 - Proof of Service
Article 140 is amended to set out when notices that are sent electronically are deemed to be given.

Article 146 - Indemnity
Article 146 is amended so as to benefit from new provisions in the Companies Act 1985 that amplify the Company's existing power to indemnify the directors and officers of the Company. This amendment will allow the Company, in certain circumstances, to provide funds to directors and officers to meet defence costs as they are incurred.

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 4 March 2005, there were options outstanding over 3,479,353 ordinary shares, representing 2.88 per cent of the company's issued ordinary share capital. This would rise to 3.21 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
A resolution to re-appoint Deloitte & Touche LLP as the company's auditors and to authorise the directors to fix the auditors' remuneration will be proposed at the annual general meeting.

ASPike

By order of the Board
A.S. Pike Secretary
4 March 2005

Statement of directors' responsibilities

For the year ended 31 December 2004

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:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent; and
- 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 2004

We have audited the financial statements of Travis Perkins plc for the year ended 31 December 2004 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 35. 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, and 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 nine provisions of the July 2003 FRC 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 2004 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

4 March 2005

Consolidated profit and loss account

For the year ended 31 December 2004

	Notes	2004 £m	2003 £m
Turnover	1	**1,828.6**	1,678.3
Operating profit before amortisation of goodwill		**218.2**	191.4
Amortisation of goodwill		**(17.4)**	(15.3)
Operating profit after amortisation of goodwill	2	**200.8**	176.1
Net interest payable	5	**(7.6)**	(9.1)
Other finance costs	6	**(2.8)**	(4.3)
Profit on ordinary activities before taxation		**190.4**	162.7
Tax on profit on ordinary activities	7	**(60.3)**	(53.8)
Profit on ordinary activities after taxation		**130.1**	108.9
Equity dividends paid and proposed	8	**(36.3)**	(27.6)
Retained profit transferred to reserves	22	**93.8**	81.3
Earnings per ordinary share			
Basic	9	**113.9p**	96.5p
Diluted	9	**112.6p**	95.2p
Adjusted	9	**129.1p**	110.0p
Dividend per ordinary share	8	**30.5p**	24.4p

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 2004

	Notes	The Group 2004 £m	The Group 2003 £m	The Company 2004 £m	The Company 2003 £m
Fixed assets					
Tangible assets	10	**326.3**	284.7	**0.1**	0.1
Intangible assets – goodwill	11	**287.4**	285.7	**–**	–
Investments	12	**3.9**	4.3	**569.7**	553.5
		617.6	574.7	**569.8**	553.6
Current assets					
Stocks	13	**200.6**	178.1	**–**	–
Debtors	14	**287.8**	265.4	**130.1**	128.5
Properties held for resale	15	**–**	0.2	**–**	–
Short term investments – cash deposits		**98.0**	27.5	**98.0**	27.5
Cash at bank and in hand	16	**18.9**	6.4	**–**	–
		605.3	477.6	**228.1**	156.0
Creditors: amounts falling due within one year	17	**(405.4)**	(400.0)	**(160.9)**	(187.7)
Net current assets/(liabilities)		**199.9**	77.6	**67.2**	(31.7)
Total assets less current liabilities		**817.5**	652.3	**637.0**	521.9
Creditors: amounts falling due after more than one year	18	**(65.0)**	(70.1)	**(303.4)**	(292.7)
Provisions for liabilities and charges	19	**(32.2)**	(20.1)	**–**	–
Net assets excluding pension deficit		**720.3**	562.1	**333.6**	229.2
Pension deficit	3	**(89.8)**	(85.1)	**–**	–
Net assets including pension deficit		**630.5**	477.0	**333.6**	229.2
Capital and reserves					
Called up share capital	21	**12.1**	11.3	**12.1**	11.3
Share premium account	22	**159.2**	69.4	**158.1**	68.3
Revaluation reserves	22	**29.8**	30.6	**–**	–
Profit and loss account	22	**429.4**	365.7	**163.4**	149.6
Total equity shareholders' funds		**630.5**	477.0	**333.6**	229.2

The financial statements were approved by the board of directors on 4 March 2005.

Signed on behalf of the board of directors.

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

Statement of total recognised gains and losses

For the year ended 31 December 2004

	2004 £m	2003 £m
Profit attributable to shareholders of the company	**130.1**	108.9
Actuarial gains and losses recognised in the pension scheme	**(32.5)**	(2.7)
Deferred tax on pension deficit	**2.0**	(0.2)
Unrealised loss on revaluation of investment properties	**(0.4)**	(0.3)
Total gains recognised since last annual report	**99.2**	105.7

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

For the year ended 31 December 2004

	2004 £m	2003 £m
Difference between actual and expected return on scheme assets	**10.9**	14.7
Experience gains and losses arising on scheme liabilities	**0.1**	0.1
Effects of changes in assumptions underlying the present value of scheme liabilities	**(43.5)**	(17.5)
Total actuarial gains and losses recognised in the statement of total recognised gains and losses	**(32.5)**	(2.7)

Reconciliation of movements in equity shareholders' funds

For the year ended 31 December 2004

	2004 £m	2003 £m
Equity shareholders' funds at 1 January	**477.0**	395.4
Profit attributable to shareholders of the company	**130.1**	108.9
Dividends	**(36.3)**	(27.6)
Retained profit transferred to reserves	**93.8**	81.3
New share capital subscribed	**90.6**	3.5
Unrealised loss on revaluation of investment properties	**(0.4)**	(0.3)
Actuarial gains and losses (net of deferred tax)	**(30.5)**	(2.9)
Net increase in shareholders' funds	**153.5**	81.6
Equity shareholders' funds at 31 December	**630.5**	477.0

