

TRAVIS PERKINS PRE-TAX PROFITS UP 24.3 PER CENT

DIVIDEND UP 13.2 PER CENT

	1999	1998	Increase
	£m	£m	%
Turnover	874.3	623.1	40.3
Operating Profit before reorganisation costs and amortisation of goodwill	90.4	61.8	46.3
Profit before taxation	75.2	60.5	24.3
Profit after taxation	52.7	41.8	26.1
Basic Earnings per share	50.0p	39.9p	25.3
Earnings per share before reorganisation costs, amortisation of goodwill and profit on sale of properties	59.7p	42.7p	39.8
Final dividend per share	9.4p	8.3p	13.3
Total dividend per share	13.7p	12.1p	13.2

Frank McKay, chief executive, said: In my first review as chief executive I am able to report continued growth and improved profitability for what has been a year of significant progress. In a programme of vigorous expansion we acquired 18 individual businesses which added 165 branches to our UK network. By the end of the year we were trading from 454 branches.

On the outlook, Mr Travis, chairman, commentedThe integration of Keyline and Sharpe and Fisher will lead to further gains this year, while additional expenditure on council housing stock together with the recent increase in the general level of property transactions, is likely to stimulate the important repair and maintenance market. As a result, we feel confident regarding the prospects for our Company and the industry in which we operate.

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Chairman's Statement

Results

In a year that has seen the largest expansion of the Group in its history, I am pleased to report that pre-tax profits for the year ended 31st December 1999 were £75.2 million, an increase of 24.3% over the £60.5 million earned in 1998. The 1999 figure is after charging £6.6 million exceptional costs associated with the reorganisation of certain acquisitions and after the amortisation of £4.2 million of goodwill.

Turnover at £874.3 million was 40.3% ahead of the previous year. The acquisitions of Keyline and Sharpe and Fisher during the year largely accounted for this increase.

Basic earnings per share were 50.0 pence, compared with 39.9 pence in 1998, an increase of 25.3%. Adjusted for reorganisation costs, amortisation of goodwill and profit from the sale of surplus properties, earnings per share were 59.7p compared with 42.7p in 1998, an increase of 39.8%.

These are very satisfactory results during a period of considerable consolidation in the industry in which your Group played its part. We are now one of the top three distributors of building materials in the United Kingdom and intend to develop this position further.

Dividend

The board is recommending a final dividend of 9.4 pence per share, giving a total dividend for the year of 13.7 pence, an increase of 13.2% on the 12.1 pence per share paid for the previous year.

Board of Directors

After 32 years of service, Ted Adams retired as managing director at the end of last year. Ted has been fundamental to the development of the company, helping to build it up in his early career, restructuring it during the deep recession at the start of the 1990's and developing it into a leading position in the industry in recent years. We thank him for everything and are very pleased that he will be remaining on the board in an executive role until the end of July when he will become a non-executive director.

Frank McKay joined the board on 1st November 1999 and was appointed chief executive on 1st January 2000. Frank has gained many years of experience through senior management roles in the United Kingdom, Europe and the United States. Prior to joining our Group he was an executive director of Blue Circle plc and chief executive responsible for their Heating Division. We welcome him to our board and look forward to the contribution he will make. Consequently, from the start of this year I have relinquished my role as chief executive in order to spend more of my time as chairman.

We would also like to welcome Charles Fisher to the board as a non-executive director. Charles was appointed on 1st January 2000 following the acquisition of Sharpe and Fisher where he was executive chairman. His experience and wide knowledge of the industry will be a great asset.

Staff

In the constant quest to improve the quality of our operations we ask much of all our staff who now number more than 7,000. On behalf of the board I would like to thank them for everything they have done to make 1999 another successful year for the Company.

Outlook

In 1999 the market for our products strengthened gradually as the year progressed. Consumer confidence increased during the year and mortgage lending and property transactions rose. Concern that higher consumption might lead to higher inflation prompted the Bank of England to raise interest rates.

The integration of Keyline and Sharpe and Fisher will lead to further gains this year, while additional expenditure on council housing stock together with the recent increase in the general level of property transactions, is likely to stimulate the important repair and maintenance market. As a result, we feel confident regarding the prospects for our Company and the industry in which we operate.