Consolidated cash flow statement

For the year ended 31 December 2004

	Notes	2004 £m	2003 £m
Net cash inflow from operating activities	27	222.0	230.8
Returns on investments and servicing of finance			
Interest received		0.5	0.7
Interest paid		(8.5)	(10.0)
Net cash outflow for returns on investments and servicing of finance		(8.0)	(9.3)
Taxation			
UK corporation tax paid		(54.2)	(50.9)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(67.3)	(49.4)
Receipts from sales of tangible fixed assets		2.2	2.5
Net cash outflow for capital expenditure and financial investment		(65.1)	(46.9)
Acquisitions			
Purchase of business undertakings	30	(40.2)	(73.0)
Net cash acquired with business undertakings		1.2	0.7
Net cash outflow for acquisitions		(39.0)	(72.3)
Equity dividends paid		(30.0)	(23.7)
Cash inflow before use of liquid resources and financing		25.7	27.7
Management of liquid resources			
Cash (outflow to)/inflow from short term deposits	29	(70.5)	2.5
Financing			
Issue of ordinary share capital (net of expenses)		90.6	3.5
Repayment of bank loans	29	(30.0)	(25.0)
Repayment of unsecured loan notes	29	(3.2)	(1.9)
Capital element of finance lease rentals	29	(0.1)	(0.1)
Net cash inflow from/(outflow to) financing		57.3	(23.5)
Increase in cash in the year	29	12.5	6.7

Accounting policies

For the year ended 31 December 2004

The financial statements have been prepared in accordance with applicable accounting standards.

Compliance with SSAP 19 "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.

The particular accounting policies adopted are:

(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 FRS 10, 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 SSAP 19, 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.

(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 2004

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

	2004	2003
	£m	£m
Turnover	1,828.6	1,678.3
Cost of sales	(1,245.3)	(1,156.3)
Gross profit	583.3	522.0
Selling and distribution costs	(297.7)	(276.9)
Administrative expenses	(86.3)	(70.8)
Other operating income	1.5	1.8
Operating profit after amortisation of goodwill	200.8	176.1

	2004	2003
	£m	£m
Items included above but not disclosed elsewhere:		
Depreciation and other amounts written off tangible and intangible fixed assets	(49.7)	(42.2)
Profit on sale of plant and equipment	0.2	–
Rental income	1.3	1.4
Hire of vehicles, plant and machinery	(8.5)	(8.8)
Other leasing charges – property	(18.7)	(18.1)

Amounts paid to the Auditors	2004	2003
	£'000	£'000
Group audit fee (company audit fee: £17k: 2003 £17k)	231	216
Other amounts paid to Auditors – tax compliance	65	65
Other amounts paid to Auditors – tax advisory	70	121

Included within the balance sheet is £205k payable to the auditors in respect of review work undertaken for the Wickes acquisition.

3. Pension arrangements

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.

3. Pension arrangements continued

A full actuarial valuation of the Group Scheme was carried out on 30 November 2002, then updated to 31 December 2004 by a qualified actuary.

(a) Major assumptions used by the actuary (in nominal terms)

	At 31 December 2004	At 31 December 2003	At 31 December 2002
Rate of increase in salaries	**3.8%**	3.8%	3.8%
Rate of increase of pensions in payment	**2.8% (post 1997)**	2.8% (pre 1997)	2.3% (post 1997)
	3.0% (pre 1997)	3.0% (post 1997)	3.0% (pre 1997)
Discount rate	**5.3%**	5.4%	5.5%
Inflation assumption	**2.8%**	2.8%	2.3%

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

	At 31 December 2004		At 31 December 2003		At 31 December 2002	
	Expected return	**£m**	Expected return	£m	Expected return	£m
Equities	**7.30%**	**183.9**	7.30%	149.5	7.30%	126.0
Bonds	**4.30%**	**38.4**	4.60%	22.3	4.30%	14.6
Corporate bonds	**5.10%**	**31.1**	5.10%	20.9	5.30%	8.0
Total fair value of assets		**253.4**		192.7		148.6
Actuarial value of liability		**(381.7)**		(314.3)		(271.1)
Deficit in the scheme		**(128.3)**		(121.6)		(122.5)
Related deferred tax asset		**38.5**		36.5		36.7
Net pension liability		**(89.8)**		(85.1)		(85.8)

(c) Analysis of amount charged to operating profit	2004	2003
	£m	£m
Current service cost	**10.6**	10.3

In consultation with the scheme actuary and the trustees of the pension fund the directors are in the process of fixing the employers' contribution rate for 2005.

(d) Movement in scheme deficit during year	2004	2003
	£m	£m
Deficit at 1 January	**(121.6)**	(122.5)
Current service cost	**(10.6)**	(10.3)
Contributions	**39.2**	18.2
Other finance costs	**(2.8)**	(4.3)
Actuarial loss	**(32.5)**	(2.7)
Deficit at 31 December	**(128.3)**	(121.6)

(e) Other pension costs	2004	2003
	£m	£m
Current service costs charged to the profit and loss account	**10.6**	10.3
Other finance costs	**2.8**	4.3
Total amount recognised in the statement of total recognised gains and losses	**32.5**	2.7
Total pension costs	**45.9**	17.3

3. Pension arrangements continued

(f) History of experience gains and losses	2004	2003	2002
Difference between the expected and the actual return on scheme assets			
Amount	£10.9m	£14.7m	£(43.1)m
Percentage of scheme assets	4.3%	7.6%	29.0%
Experience gains and losses on scheme liabilities			
Amount	£0.1m	£0.1m	£(15.4)m
Percentage of the present value of scheme liabilities	–	–	5.7%
Effect of changes in assumptions underlying the present value of scheme liabilities			
Amount	£(43.5)m	£(17.5)m	£(32.7)m
Percentage of the present value of scheme liabilities	11.4%	5.6%	12.1%
Total amount recognised in the Statement of Total Recognised Gains and Losses			
Amount	£(32.5)m	£(2.7)m	£(91.2)m
Percentage of the present value of scheme liabilities	8.5%	0.9%	33.6%

(g) Change in assumptions

Of the change in assumptions loss of £(43.5) million, £(36) million reflects effect of increased longevity assumptions and £(7.5) million reflects the change in the discount rate.

Defined contribution schemes

There is one defined contribution scheme in the group. Contributions to defined contribution schemes in the year were £0.4 million (2003: £0.1 million).

4. Information regarding employees and directors

(a) Average number of persons employed	2004 No.	2003 No.
Sales	6,846	6,868
Distribution	1,537	1,347
Administration	1,002	984
	9,385	9,199

(b) Staff costs	£m	£m
Wages and salaries	(186.4)	(174.4)
Social security costs	(18.1)	(16.2)
Other pension costs	(10.8)	(10.4)

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 39 to 47 within the Remuneration Report on pages 45 to 47 and form part of these audited financial statements.

5. Net interest payable

	2004 £m	2003 £m
Interest on overdrafts and short term loans repayable within 5 years	(7.5)	(9.1)
Interest on unsecured loans	(0.6)	(0.6)
Total interest payable	(8.1)	(9.7)
Interest receivable and similar income	0.5	0.6
Net interest payable	(7.6)	(9.1)

Interest cover is 28.7 times (2003: 21 times). It is calculated by dividing operating profit before goodwill amortisation by the net interest payable (excluding other finance costs).

6. Other finance costs

	2004	2003
	£m	£m
Expected return on scheme assets	**14.3**	10.8
Interest on pension liabilities	**(17.1)**	(15.1)
Net cost	**(2.8)**	(4.3)

7. Tax on profit on ordinary activities

	2004	2003
	£m	£m
(a) Tax charges		
Current tax		
UK corporation tax at 30% - current year	**50.1**	51.7
- prior year	**0.9**	(0.1)
Total current tax	**51.0**	51.6
Deferred tax at 30%		
Origination and reversal of timing differences - current year	**10.2**	2.3
- prior year	**(0.9)**	(0.1)
Total deferred tax	**9.3**	2.2
Total tax on profit on ordinary activities	**60.3**	53.8

(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.

	2004		2003	
Group profit on ordinary activities before tax	%	£m	%	£m
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30%	**30.0%**	**57.1**	30.0%	48.8
Effects of:				
Net expenses not deductible for tax purposes (principally goodwill amortisation)	**3.3%**	**6.2**	3.5%	5.7
Capital allowances in excess of depreciation	**(1.2)%**	**(2.2)**	(0.7)%	(1.1)
Depreciation on non-qualifying property	**0.8%**	**1.6**	0.7%	1.2
Gains on share options exercised during period	**(2.3)%**	**(4.6)**	(1.1)%	(1.8)
Other timing differences (principally pension scheme payments)	**(4.2)%**	**(8.0)**	(0.7)%	(1.1)
Prior period adjustment	**0.4%**	**0.9**	–	(0.1)
Group current tax charge for year	**26.8%**	**51.0**	31.7%	51.6

Deferred tax of £10.2 million (2003: £10.3 million) 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

	2004	2003
	£m	£m
Interim 9.5 pence per share (2003: 7.6 pence per share)	11.0	8.6
Proposed final 21.0 pence per share (2003: 16.8 pence per share)	25.3	19.0
	36.3	27.6

9. Earnings per ordinary share

(a) Basic earnings per ordinary share

	2004	2003
Basic earnings per ordinary share are calculated from the following ratio:		
Profit on ordinary activities after taxation	£130.1m	£108.9m
Average number of shares in issue	114,232,096	112,782,720

(b) Diluted earnings per ordinary share

	2004	2003
Diluted earnings per ordinary share are calculated from the following ratio:		
Profit on ordinary activities after taxation	£130.1m	£108.9m
Average number of shares including outstanding options	115,554,686	114,359,686

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:

	2004	2003
	No.	No.
Premium element of share options based on average mid-market share price for the year	1,322,590	1,576,966

(c) Adjusted earnings per ordinary share

Adjusted earnings per ordinary share which are calculated based upon earnings before amortisation of goodwill 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) as follows:

	2004	2003
Adjusted earnings per ordinary share	129.1p	110.0p
Amortisation of goodwill	(15.2)p	(13.5)p
Basic earnings per ordinary share	113.9p	96.5p

10. Tangible fixed assets

	The Group					The Company
	Freehold	Long leases	Short leases	Plant and equipment	**Total**	**Total[1]**
	£m	£m	£m	£m	**£m**	**£m**
Cost or valuation						
At 1 January 2004	167.3	16.7	10.0	191.4	**385.4**	**0.3**
Additions	14.2	2.4	3.5	47.2	**67.3**	**–**
Additions from acquired businesses	5.2	–	0.4	2.8	**8.4**	**–**
Disposals	(0.5)	–	–	(16.5)	**(17.0)**	**–**
At 31 December 2004	**186.2**	**19.1**	**13.9**	**224.9**	**444.1**	**0.3**
Accumulated depreciation						
At 1 January 2004	12.0	1.3	1.7	85.7	**100.7**	**0.2**
Charged this year	3.7	0.4	0.9	27.3	**32.3**	**–**
Disposals	(0.1)	–	–	(15.1)	**(15.2)**	**–**
At 31 December 2004	**15.6**	**1.7**	**2.6**	**97.9**	**117.8**	**0.2**
Net book value						
At 31 December 2004	**170.6**	**17.4**	**11.3**	**127.0**	**326.3**	**0.1**
At 31 December 2003	155.3	15.4	8.3	105.7	284.7	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	Long leases	Short leases	Plant and equipment	**Total**	**Total**
	£m	£m	£m	£m	**£m**	**£m**
At valuation	78.6	6.2	2.6	–	**87.4**	**–**
At cost	107.6	12.9	11.3	224.9	**356.7**	**0.3**
	186.2	**19.1**	**13.9**	**224.9**	**444.1**	**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 £77.2 million (2003: £69.4 million) which is not depreciated.