A Travis

Chairman

Chief Executive's Review

Results

In my first review as chief executive I am able to report continued growth and improved profitability for what has been a year of significant expansion. Operating profit before reorganisation costs and amortisation of goodwill rose by 46.3% from £61.8 million to £90.4 million of which £17.1 million was a contribution from acquisitions made during the year. Operating profit as a percentage of sales increased to 10.3%. We estimate that our market share is around 12.5%.

Acquisitions

In a programme of vigorous expansion we acquired 18 individual businesses which added 165 branches to our UK network. By the end of the year we were trading from 454 branches. The total amount spent on acquisitions was £284.6 million.

The largest acquisition, in June, was Keyline Builders Merchants Limited. Keyline operates from 101 branches located throughout the country and complements the Travis Perkins network by being particularly strong in the north of England and Scotland. We have converted 32 Keyline branches to the Travis Perkins brand. These are developing well and Keyline's 69 other branches retain the Keyline brand and continue to specialise in the stocking and selling of heavyside building material products. The transfer of all the Keyline branches onto Travis Perkins electronic point of sale and accounting systems was completed on schedule.

In December last year we acquired Sharpe & Fisher plc. Trading from 38 branches in the south-west of England and Wales, it greatly strengthens our presence in this part of the country. All Sharpe & Fisher branches, whose customer focus is similar to that of Travis Perkins Trading Company, will have been rebranded by the end of May 2000.

A further 10 tool hire outlets were opened, in addition to 10 acquired with Keyline and 11 with Sharpe & Fisher, bringing the total to 120 at the end of the year.

Included with other smaller acquisitions was the addition in March 1999 of Smiths and Sons (London) Limited, operating from 9 branches in Greater London.

We continue to explore all opportunities to enhance our market position.

Branch developments

Developments within our existing branch network included the establishment of specialist centres for silent flooring systems in Kings Lynn, Aylesford, Portslade and Maidenhead. We also continued to extend the number of specialist insulation and dry lining centres and decorating centres. Major refurbishments to our branches at Rushden, Felixstowe, Bala, Hoylake and Aylesbury were also carried out.

Travis Perkins Trading Company Limited

The gross profit including rebate, for all product groups, continued to improve as a percentage of sales due principally to further efficiency gains throughout the business and a closer, more focused relationship with our suppliers.

Sales of heavyside building materials showed good like-for-like gains over the previous year and demonstrated our continuing strength in this product range. Timber sales were impeded by downward pressure on prices in an intensely competitive market.

D.W. Archer Limited

This company, specialising in the importing, machining and distribution of softwood and the assembly of timber roofing products, found conditions less buoyant than expected as pressure on prices and margins increased. Timber cost prices fell largely as a result of the continued strength of sterling and like-for-like sales volumes were slightly below those of the previous year.

Travis Perkins (Properties) Limited

Our property holding company, Travis Perkins (Properties) Limited, sold four surplus sites in 1999, generating a profit of £0.6 million compared with a profit on disposals of £0.9 million in the previous year.

E - Commerce

We extended the capabilities of our existing internet site by adding on-line price enquiry and electronic ordering services for our customers. These systems are fully integrated with our core electronic point of sale applications. A further new internet service allows customers to access their account balances and to print off copy documents, such as invoices, statements and credit notes. Additional product information, including illustrations, specifications and health and safety data, is now available through the internet for an ever-increasing number of products. New websites have been launched for the Keyline and D.W. Archer brands.

Development of electronic data interchange links to our customers and suppliers has continued. The volume of electronic invoices received increased by some 50% and we support a full set of electronic ordering and invoicing processes with both suppliers and customers.

Customer Service

We will intensify our focus on delivering superior value and improved service. To this end we have increased our investment in staff skills training, enhanced the quality of our product literature and upgraded our systems. We are constantly refining our continuous improvement programmes in order to achieve still higher standards.

Pivotal to the growth of our company is the close relationship we enjoy with our customers, yet we could not succeed without the quality, dedication and commitment of our staff at all levels. I thank them for their efforts in 1999 which have contributed enormously to the achievement of another record year for the company.

F. J. McKay

Chief Executive

Finance Director's Report Results

Operating profit, after goodwill amortisation and reorganisation costs totalled £79.6 million, an increase of 37% over 1998. Goodwill amortisation totalled £4.2 million (1998 £0.5 million) and exceptional reorganisation costs were £6.6 million (1998 £3.2million)

Acquisition Financing

The total consideration, for acquisitions including transaction costs was £284.6 million comprising £184.6 million in respect of Keyline, 100% cash, £83.6 million in respect of Sharpe & Fisher of which 58% was in cash and loan notes and 42% in shares, and £16.4 million, all cash, in respect of other acquisitions.

Two loan facilities were arranged to finance the acquisitions, a £200 million term and revolving syndicated credit facility, repayable over a 5 year period ending in May 2004 and a £25 million facility repayable in November 2002. In addition, loan notes to the value of £11.8 million were issued to Sharpe & Fisher shareholders, redeemable at six monthly intervals ending in January 2010.

At 31st December 1999, net borrowings of £181.6 million, were 85% covered by a 3 year interest rate swap into a fixed rate of 5.5%. The market value of the swap at 31st December 1999 is £3.5 million reducing basis.

Interest

Net interest charged in the year was £5.0 million. This compares with interest credited of £1.5 million in 1998. The increased cost is attributable to the financing of acquisitions made during the period.

Exceptional costs

Exceptional re-organisation costs totalled £6.6 million. Of this £3.6 million related to the integration of Keyline Builders Merchants Limited and £3.0 million to Sharpe & Fisher plc. The centralisation of both accounting and computer systems has led to Head Office redundancy costs at Kirkintilloch and Cheltenham and the write-off of computer equipment.

Taxation

The effective rate of taxation, after adjusting for property profits and goodwill amortisation, was 28.6% (1998: 31.2%). The lower rate results from a reduction in the rate of corporation tax from 31% to 30% in April 1999 and a favourable short term acceleration in capital allowances.

Shareholders' Funds

Total equity shareholders' funds increased by 45.9% to £313.4 million from £215.5 million. This results from £37.8 million of retained profit, together with £36.3 million from the issue of new shares and £23.8 million of additional value in the Company's properties after the recent revaluation.

The number of shares in issue increased by 5.7 million (5.4%) to 110.6 million during the year. Shares issued as a result of the acquisition of Sharpe & Fisher

plc totalled 5.2 million with the balance being due to the exercise of employee and director share options.

The return on equity funds increased to 27.1% in 1999 from 25.3% in 1998.

At the year end the share price was 666.5 pence, and the market capitalisation £737 million, representing 2.4 times shareholders' funds.

Property Valuation

The majority of the Group's freehold and leasehold property portfolio, with the exception of those properties already valued on acquisition in the previous 18 months, was valued at open market value on an existing use basis as at 31st December 1999. The valuation was carried out by an independent professional valuer and totalled £113.0 million, a surplus of £23.8 million on net book value. Properties previously valued and not included in this valuation are carried at a net book value of £37.3million. The total carrying value of the 464 properties on the balance sheet is £150.3 million representing 48% of shareholders' funds. Freehold properties represent 58% of the total.

Goodwill

The net book value of goodwill in the balance sheet is £181.1 million and is being amortised over 20 years. Additions to goodwill in the year amounted to £172.4 million of which £106.8 million related to the acquisition of Keyline, £59.2 million related to the acquisition of Sharpe & Fisher and £6.4 million related to other acquisitions.

In accordance with FRS 10, an impairment review was carried out at December 1999, the end of the first full year following the 1998 acquisitions. No impairments were identified as a result of this review.

Cash flow

Increased profitability and improved working capital management have contributed to a higher cash inflow from operating activities in the year, which has increased by 61% from £66.4 million to £106.6 million. The net debt balance at the year end of £181.6 million represents a gearing level of 57.5%, compared with a net cash balance of £31.1 million at the end of 1998. Interest costs of £5.0 million were covered 18 times by operating profit before reorganisation costs and amortisation of goodwill.