The net book value of plant and equipment includes approximately £0.2 million (2003: £0.2 million) within the group figures and £nil (2003: £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	Long leases	Short leases	Plant and equipment	**Total**	**Total**
	£m	£m	£m	£m	**£m**	**£m**
Cost	177.2	18.0	18.8	224.9	**438.9**	**0.3**
Accumulated depreciation	(34.7)	(2.9)	(5.6)	(97.9)	**(141.1)**	**(0.2)**
Net book value						
At 31 December 2004	**142.5**	**15.1**	**13.2**	**127.0**	**297.8**	**0.1**
At 31 December 2003	126.8	13.4	9.9	105.7	255.8	0.1

11. Intangible assets - goodwill

	The Group
Cost	£m
At 1 January 2004	338.3
Acquisitions in the current year	19.1
At 31 December 2004	**357.4**
Accumulated amortisation	
At 1 January 2004	52.6
Provided in the year	17.4
At 31 December 2004	**70.0**
Net book value	
At 31 December 2004	**287.4**
At 31 December 2003	285.7

12. Fixed asset investments

	The Group		The Company	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Shares in group undertakings	**–**	–	**574.3**	558.1
Investment properties	**3.9**	4.3	**–**	–
	3.9	4.3	**574.3**	558.1
Provision for impairment	**–**	–	**(4.6)**	(4.6)
	3.9	4.3	**569.7**	553.5

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

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)	Lodge Way House, Harlestone Road, Northampton, NN5 7UG.
CCF Limited (Ceiling and dry lining distribution)	Lodge Way House, Harlestone Road, Northampton, NN5 7UG.

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 and five dormant companies, which are registered and incorporated in Scotland, and City Investments Limited, which is registered and incorporated in Jersey.

12. Fixed asset investments continued

(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 2004	4.3	553.5
Revaluation	(0.4)	–
Acquired during the year	–	16.2
At 31 December 2004	**3.9**	**569.7**

At 31 December 2004, the directors revalued the investment properties at their open market value.

The comparable net book value for investment properties determined according to the historical cost convention as at 31 December 2004 is £0.8 million (2003: £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	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Trade debtors	**230.8**	211.9	**–**	–
Amounts owed by subsidiaries	**–**	–	**126.7**	124.9
Other debtors	**44.2**	43.5	**3.4**	3.3
Prepayments and accrued income	**12.8**	10.0	**–**	0.3
	287.8	265.4	**130.1**	128.5

15. Properties held for resale

	The Group
	£m
At 1 January 2004	0.2
Disposals	(0.2)
At 31 December 2004	**–**

16. Cash at bank and in hand

Included within cash at bank and in hand was £0.7 million (2003: £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 page 46 or to provide other benefits to employees.

17. Creditors: amounts falling due within one year

	The Group		The Company	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Bank overdrafts	**–**	–	**63.5**	73.5
Bank loans	**55.0**	80.0	**55.0**	80.0
Obligations under finance leases	**0.1**	0.1	**–**	–
Unsecured loan notes	**9.0**	12.2	**9.0**	12.2
Trade creditors	**238.9**	214.9	**–**	–
Corporation tax	**22.6**	25.9	**–**	–
Other taxation and social security	**20.9**	17.4	**1.2**	–
Other creditors	**18.0**	15.3	**5.2**	1.7
Accruals and deferred income	**15.6**	15.2	**1.7**	1.3
Dividends proposed	**25.3**	19.0	**25.3**	19.0
	405.4	400.0	**160.9**	187.7

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

	The Group		The Company	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Bank loans	**65.0**	70.0	**65.0**	70.0
Obligations under finance leases	**–**	0.1	**–**	–
Amounts due to subsidiaries	**–**	–	**238.4**	222.7
	65.0	70.1	**303.4**	292.7

19. Provisions for liabilities and charges

	The Group		
	Deferred tax	Other provisions	**Total**
	£m	£m	**£m**
At 1 January 2004	10.2	9.9	**20.1**
Charged to profit and loss account	9.3	5.7	**15.0**
Applied during year	–	(2.9)	**(2.9)**
At 31 December 2004	**19.5**	**12.7**	**32.2**

Other provisions relate principally to insurance claims where the final settlement date is uncertain. The company has a deferred tax asset of £0.4m at December 2004 (2003: £nil). For disclosure purposes, this has been included within other debtors in note 14. The company has no unprovided liability to deferred tax (2003: £nil).

19. Provisions for liabilities and charges continued

The provided and unprovided amounts of deferred taxation are:

	Provided		Unprovided	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Capital allowances in excess of depreciation	**13.7**	11.5	**–**	–
Sale of properties	**–**	–	**10.2**	10.3
Investment revaluation reserve	**–**	–	**0.3**	0.3
Other timing differences	**5.8**	(1.3)	**–**	–
Capital losses	**–**	–	**(0.4)**	(0.4)
	19.5	10.2	**10.1**	10.2

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 14 and 16. With the exception of currency disclosures shown in note 20(b), 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 2004, all of which are denominated in sterling, were as follows:

	Floating	
	2004	2003
	£m	£m
Borrowings	**(129.1)**	(162.4)
Cash at bank, in hand and deposits	**116.9**	33.9
	(12.2)	(128.5)

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).

Loan notes of £4.7 million issued in 1999 in respect of the Sharpe & Fisher acquisition remain outstanding at 31 December 2004. Interest on these loan notes is determined at 6 monthly intervals on 31 January and 31 July each year when interest is set at ½ per cent below LIBOR. The interest rate was 3.76 per cent during January 2005 and has been set at 4.23 per cent between 1 February and 31 July 2005.

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 2004. Interest on these loan notes is determined at 6 monthly intervals on 31 January and 30 June 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 2005 and 30 June 2005.

£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 2004. 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.