Accounting Policies and Standards

The accounting policies for the Group are set out in Report and Accounts. FRS 12, the new standard on provisions, contingent liabilities and contingent assets, was implemented during the year. In addition, the disclosure requirements contained in FRS 13, the new standard on derivatives and other financial instruments, have been included in these financial statements.

Treasury Risk Management

Treasury activities are managed centrally under policies and procedures approved and monitored by the board. The main risk facing the Group is exposure to interest rate fluctuations. The Group is not exposed to significant foreign exchange risk as most purchases are invoiced in sterling. Where there is exposure, forward contracts are used where appropriate. In 1999 these contracts represented less than 10% of currency purchases.

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 uses interest rate swaps into fixed rates to generate the preferred interest rate profile and to manage the Group's exposure to interest rate fluctuations.

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. At the year end £40.0 million of the £225.0 million loan facility was unused. In addition, available overdraft facilities totalled £29.0 million.

Year 2000

The directors are aware of the potential risks surrounding the year 2000 issue. At the beginning of the current year few problems were experienced with systems. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the Group. However, the situation is still being monitored. Any future costs associated with this issue are not expected to be significant.

P. N. Hampden Smith

Finance Director

Consolidated Profit & Loss Account

for the year ended 31st December 1999

£m	Continuing Operations Acquisitions		1999	1998
Turnover	662.9	211.4	874.3	623.1
Operating profit before reorganisation costs and amortisation of goodwill	73.3	17.1	90.4	61.8
Reorganisation costs		- (6.6)	(6.6)	(3.2)
Amortisation of goodwill	(0.7)	(3.5)	(4.2)	(0.5)
Operating profit after reorganisation costs and amortisation of goodwill	72.6	7.0	79.6	58.1
Profit on sale of properties	0.6	-	0.6	0.9
Profit on ordinary activities before interest	73.2	7.0	80.2	59.0
Net interest (payable) / receivable			(5.0)	1.5
Profit on ordinary activities before taxation			75.2	60.5
Tax on profit on ordinary activities			(22.5)	(18.7)
Profit on ordinary activities after taxation			52.7	41.8
Dividends paid and proposed			(14.9)	(12.7)
Retained profit transferred to reserves			37.8	29.1
Earnings per ordinary share				

Basic	50.0p	39.9p
Diluted	49.6p	39.8p
Before reorganisation costs, amortisation of goodwill and profit on sale of properties	59.7p	42.7p
Dividend per ordinary share	13.7p	12.1p

There is no material difference between the result as disclosed in the Group profit and loss account and the result on an unmodified historical cost basis.

Balance Sheets

for the year ended 31st December 1999

£m	The Group		The Company	
	1999	1998	1999	1998
Fixed assets				
Tangible assets	194.2	96.3	0.1	0.1
Intangible assets - goodwill	181.1	12.9	-	-
Investments	4.0	3.4	381.3	114.4
	379.3	112.6	381.4	114.5
Current assets				
Stocks	127.8	82.9	-	-
Debtors	205.5	111.3	46.6	17.3
Properties held for resale	0.3	0.6	-	-
Cash at bank and in hand	17.0	31.7	2.0	36.8
	350.6	226.5	48.6	54.1
Creditors: amounts falling due within one year	(227.3)	(122.5)	(40.3)	(10.2)
Net current assets	123.3	104.0	8.3	43.9
Total assets less current liabilities	502.6	216.6	389.7	158.4
Creditors: amounts falling due after more than one year	(185.1)	(0.2)	(238.2)	(43.6)
Provisions for liabilities and charges	(3.0)	(0.9)	-	-
	314.5	215.5	151.5	114.8
Capital and reserves				
Called up share capital	11.1	10.5	11.1	10.5
Share premium account	52.0	15.9	50.9	14.8
Revaluation reserves	32.0	7.8	-	-
Profit and loss account	218.3	181.3	89.5	89.5
Total equity shareholders' funds	313.4	215.5	151.5	114.8
Minority Interests - non equity	1.1	-	-	-
	314.5	215.5	151.5	114.8

Consolidated Cash Flow Statement

for the year ended 31st December 1999

£m	1999	1998
Net cash inflow from operating activities	106.6	66.4
Returns on investments and servicing of finance		
Interest received	1.2	1.6
Interest paid	(5.1)	(0.1)
Net cash (outflow) / inflow for returns on investments and servicing of finance	(3.9)	1.5
Taxation		
UK corporation tax paid (including A.C.T.)	(24.6)	(14.7)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(17.5)	(13.1)
Receipts from sales of tangible fixed assets	1.9	2.4
Net cash outflow for capital expenditure and financial investment	(15.6)	(10.7)
Acquisitions		
Purchase of business undertakings	(237.6)	(26.6)
Net overdrafts acquired with business undertakings	(14.2)	(2.8)
Net cash outflow for acquisitions	(251.8)	(29.4)
Equity dividends paid	(13.1)	(12.1)
Cash (outflow) / inflow before use of liquid resources and financing	(202.4)	1.0
Management of liquid resources		
Cash inflow from short term deposits	11.8	2.7
Financing		
Issue of ordinary share capital	1.5	0.5
New bank loans	205.0	-
Repayment of bank loans	(20.0)	-
Repayment of unsecured loan notes	-	(2.4)
Capital element of finance lease rentals	(0.2)	(0.6)
	186.3	(2.5)

(Decrease) / increase in cash in the year (4.3) 1.2

Reconciliation of Movements in Equity Shareholders' Funds

for the year ended 31st December 1999

£m	1999	1998
Shareholders' funds at 1st January	215.5	185.9
Profit attributable to shareholders of the Company	52.7	41.8
Dividends	(14.9)	(12.7)
Retained Profit transferred to reserves	37.8	29.1
New share capital subscribed	36.3	0.5
Revaluation of Properties	23.8	-
Net increase in shareholders' funds	97.9	29.6
Shareholders' funds at 31st December	313.4	215.5

Statement of Total Recognised Gains and Losses

for the year ended 31st December 1999

£m	1999	1998
Profit attributable to shareholders of the Company	52.7	41.8
Unrealised surplus on revaluation of properties	23.8	-
Total recognised gains and losses relating to the year	76.5	41.8

Notes:

1. The accounting policies used are consistent with those stated in the financial statements of the group for the year ended 31st December 1998.
2. These statements are not statutory accounts within the meaning of s240 of the Companies Act 1985.
3. The results for the year ended 31st December 1998 are taken from the Group's statutory accounts which carry an unqualified auditors' report and which have been filed with the Registrar of Companies.

4. Statutory accounts for the year ended 31st December 1999 on which the auditors have given an unqualified report will be delivered to the Registrar of Companies in due course.

5. The statutory accounts both for the year ended 31st December 1998 and the year ended 31st December 1999 did not contain a statement under s237 (2) or (3) of the Companies Act 1985.

6. An interim dividend of 4.3 pence was paid to shareholders on 1st November 1999. The proposed final dividend of 9.4 pence will be paid on 17th May 2000 to shareholders on the register at 14th April 2000.

7. It is intended to post the Report and Accounts on 20th March 2000 and to hold the Annual General meeting on 18th April 2000.

Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

£m	1999	1998
Operating profit after reorganisation costs and amortisation of goodwill	79.6	58.1
Depreciation charges	12.9	8.9
Other amounts written off tangible fixed assets	1.9	-
Amortisation of goodwill	4.2	0.5
Profit on sale of fixed assets	(0.3)	(0.5)
Decrease / (increase) in stocks	1.2	(5.8)
Increase in debtors	(15.2)	(3.0)
Increase in creditors	22.3	8.2
Net cash inflow from operating activities	106.6	66.4

Reconciliation of Net Cash Flow to Net Movement in Cash

£m	1999	1998
(Decrease) / increase in cash in year	(4.3)	1.2
Cash (inflow from) / outflow to repay debt	(185.0)	2.4
Cash inflow from decrease in liquid resources	(11.8)	(2.7)
Change in net cash resulting from cash flows	(201.1)	0.9
Non-cash changes	(11.8)	0.0
Decrease in finance leases	0.2	0.0
Movement in net cash in year	(212.7)	0.9
Net cash at 1st January	31.1	30.2
Net (debt) / cash at 31st December	(181.6)	31.1