20. Financial instruments continued

(b) Currency exposure

At 31 December 2004, the group had placed unfulfilled orders denominated in foreign currency (principally in US dollars) with suppliers to the value of £5.4 million. In addition it had short term foreign currency trade creditors (principally in US dollars and euros) totalling £0.2 million.

As at 31 December 2004 and 31 December 2003, the group had no currency contracts, including hedging.

(c) Maturity of financial liabilities

	Bank loans and overdrafts		Other borrowings		Total	
	2004	2003	**2004**	2003	**2004**	2003
	£m	£m	**£m**	£m	**£m**	£m
(i) The Group						
Borrowings repayable:						
Within 1 year	**55.0**	80.0	**9.1**	12.3	**64.1**	92.3
More than 1 year but not more than 2 years	**5.0**	55.0	**–**	0.1	**5.0**	55.1
More than 2 years but not more than 5 years	**60.0**	15.0	**–**	–	**60.0**	15.0
Total borrowings	**120.0**	150.0	**9.1**	12.4	**129.1**	162.4

	Bank loans and overdrafts		Other borrowings		Total	
	2004	2003	**2004**	2003	**2004**	2003
	£m	£m	**£m**	£m	**£m**	£m
(ii) The Company						
Borrowings repayable:						
Within 1 year	**118.5**	153.5	**9.0**	12.2	**127.5**	165.7
More than 1 year but not more than 2 years	**5.0**	55.0	**–**	–	**5.0**	55.0
More than 2 years but not more than 5 years	**60.0**	15.0	**–**	–	**60.0**	15.0
Total borrowings	**183.5**	223.5	**9.0**	12.2	**192.5**	235.7

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

The loan notes of £4.7 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 have a 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 12(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 2004 in respect of which all conditions had been met:

	Overdrafts	Uncommitted	Total
Borrowings expiring:	£m	£m	£m
Within 1 year	**54.0**	**78.0**	**132.0**

In addition, at 31 December 2004, the group had an undrawn committed credit facility of £1.2 billion, expiring in December 2009, established for the purposes of acquiring Wickes. On 11 February 2005, the date on which Wickes was acquired the £120 million drawn committed facilities, the £78 million uncommitted facilities and a £29 million overdraft facility were repaid or withdrawn.

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

	Book value		Fair value	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Cash at bank, in hand and deposits	**116.9**	33.9	**116.9**	33.9
Loans (including finance leases)	**(120.1)**	(150.2)	**(120.1)**	(150.2)
Loan notes	**(9.0)**	(12.2)	**(9.0)**	(12.2)
	(12.2)	(128.5)	**(12.2)**	(128.5)

The fair value 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

	Authorised		Allotted	
Ordinary shares of 10p	No.	£m	No.	£m
At 1 January 2004	135,000,000	13.5	113,387,252	11.3
Market placing of shares	–	–	5,000,000	0.5
Allotted under share option schemes	–	–	2,132,127	0.3
At 31 December 2004	**135,000,000**	**13.5**	**120,519,379**	**12.1**

The net contribution received for the issue of shares during the year was £90.6 million.

Details of the share option schemes are given in the Remuneration Report on pages 41, 42, 46 and 47.

22. Reserves

(a) The Group

	Non-distributable revaluation reserve Investment property £m	Non-distributable revaluation reserve Trading property £m	Share premium account £m	Retained profits £m	Total reserves £m
At 1 January 2004	3.5	27.1	69.4	365.7	**465.7**
Retained profit for the year	–	–	–	93.8	**93.8**
Actuarial loss recognised	–	–	–	(30.5)	**(30.5)**
Difference between depreciation of assets on a historical basis and on a revaluation basis	–	(0.4)	–	0.4	**–**
Revaluation of investment properties	(0.4)	–	–	–	**(0.4)**
Issue of shares	–	–	89.8	–	**89.8**
At 31 December 2004	**3.1**	**26.7**	**159.2**	**429.4**	**618.4**

	2004 £m	2003 £m
Profit and loss account reserve excluding pension deficit	**519.2**	450.8
Pension deficit	**(89.8)**	(85.1)
Profit and loss account reserve including pension deficit	**429.4**	365.7

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 2004	68.3	149.6	**217.9**
Retained profit for the year	–	13.8	**13.8**
Issue of shares	89.8	–	**89.8**
At 31 December 2004	**158.1**	**163.4**	**321.5**

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.

	2004	2003
Group profit dealt with in the parent company accounts:	**£m**	£m
Trading loss	**(7.3)**	(7.4)
Group dividends receivable	**57.4**	51.6
	50.1	44.2
Dividends payable to shareholders	**(36.3)**	(27.6)
Retained profit for the year	**13.8**	16.6

24. Operating lease commitments

At 31 December 2004, the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2004	2003	**2004**	2003
Leases which expire:	**£m**	£m	**£m**	£m
Within 1 year	**0.2**	0.5	**0.2**	0.4
More than 1 year but not more than 2 years	**0.4**	0.5	**0.1**	0.4
More than 2 years but not more than 5 years	**1.7**	1.5	**0.2**	0.1
After 5 years	**19.1**	16.4	**–**	–
	21.4	18.9	**0.5**	0.9

25. Capital commitments

	The Group		The Company	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Contracted for but not provided in the accounts	**20.5**	8.2	**–**	–

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 Frank McKay (£17,039) during the year ended 31 December 2004. The total balance outstanding at 31 December 2004 did not exceed £1,500 for any director. 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.

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

	2004	2003
	£m	£m
Operating profit after amortisation of goodwill	**200.8**	176.1
Depreciation charges	**32.3**	26.9
Amortisation of goodwill	**17.4**	15.3
Profit on sale of fixed assets	**(0.2)**	–
Increase in stocks	**(15.7)**	(10.8)
Increase in debtors	**(14.3)**	(0.4)
Increase in creditors	**27.5**	27.3
Additional cash payments to the pension scheme	**(25.8)**	(3.6)
Net cash inflow from operating activities	**222.0**	230.8

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

	2004	2003
	£m	£m
Increase in cash in year	**12.5**	6.7
Cash inflow from debt	**33.3**	27.0
Cash outflow/(inflow from) to increase/(to decrease) liquid resources	**70.5**	(2.5)
Movement in net debt in year	**116.3**	31.2
Net debt at 1 January	**(128.5)**	(159.7)
Net debt at 31 December	**(12.2)**	(128.5)

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

	At 1 January 2003 £m	Cash flow £m	At 31 December 2003 £m	Cash flow £m	**At 31 December 2004 £m**
Cash on call	–	6.4	6.4	12.5	**18.9**
Bank overdraft	(0.3)	0.3	–	–	**–**
	(0.3)	6.7	6.4	12.5	**18.9**
Short term deposits	30.0	(2.5)	27.5	70.5	**98.0**
Cash in balance sheet	29.7	4.2	33.9	83.0	**116.9**
Finance leases	(0.3)	0.1	(0.2)	0.1	**(0.1)**
Bank loan	(175.0)	25.0	(150.0)	30.0	**(120.0)**
Unsecured loan notes	(14.1)	1.9	(12.2)	3.2	**(9.0)**
Net (debt)/cash	(159.7)	31.2	(128.5)	**116.3**	**(12.2)**

30. Purchase of business undertakings

During the year the group acquired eight limited companies and the assets of nineteen 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 2004. Further adjustments may be necessary during 2005 when additional information is available.

	2004			2003
	Book value acquired	Fair value adjustments	**Fair value acquired**	Fair value acquired
Net assets acquired	£m	£m	**£m**	£m
Tangible fixed assets	8.6	(0.2)	**8.4**	5.7
Stock	6.8	–	**6.8**	15.2
Debtors	8.1	–	**8.1**	14.6
Cash	1.6	–	**1.6**	4.6
Creditors	(3.5)	–	**(3.5)**	(14.2)
Taxation	0.1	–	**0.1**	–
Bank overdrafts and loans	(0.4)	–	**(0.4)**	(3.9)
Deferred tax	–	–	**–**	(0.1)
	21.3	**(0.2)**	**21.1**	21.9
Goodwill			**19.1**	51.1
			40.2	73.0
Satisfied by cash			**40.2**	73.0

30. Purchase of business undertakings continued

	Fair value acquired £m	Goodwill £m	Cash paid £m	Net Cash acquired £m	Enterprise value £m
Other	21.1	19.1	40.2	(1.2)	39.0

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

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

31. Gearing

	2004	2003
Net debt	**£12.2m**	£128.5m
Shareholders' funds	**£630.5m**	£477.0m
Gearing	**1.9%**	26.9%

32. Free cash flow

	2004	2003
Like-for-like free cash flow, as referred to in the finance director's report, is derived as follows:	**£m**	£m
Net debt at 1 January	**(128.5)**	(159.7)
Net debt at 31 December	**(12.2)**	(128.5)
Movement in net debt in year	**116.3**	31.2
Adjustment in respect of creditors paid in advance	**–**	(16.6)
Dividends	**30.0**	23.7
Special pension contributions	**25.8**	3.6
Net cash outflow for expansion capital expenditure	**29.3**	17.4
Net cash outflow for acquisitions	**39.0**	72.3
Shares issued	**(90.6)**	(3.5)
Like-for-like free cash flow	**149.8**	128.1

The definition of like-for-like free cash flow has been amended during the year to mirror that typically used by investment analysts.

33. Return on equity

	2004		2003	
	£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		**207.8**		178.0
Closing net assets	**630.5**		477.0	
Pension deficit	**89.8**		85.1	
Closing goodwill written off	**110.1**		92.7	
	830.4		654.8	
Opening net assets	**477.0**		395.4	
Pension deficit	**85.1**		85.8	
Opening goodwill written off	**92.7**		77.4	
	654.8		558.6	
Average net assets*		**709.2**		606.7
Return on equity		**29.3%**		29.3%

* Due to the share issue in December 2004, a weighted average net assets has been used to calculate the average net assets for 2004.

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:

	2004	2003
	£m	£m
Profit on ordinary activities before interest and taxation	**200.8**	176.1
Goodwill amortisation	**17.4**	15.3
Depreciation	**32.3**	26.9
EBITDA	**250.5**	218.3

35. Post balance sheet event

As set out in the chairman's statement on pages 4 and 5, on 11 February 2005, the group acquired Wickes for a total consideration of approximately £980 million, representing a basic purchase price of £950 million debt free, plus the movement in working capital between 31 October 2004 and the date of completion of £10 million and notional interest of £20 million.

Five year record

Profit and loss account

	2004	2003	2002	2001	2000
	£m	£m	£m	£m	£m
Turnover	**1,828.6**	1,678.3	1,417.5	1,279.3	1,181.2
Operating profit before reorganisation costs and amortisation of goodwill	**218.2**	191.4	158.2	129.1	113.2
Reorganisation costs	–	–	–	–	(5.0)
Amortisation of goodwill	(17.4)	(15.3)	(12.1)	(10.5)	(10.0)
Operating profit after reorganisation costs and amortisation of goodwill	**200.8**	176.1	146.1	118.6	98.2
Profit on sale of properties	–	–	1.2	1.4	0.3
Net interest payable	(7.6)	(9 .1)	(8.9)	(10.7)	(12.7)
Other finance (costs)/income	(2.8)	(4.3)	(0.8)	1.2	1.6
Profit on ordinary activities before taxation	190.4	162.7	137.6	110.5	87.4
Tax on profit on ordinary activities	(60.3)	(53.8)	(45.8)	(35.5)	(27.8)
Profit on ordinary activities after taxation	130.1	108.9	91.8	75.0	59.6
Return on equity[1]	29.3%	29.3%	29.0%	27.3%	26.5%

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

Cash flow statement

	2004	2003	2002	2001	2000
	£m	£m	£m	£m	£m
Net cash inflow from operating activities	**222.0**	230.8	179.8	166.9	104.7
Net cash outflow for returns on investments and servicing of finance	(8.0)	(9.3)	(8.3)	(13.7)	(10.2)
UK corporation tax paid	(54.2)	(50.9)	(42.7)	(34.7)	(26.3)
Net cash outflow for capital expenditure and financial investment	(65.1)	(46.9)	(31.6)	(24.2)	(32.7)
Net cash outflow for acquisitions	(39.0)	(72.3)	(111.5)	(16.1)	(23.8)
Equity dividends paid	(30.0)	(23.7)	(20.0)	(17.8)	(15.8)
Issue of ordinary share capital	90.6	3.5	2.8	4.9	1.1
Increase in finance leases	–	–	(0.1)	–	(0.3)
Increase in debt due to issue of loan notes	–	–	(2.0)	–	(6.5)
Increase/(decrease) in cash balances	**116.3**	31.2	(33.6)	65.3	(9.8)
Net debt at 1 January	(128.5)	(159.7)	(126.1)	(191.4)	(181.6)
Net debt at 31 December	**(12.2)**	(128.5)	(159.7)	(126.1)	(191.4)

	2004	2003	2002	2001	2000
Number of branches at 31 December	751	700	610	502	473
Average number of employees	9,385	9,199	8,497	7,892	7,576
Earnings per ordinary share (pence)					
Basic	113.9p	96.5p	81.9p	67.3p	53.8p
Adjusted	129.1p	110.0p	91.6p	75.5p	65.7p
Dividend per ordinary share (pence)	30.5p	24.4p	19.5p	17.2p	15.3p

Balance sheet

	2004	2003	2002	2001	2000
	£m	£m	£m	£m	£m
Tangible fixed assets	326.3	284.7	258.2	226.4	215.8
Intangible fixed assets – goodwill	287.4	285.7	249.9	187.3	191.7
Investments	3.9	4.3	4.6	4.9	5.2
	617.6	574.7	512.7	418.6	412.7
Stocks	200.6	178.1	152.1	132.7	140.6
Debtors	287.8	265.4	250.4	215.7	211.9
Properties held for resale	–	0.2	1.0	1.8	1.5
Cash at bank, in hand and deposits	116.9	33.9	30.0	37.0	9.8
Creditors: amounts falling due within one year	(405.4)	(400.0)	(300.6)	(287.4)	(263.3)
Net current assets	199.9	77.6	132.9	99.8	100.5
Total assets less current liabilities	817.5	652.3	645.6	518.4	513.2
Creditors: amounts due after more than one year	(65.0)	(70.1)	(150.3)	(100.0)	(150.0)
Provisions for liabilities and charges	(32.2)	(20.1)	(14.1)	(8.9)	(5.7)
Pension (deficit)/asset	(89.8)	(85.1)	(85.8)	(22.7)	2.3
	630.5	477.0	395.4	386.8	359.8
Capital employed					
Called up share capital	12.1	11.3	11.3	11.2	11.1
Reserves	618.4	465.7	384.1	375.6	347.6
Total equity shareholders' funds	630.5	477.0	395.4	386.8	358.7
Minority interests – non equity	–	–	–	–	1.1
	630.5	477.0	395.4	386.8	359.8

Notice of annual general meeting

Notice is hereby given that the forty first 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 27 April 2005 at 11.45 a.m. for the following purposes:

The resolutions

Resolutions 1 to 10 (inclusive) will be proposed as ordinary resolutions. Resolutions 11 to 13 (inclusive) will be proposed as special resolutions.

Ordinary business

1. To receive the Company's financial statements for the year ended 31 December 2004 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 2004 of 21.0 pence per ordinary share, payable to shareholders on the register at the close of business on 22 April 2005.

3. To appoint, pursuant to Article 71 of the Companys' Articles of Association, John Coleman who was appointed as a director by the board on 10 February 2005. Biographical details of John Coleman appear on page 31.

4. To appoint, pursuant to Article 71 of the Company's Articles of Association, Geoff Cooper who was appointed as a director by the board on 1 February 2005. Biographical details of Geoff Cooper appear on page 30.

5. To re-appoint John Carter, who is retiring by rotation pursuant to Article 75 of the Company's Articles of Association. Biographical details of John Carter appear on page 30.

6. To re-appoint Michael Dearden, who is retiring by rotation pursuant to Article 75 of the Company's Articles of Association. Biographical details of Michael Dearden appear on page 31.

7. To re-appoint Peter Maydon, who is retiring by rotation, pursuant to Article 75 of the Company's Articles of Association. Biographical details of Peter Maydon appear on page 31.

8. To re-appoint Deloitte & Touche LLP, Chartered Accountants, as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.

Special business

9. That the directors' remuneration report for the financial year ended 31 December 2004 set out on pages 39 to 47 be approved.

10. 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 £1,439,526.

11. That, subject to the passing of Resolution 10, 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 £404,535.

12. That the amendments to the Company's Articles of Association as summarised in the directors' report to shareholders on pages 49 to 53 and produced to the meeting initialled by the Chairman, for the purpose of identification, be approved.

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 12,060,474 (representing 10 per cent of the issued ordinary share capital of the Company as at 4 March 2005);

    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,

AJPike

Andrew Pike Secretary
Lodge Way House, Harlestone Road, Northampton, NN5 7UG
4 March 2005
Registered in England No. 824821

Notes to the notice of annual general meeting

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.

2. To be effective, the instrument appointing a proxy and any authority under which it is signed (or a notarially certified copy of such authority) must be returned by post, courier or by hand, to the offices of the Company's Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

   CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 27 April 2005 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

   In each case the proxy appointments must be received by the Company not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at 5.00 p.m. on 25 April 2005 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 of the Articles of Association as proposed to be amended, will be available for inspection at the Registered Office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this Notice to the date of the Meeting and at Lord's Conference and Banqueting Centre from 11.15am on the day of the meeting until the conclusion of the Meeting.

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 01604 752424; email cosec@travisperkins.co.uk).

Share registrars' on-line service

By logging on to www.capitaregistrars.com, clicking on "are you a shareholder" and following the prompts 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	27 April 2005
Payment of final dividend	16 May 2005
Announcement of interim results	September 2005
Payment of interim dividend	November 2005
Announcement of 2005 annual results	March 2006

Share dealing services

HSBC Stockbrokers will be withdrawing their low cost share dealing service with effect from 1 April 2005. However, from that date, an on-line and telephone dealing service from the Company's share registrars, Capita IRG, will be available by logging on to www.capitadeal.com or telephoning 0870 458 4577. For the on-line service their commission rates are 1 per cent of the value of the deal (minimum £17.50, maximum £40) and for the telephone service their commission rates are 1.25 per cent of the value of the deal (minimum £20, maximum £50). A postcard is enclosed with the report and accounts giving details of the service, which you may wish to retain for future reference.

Internet

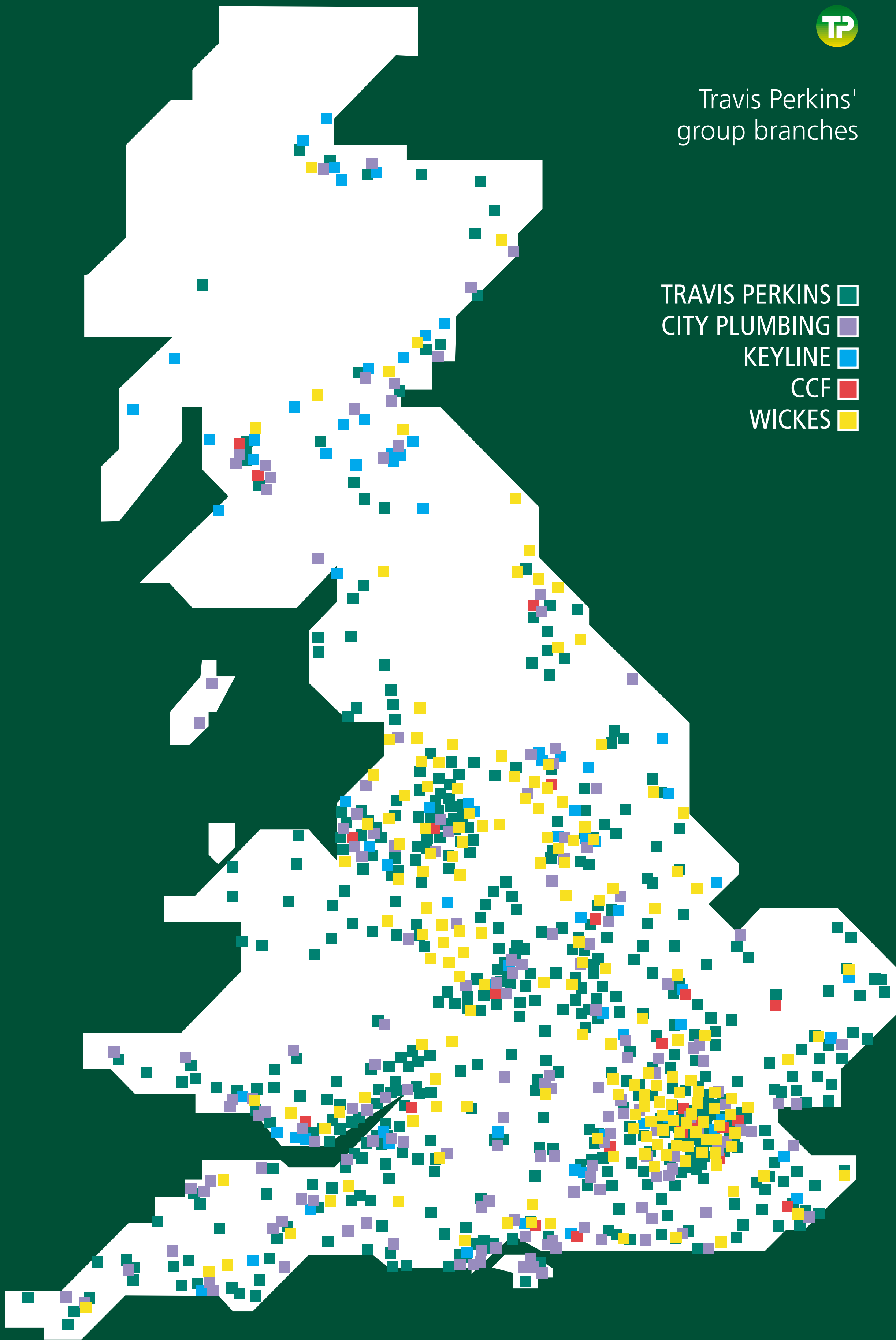
There are sites on the Internet that carry a range of information about the Company and its principal brands, products and services, at the following addresses:

www.travisperkins.co.uk	www.buildthedream.co.uk (Builders Merchants web site of the year 2003)
www.keyline.co.uk	www.homedimensions.co.uk
www.toolmart.co.uk	www.bmpublicsector.co.uk
www.cityplumbing.co.uk	www.tpnet.co.uk
www.ccfltd.co.uk	www.wickes.co.uk
www.tpph.co.uk	www.tpextranet.co.uk (Builders Merchants web site of the year 2004)
www.gardendimensions.co.uk	

Some of the sites provide information about branch locations and allow access to prices and the product range available. Customers are also able to construct their own price quotation that includes any special price arrangements that have been negotiated with the Company. During 2004, our e-billing service has been extended to offer customers invoices, credit notes and statements by email.

Travis Perkins' group branches

TRAVIS PERKINS
CITY PLUMBING
KEYLINE
CCF
WICKES



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